

CLAIMING EXPENSES IF YOU ARE SELF EMPLOYED

WHAT IS ALLOWED? WHAT IS NOT ALLOWED?

If you run a business as a sole trader & are registered as self employed, you will likely have to complete a Self-Assessment Tax Return (SATR) for each tax year.

If you have multiple incomes, you will need ALL the details from ALL sources of income to complete your SATR.

(multiple incomes include but are not limited to: paid employment, self-employment, work as a CIS sub-contractor, rental income as a landlord, pension income (state/private/company), dividends from shares (as a shareholder and / or director of a Ltd Company, income from overseas interests, etc.)

A tax year runs from 6 April to the following 5 April & all the information must be submitted online no later than the following 31 January.

So, for the tax year ending 5 April 2017, the submission deadline is 31 January 2018.

TIP NO 1 - HIRE A GOOD ACCOUNTANT

It is strongly recommended that you retain the services of an accountant. They will be up-to-date on what is allowed, what is not allowed, what changes from year to year & what particular things may apply to your specific industry or field.

However, finding & being accepted by a good accountant in January to complete the SATR due now is probably NOT going to happen! They're all busy.

So, if you don't have an accountant and are still doing your own tax return, the following is a good guide to what expenses you can deduct from your income to calculate the figure on which you should be paying Income tax and National Insurance.

The government's own website is quite straightforward & clear about what you can & cannot claim. It is updated regularly and contains information on things which commonly crop up in most businesses.

<https://www.gov.uk/expenses-if-youre-self-employed>

NOTE:

**this link applies to self-employed ONLY.
If you are a Landlord, seek advice.**

**If you operate under a Limited Company - the rules are VERY different.
If you have overseas income, seek advice.**

Remember: if you have tax to pay, that is actually a good thing as it means you are making money (profit) - which is why you are in business in the first place.

However - it is important that you pay the right amount of tax - not too much & not too little!

This is a list of common expenses incurred by businesses. The categories are the same as the ones on the self-employed pages of the SATR.

CATEGORY	ALLOWED (examples)	NOT ALLOWED (examples)
COST OF GOODS BOUGHT FOR RESALE OR GOODS USED	<ul style="list-style-type: none"> • items bought to re-sell • raw materials (e.g. wood by a carpenter) • costs of producing goods from other parts 	<ul style="list-style-type: none"> • costs of goods you remove from the business for private use
CAR, VAN & TRAVEL EXPENSES (after private use proportion)	<ul style="list-style-type: none"> • parking • train, bus, air and taxi fares • hotel rooms & meals on overnight business trips • any costs relating to a vehicle owned by the business • if the business buys a vehicle, seek advice 	<ul style="list-style-type: none"> • costs relating to a vehicle which is NOT owned by the business (this includes petrol / diesel as fuel) even if it used in the business sometimes *1 • non-business driving or travel costs • fines (parking, speeding, etc) • travel between home & a permanent place of work
WAGES, SALARIES & OTHER STAFF COSTS	<ul style="list-style-type: none"> • if registered as an employer (with a PAYE reference number), all gross pay, bonuses, benefits, Employer's contributions to National Insurance, Pensions, etc. • subcontractors' charges • agency fees (recruitment or temp staff) • Employers' liability insurance premiums 	<ul style="list-style-type: none"> • your own drawings or what you consider to be your 'wages' • domestic staff - e.g. carers, cleaners, nannies (even if having them allows you to work in your business)
RENT, RATES, POWER & INSURANCE	<ul style="list-style-type: none"> • rent for business premises • business and water rates • utility bills for business premises • insurance premiums for business premises & contents • security • using your home as an office *2 	<ul style="list-style-type: none"> • rent or other bills for your home even if you work there
REPAIRS & MAINTENANCE OR PROPERTY & EQUIPMENT	<ul style="list-style-type: none"> • repairs to business premises - leaks, faults • repairs to e.g. a pc or printer used in the business 	<ul style="list-style-type: none"> • charges incurred in buying business premises
ACCOUNTANCY, LEGAL & OTHER PROFESSIONAL FEES	<ul style="list-style-type: none"> • accountants & book-keepers charges • accountancy software charges • professional indemnity insurance premiums • legal fees if you chase a debt owed to you 	<ul style="list-style-type: none"> • fines for breaking the law
INTEREST & BANK & CREDIT CARDS ETC. FINANCIAL CHARGES	<ul style="list-style-type: none"> • bank, overdraft & credit card charges *3 • interest on bank & other business loans *4 • hire purchase interest 	<ul style="list-style-type: none"> •

	<ul style="list-style-type: none"> leasing payments other finance payments (e.g. Islamic finance) 	
PHONE, FAX, STATIONERY & OTHER OFFICE COSTS	<ul style="list-style-type: none"> phone, mobile, fax and internet bills (business use part ONLY) postage stationery printing printer ink and cartridges computer software your business uses for less than 2 years or if renewed periodically *4 	<ul style="list-style-type: none"> phone, mobile, fax and internet bills (personal use)
OTHER ALLOWABLE BUSINESS EXPENSES (client entertaining costs are not an allowable expense)		
CLOTHING	<ul style="list-style-type: none"> Uniform (with logo) Protective clothing Costumes for acting or entertaining 	<ul style="list-style-type: none"> 'normal' clothes even if you only wear them for work
ADVERTISING & MARKETING	<ul style="list-style-type: none"> ads in newspapers, magazines, directories, tv, radio, mailshots free samples website costs (development & running) 	<ul style="list-style-type: none"> entertaining clients, customers or suppliers costs of attending hospitality events (bar, food)
SUBSCRIPTIONS	<ul style="list-style-type: none"> trade or professional journals trade body or professional organisation memberships IF related to the business 	<ul style="list-style-type: none"> payments / donations to political parties gym membership (unless a BIK for employee) donations to charity
SPONSORSHIP	<ul style="list-style-type: none"> IF the criteria are met: https://www.gov.uk/tax-limited-company-gives-to-charity/sponsoring-a-charity 	
BAD DEBTS	SEEK FURTHER ADVICE	

FURTHER NOTES

*1 - use of a vehicle NOT owned by the business. It is possible to calculate the proportion of costs relating to the vehicle and this MAY give a different figure BUT it is much easier to simply claim for business mileage. You must keep a detailed log of business mileage.

Type of vehicle	Number of miles	Flat rate per mile using simplified expenses
Cars & vans	Up to 10,000 per year	45p
Cars & vans	10,001 +	25p
Motorcycles		24p

*2 using your home as an office. There is a way to proportion ALL your household bills into the number of hours you work there and the number of rooms you use, etc. BUT it is much easier - if you work more than 25 hours a month there - to use the simplified flat rate amount:

Hours of business use per MONTH	OR Average hrs per week	Flat rate claim per MONTH	Full year claim
25 - 50	5.75 - 11.5	£10	£120
51 - 100	11.5 - 23	£18	£216
101+	23+	£26	£312

*3 if you are using cash basis accounting, there is a maximum claim of £500 for interest & bank charges. Seek further advice.

*4 if you buy any equipment which will be used in the business for MORE than 2 years, seek further advice.

PLEASE NOTE THAT THIS DOCUMENT IS IN NO WAY MEANT TO BE DEFINITIVE ADVICE.

IT IS SIMPLY GUIDANCE COLLATING SOME OTHER SOURCES OF DATA (MOSTLY HMRC WEBSITE ON THE SPECIFIC TOPIC).

TOTAL OFFICE HELP LTD ALWAYS STRONGLY RECOMMENDS SEEKING THE ADVICE OF A QUALIFIED PROFESSIONAL TAX ADVISER OR ACCOUNTANT.

TOTAL OFFICE HELP LTD ACCEPTS NO RESPONSIBILITY FOR ANY USE OF THIS INFORMATION IN ANY WAY.