



MAIN ALLOWABLE BUSINESS EXPENSES SOLE TRADERS AND PARTNERSHIPS

Basic costs and general running expenses

Expenses normally allowed if they are incurred wholly and exclusively for business purposes and of a revenue and not capital nature and include:

- the cost of goods bought for resale and raw materials used in business
- discounts allowed on sales
- advertising
- delivery charges
- heating on business premises
- lighting on business premises
- cleaning for business premises
- business rates
- rent of business premises
- telephone and mobiles (less an adjustment for private use if applicable)
- postage
- stationery
- replacement of small tools and protective clothing
- relevant books and magazines
- accountants' fees for the preparation of the annual accounts
- bank charges on business accounts
- VAT if you are not registered

However, the initial cost of buildings, machinery, vehicles, equipment and permanent advertising signs is not allowable. Although capital allowances can be claimed on the majority of these items apart from buildings. There are separate allowances for industrial and agricultural buildings.

Use of home for work

A nominal amount per year of using your home for work or as an office is allowable, to take into account the additional costs of working from home and increase in utility bills.

Alternatively a proportion attributable to the business use of lighting, heating, cleaning, insurance and council tax is allowable. However we would generally advise against this due to the potential Capital Gains Tax implications.

Wages and salaries

Wages, salaries, and most redundancy payments paid to employees are allowable. Also, payments on counselling employees made redundant is allowable





Tax and National Insurance

Employer's National Insurance contributions for employees are normally allowed. Also if you are not VAT registered the VAT inclusive costs can be included as an expense. If you are VAT registered, VAT is not an allowable cost. Also the following are not allowable; Personal Tax, Capital Gains Tax and Inheritance Tax for employees or the business owners.

Entertaining your staff

Entertainment of your own staff and their guests is allowable. If it is below £150 per head, inclusive of VAT, for one or more annual functions, where all employees are invited, e.g. for Christmas party, there is no taxable benefit, however if this limit is exceeded there are benefit in kind consequences to consider. Any business entertainment is not allowed.

Gifts

Gifts costing up to £10 a year to each person are normally allowable, so long as the gift advertises your business name. Food, drink, tobacco, gifts or vouchers for goods given to anyone other than employees are not allowable.

Travelling

The cost of travel and accommodation on business trips and travel between different places of work is allowable. Also, the running costs of your own car, excluding depreciation, if used for business is allowable, less a proportion to take into account the element of private use. Provided trips are exclusively for business purposes, the cost of travel is allowable to and from the UK to carry on business performed wholly outside the UK. Travel between home and business, and meals, except the reasonable cost of evening meals and breakfast on overnight trips, are not allowable. Neither is the cost of buying a car or a van (you can claim capital allowances for these instead).

Interest payments

Interest on, and costs of arranging, overdrafts and loans for business purposes are allowable, but not interest on loans paid or credited to business owners, or interest on overdue tax.

Hire purchase and leasing

For hire purchase, the hire charge part of payments (i.e. the amount you pay less the cash price) is allowable. Also, rent paid for leasing cars or machinery is allowable (although this will be restricted for expensive cars where the list price is over £12,000). The cash price of whatever you are buying on hire purchase is not allowable (although capital allowances can be claimed here in most cases.)

Hiring

Reasonable charges for hiring capital goods, including cars, are normally allowable.





Insurance

Business insurance (e.g. employer's liability, fire and theft, motor) is allowable. Also, life insurance, personal accident insurance, permanent health insurance and private medical insurance for employees are allowable, although there will be benefit in kind implications. As owners of the business your own life, accident, permanent health and private medical insurance are not allowable.

Trademarks, designs and patents

Fees paid to register a trade mark or design, or to obtain a patent are normally allowable. However, the cost of buying a patent from someone else is not allowable (you can claim capital allowances instead).

Legal costs

The costs of recovering debts, defending business rights, preparing service agreements and appealing against rates on business premises are allowable. Also, the costs of renewing a lease with the landlord's consent for a period not exceeding 50 years (but possibly not in full if a premium is paid). However, expenses (including stamp duty) for acquiring land, buildings or leases are not allowable. Neither are fines and other penalties for breaking the law nor the costs of fighting a tax case.

Repairs

Normal repairs and maintenance to premises or equipment are allowable. The cost of additions, alterations and improvements is not allowable (although capital allowances may be available on some items.)

Debts

Specific bad debts and, in part, doubtful debts are normally allowable, however, general reserve for bad or doubtful debts is not allowable.

Subscriptions and contributions

Payments which secure benefits for your business staff and genuine contributions to an approved local enterprise agency are allowable. Also, payments to professional bodies which have arrangements with the Revenue (in some cases only a proportion) and contributions to Training and Enterprise Councils are allowable.

Training

Subject to certain conditions, the cost of training employees to acquire and improve skills needed for their current jobs is allowable. Also, the cost of training employees who are leaving, or who have left, in new work skills is allowable.

Whilst every effort has been made to ensure the accuracy of this document we cannot accept liability for any errors or omissions contain herein nor liability for any person acting or refraining from action as a result of the information contained here.

