



Neon Bear
Accountancy

Business Expenses: The Guide You've Always Needed



HERE'S WHAT YOU CAN EXPENSE TO YOUR BUSINESS

The breakdown you've always needed...

It's no secret that allowable business expenses will reduce the amount of profit you make. The higher they are, the lower your company profits will be and ultimately, you'll pay less corporation tax to HMRC.

Now, every business owner will always want to pay less tax, of course they will, and one way is to stretch the boundaries of what an "allowable" expense means.

A lot of people try to pull that move.

It's for that reason HMRC keeps a laser focus on what people charge to the business and actually, you're more likely to retain cash by playing by their rules. You just have to do it really, really well.

The sweet spot is using their qualifying criteria to maximum advantage, while remaining fully compliant. It's important to say, your accountant is the only person capable of ensuring this, but the following list offers a good day-to-day steer on what you can and can't expense to your business.

ALLOWABLE EXPENSES ARE "WHOLLY AND EXCLUSIVELY" FOR THE PURPOSE OF BUSINESS.

There's two ways you can quickly sanity check whether an item will be considered allowable. The first is whether the transaction is "wholly and exclusively" incurred in the performance of your duties as a director of the company. If it is, it's likely 100% of the cost will be considered an allowable expense.

If there's a personal advantage, no matter how small, it generally doesn't pass the test. There are some exceptions to this, and you can check with your accountant, but ultimately it's quite unlikely.

You can also check by referring to the list below. The following categories are generally allowable.





YOUR BUSINESS PREMISES

Insurance

Business insurance premiums, including public liability insurance, professional indemnity insurance, and employer's liability insurance are all considered an "allowable" expense..

Rent and premises costs

Your rent for your business premises, property insurance, and utility bills e.g. electricity, gas, water are all tax deductible.

Repairs and maintenance

Costs associated with repairs, maintenance, and general upkeep of business premises, equipment, and machinery can be claimed.

BUSINESS RATES AND /OR CHARGES

Business rates

Payments for business rates charged by local authorities on commercial properties can be claimed.

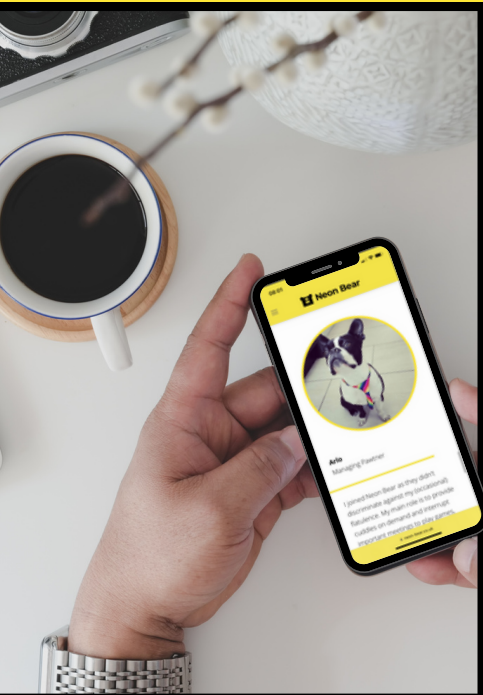
Bank charges and interest

Bank and credit card charges in the name of the business are deductible. Interest on business loans or overdrafts can also be included as an allowable expense.

CHARITABLE DONATIONS

You can usually get tax relief on making donations to charities.





COMMUNICATION

Broadband

If a broadband contract is in the name of a limited company and the service is at the home of a Director (or employee) and paid for directly by the company, the monthly broadband cost is tax deductible for the company. If it's not possible to break down work and private usage, HMRC will accept it if private use is insignificant and there's no taxable benefit to the employee.

If the broadband connection is used for a mixture of business and personal use then a "benefit in kind" (BIK) will apply. The full amount paid by the company will become taxable to the individual instead.

However, if there's already a broadband service in place at the Director's (or employee's) home, HMRC argue there's no additional cost to you in using an existing broadband package for business use. Therefore no amount of broadband costs can be deducted for tax purposes.

Mobile phones

Provided the contract is between the company and the mobile phone provider, the company can claim all costs as an allowable expense. If your company pays your entire personal phone bill, you'll have to pay a BIK charge on the total amount of the bill, and your company will pay National Insurance Contributions at 13.8% on the same amount (minus the cost of any business calls you can identify).

COST OF GOOD AND SERVICES

The cost of purchasing goods or materials for resale or manufacturing is claimable.





YOUR EMPLOYEES

Pension

Contributions made by the company to an executive company pension scheme are allowable for employees and Directors.

Salaries and wages

Payments to employees, including Directors' salaries and bonuses are tax deductible. This also includes the associated Employers National Insurance contributions.

Staff uniforms

Generally clothing is not an allowable expense but there are some exceptions. Items like staff uniforms provided to your team, or items with the company logo on are considered tax deductible. Protective clothing and equipment, such as high vis jackets, helmets and steel toe cap boots are also allowable.

Training and professional development

Costs incurred for employee training and development, conferences, and seminars are all allowable expenses as long as the training is “wholly and exclusively” for the company’s business. Signing everyone up for a one-off martial arts class and calling it leadership training won’t cut it (but you could categorise it as a trivial benefit!).

In short, you can claim for training aimed at improving the skills you apply in your work. You can also claim travel and accommodation while attending a training course.

Important: HMRC are particularly averse to courses like MBAs, as they offer new skills and knowledge rather than building on existing skills. In certain situations they’re allowed, but only if you demonstrate that they’re reinforcing/improving existing knowledge and skills.





ENTERTAINING AND EVENTS

Christmas (or any annual party)

An annual tax-free social function is allowed with a limit of £150 (incl. VAT) per staff member. Partners are also allowed to attend and have their own allowance of £150 (incl VAT) too.

Important: The £150/employee amount is an annual limit and can cover multiple events for staff. For example £50/head for three events over the year.

Client entertaining

Unfortunately, you can't claim expenses relating to entertaining clients or prospective clients against your tax bill. These can still be paid for by the business though.

EQUIPMENT

Office expenses

All stationery, printing costs and postage can be claimed

Computer equipment

This is not classed as an expense. Instead it's an asset and is categorised under capital allowances for costs. IT Software is classed as a deductible expense in the Profit & Loss as soon you purchase though.

Other equipment

Purchases of office equipment (like desks and chairs), machinery, vehicles, and other assets used in the business are tax deductible.

GIFTING

Gifts and trivial benefits to yourself or employees

You don't have to pay tax on a gift or benefit for your employee if all of the following apply:

- It costs you £50 or less to provide
- It isn't cash (or a cash voucher)
- It isn't a reward for work or performance
- It isn't in the terms of their contract

Important: Directors can't spend more than £300/year on themselves on trivial benefits.

Gifts to others

The gift needs to be branded, and not be food, drink, tobacco or cash vouchers and cost less than £50/recipient to be eligible.





HEALTH

Eye tests and glasses

You can claim for vision tests providing it's necessary for the initial, or continued use, of visual display equipment in your duties. However, you won't be able to claim for glasses or contact lenses unless they're prescribed during your time at work, specifically for 'monitor or screen work'.

Medical insurance

Medical insurance, such as Bupa, can be provided to employees but has tax implications for both you and them. This is definitely one to chat through with your accountant!

PRE-TRADE YEARS

This is one that can surprise business owners! You can claim for expenses made from up to seven years before you started trading. It just needs to be included in your first accounting period and tax return.

PROFESSIONAL FEES

Accounting, legal fees, virtual assistants etc.

Fees for accountants, solicitors, or any other professional services, as long as they're solely related to your business, are tax deductible..

Important: The cost of preparing your personal tax return can't be claimed through your limited company!

Advertising and marketing

Costs associated with advertising, marketing campaigns, website development, and promotional materials can all be claimed. Networking meeting fees are also an allowable expense.

SUBSCRIPTIONS AND MEMBERSHIPS

Fees for trade association memberships, subscriptions to professional publications, and relevant industry memberships are all considered "allowable".

You can claim subscriptions to professional bodies as an expense, so long as it's paid directly to them and they're on on [HMRC's list](#)





TRAVEL

There are specific rules about what constitutes a place of work. Most importantly, you can't claim for travel unless you're going to a temporary place of work, not your regular premises.

Accommodation during business travel

You can claim for accommodation when you travel to a temporary location for business-related purposes. This is providing the expense is reasonable and not excessive. For example, if you don't have to stay in the Four Seasons, don't even try it! Remember, "wholly and exclusively".

Mileage

If you use your personal vehicle for business travel to a temporary work location you can claim the following rates:

Vehicle	Rate/Mile (On first 10,000 miles in tax year)	Rate/Mile (On each mile over 10,000 miles)
Cars & Vans	45p	25p
Motorbikes	24p	24p
Bicycles	20p	20p

Keep receipts for everything, including a mileage log. We also recommend the Tripcatcher app. It streamlines your claiming process by recording mileage, setting recurring mileage and integrating with your Xero account. It's pretty great.

Travel and subsistence

You might be able to claim on the cost of food or overnight expenses. You can claim on items like:

- Public transport
- Hotel accommodation (if you have to stay overnight)
- Food and drink
- Congestion charges and tolls
- Parking fees
- Business phone calls
- Printing costs





USE OF HOME

If you work from home, you can claim a proportion of your electricity, gas, water, council tax, insurance, mortgage interest rent, based on your usage and the number of rooms in your house. You can also use the simple method, a flat rate of £6 per week, without the need to keep detailed records.

YOUR WEBSITE

The build of your website, hosting fees, domain registration fees, and email subscriptions are all allowable expenses.

THE “BEST” TAX RETURNS ARE A JOINT EFFORT BETWEEN THE OWNER AND THEIR ACCOUNTANT.

As a limited company director, you absolutely have to know the expenses you’re entitled to (and how to include them within your accounts). It’s crucial you understand the boundaries of them as well, keeping accurate records and always, always ensuring they’re “wholly and exclusively” applicable to the business.

Remember, these are general guidelines, folks. Every business has unique circumstances. What you can and can’t expense can vary across the board.

That’s why it’s best to sit down with your accountant (Hey there! Hello! Have we met?) and get right into the gritty details. They’ll create a definitive list, tailored just to you, so you can capitalise on what’s available whilst still totally playing by the rules.

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