

What is a business expense?

A business expense is anything that is **wholly and exclusively** incurred for the purpose of carrying on in business.

If an expense is incurred partly for business and partly for personal then it must be apportioned as only the business part is tax deductible.



HMRC checks

Please note that in the event of a HMRC enquiry into your affairs, documentary evidence may be sought to verify expenses claimed. It is therefore always advisable to keep receipts and invoices wherever possible.

Since April 2013, HMRC have new powers to perform business records checks. Timely bookkeeping and the maintenance of clear business records is strongly advised.

Would you like more information? Please feel free to contact:



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Business Expenses

For Sole traders/Partnerships





Business expenses for sole traders / partnership - What is tax deductible?

Allowable expenses qualifying for tax deductions:

Cost of goods - bought for resale or stock used - i.e. cost of sales. ✓

Equipment expended -e.g. the cost of carrier bags, tools, cleaning materials for your office/ shop. ✓

Staff costs - e.g. wages, salaries, training costs, recruitment costs. You may need to run a payroll and you should seek advice in this area if you are employing staff. ✓

Subcontractor costs- there are many issues around labour costs which are not processed through payroll. Please seek advice if this is relevant. ✓

Motor expenses - as a sole trader/ partnership there is more scope for claiming costs of owning/ running a vehicle than there is under a limited company. Relevant costs that can be claimed for in this area are car insurance, repairs and servicing, business parking, hire charges, vehicle licencing fees, AA/ RAC insurance. If your vehicle is a van then more generous rules apply. If it is a car, and if it is used partly for personal use, then some apportionment of costs between personal and business use may be necessary. ✓

Business mileage - HMRC have issued fuel rates for cars that can be applied as a deduction for tax purposes. These rates are calculated on the basis of business mileage. If you carry a passenger for business purposes then the rates are even more generous. It is can be worthwhile keeping a log of your business mileage. ✓

Travel costs -train, bus and taxi fares are tax deductible if incurred for business purposes. ✓

Subsistence - where you are carrying on business away from your normal place of business (i.e. in a temporary workplace) then reasonable subsistence costs may be tax deductible e.g. the cost of a meal whilst away from home, the cost of coffee etc. ✓

Rent, rates, utility and insurance costs – such costs incurred for business premises are tax deductible. ✓

Use of home – if you work from home then a reasonable proportion of your home running costs may be tax deductible. There are many considerations in this and advice should be sought in this area. ✓

Repairs and maintenance – of any business related equipment e.g. cost of painting your office premises. ✓

Subscriptions to professional/ regulatory bodies are allowable expenses for which tax relief can be sought. ✓

Telephone, fax, stationary and other office costs - allowable costs may include a proportion of your mobile telephone costs if it is partly used for business. If you have separate mobile phone for business then all of the costs will be allowable. If you make business calls from your home phone then a proportion of these may also be allowable. ✓

Advertising - this includes the cost of free samples given away to customers on a promotional basis. Entertaining is not an allowable expense unless it is a small amount of staff entertaining. ✓

Interest and bank/ credit card charges – interest on business loans or charges on a business bank account and credit card are allowable. ✓

Bad debts written off - The costs of specific bad debts that cannot be recovered and have to be written off, is tax deductible. However, a clear record of each customer balance is recommended as general bad debt provisions are disallowed. ✓

Accountancy, legal and professional fees – fees in connection with normal revenue expenditure are tax deductible. However, if the fees are capital in nature then they may not be allowable. ✓