

# Allowable business expenses

**for sole traders and partnerships**



*Bambury & Co.*  
chartered accountants



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### Introduction

When you're busy running your business, it can be difficult trying to keep track of what business costs and expenses you can claim for tax relief. And this could lead to you paying too much tax if you don't get keep accurate records of your expenses! We don't want that.

So we've created a guide for you and other sole traders and partnerships where we explain common business costs and expenses that you can claim tax relief on.

And, if after reading, you have any questions then please get in touch with our team.





## Office and equipment

Here are some of the costs you might incur at your office that you may then be able to claim for tax relief.

### Rent

If you rent an office that you use just for business then you can claim tax relief on the full cost. The exception is a security deposit which goes on your balance sheet and isn't available for tax relief.

### Stationery

If you buy stationery to use for your business, such as business cards, letterheads or compliment slips, you can claim tax relief on the full amount of this cost.

### Printing

You can claim tax relief on the full amount of any printing, printer ink or cartridges if these are for business purposes.

### Computer equipment

If you buy new computer equipment that you're going to use partly for work and partly for personal use, you have to work out how much you're going to use it for business, and then include only that proportion of the cost in your accounts.

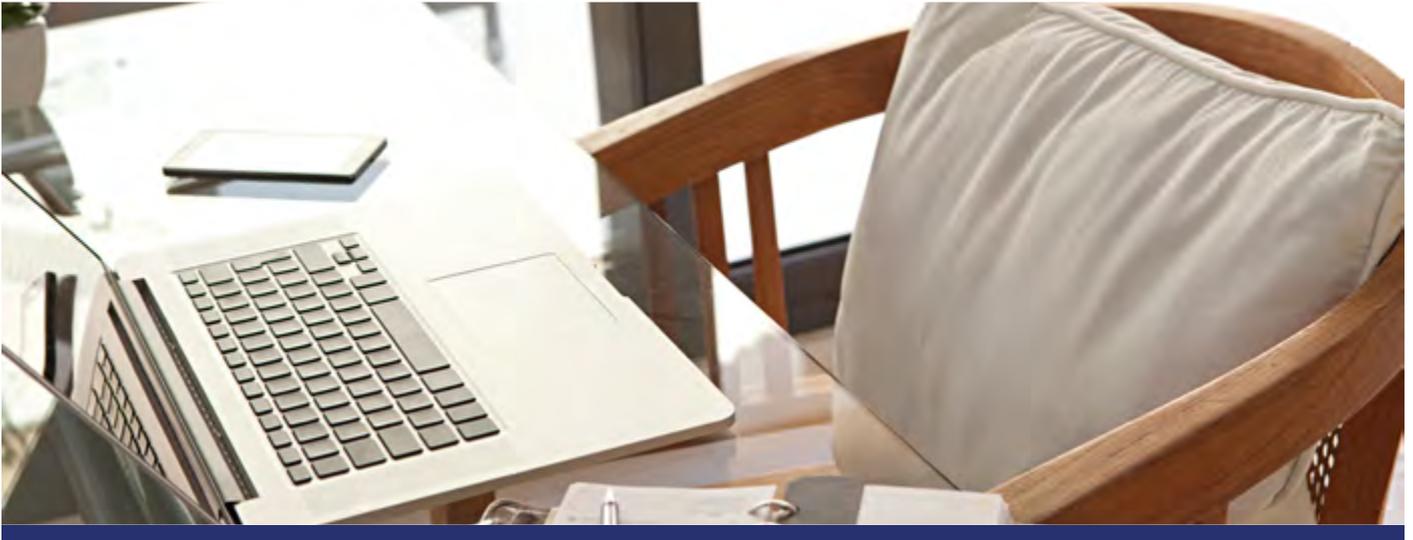
However, if it's just going to be used for your business, you'll be able to claim tax relief on the full cost of the equipment as a capital asset (this includes second-hand equipment).

### Computer software/subscriptions

You can claim tax relief on the cost of software or subscriptions as long as it is used for business purposes. For example, a self employed graphic designer could claim the cost of any design software subscription they use.



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## Business use of home

Here are some of the costs you might incur when running your business from home which you may then be able to claim part of in your business accounts.

### Broadband

If you work from home and you don't have a separate broadband subscription for your business, you can claim the full cost of all of your business use of your home broadband and a portion of the line rental.

If you have a separate broadband contract for your business, you can claim tax relief on all of the use and line rental so long as you don't also use it heavily for personal use.

### Telephone

If you work from home and you don't have a separate phone line for your business then you can claim the full cost of all of your business use of your home phone line, and a portion of the line rental (based on how much you use it for business purposes and how much is for your own personal use).

If you have a separate phone line for business, you can claim tax relief on all the calls and line rental for this phone.

### Rent

If you work from home and pay rent to a landlord, you may be able to claim a proportion of the rent for your business.

### Mortgage

If you work from home and pay a mortgage, you may be able to claim tax relief for a proportion of the interest that you pay, but not the capital repayment.



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### Council tax

You can claim a proportion of your council tax cost. However, depending on how much you use your home for business you may have to pay business rates rather than council tax.

### Utilities

You can claim the business proportion of your gas and electricity costs for lighting and heating in the room(s) you use for business.

If you use a lot of your home water supply for business then you would need to apply to your water supplier for this to be charged separately, and then you could claim the full cost. But if your water use for your work is only minor, you can't claim any of the cost for your business.

### Property repairs

If a property repair relates solely to the part that's used for business, you would include this cost in your accounts in full, subject to the business use of that room.



## Car and travel expenses

There are a number of expenses that you can claim when travelling for work purposes, by car or otherwise, so here's a breakdown.

### Vehicle

The simplest way to claim tax relief for your fuel and running costs (if your sales are under the VAT limit) is to include your business mileage in your accounts at HMRC's approved rates (which are 45p/mile for the first 10,000 miles you travel on business in the tax year and 25p/mile thereafter).

If you drive both a car and a van or lorry for business then you only get one allowance of 10,000 miles for all the vehicles that you use. You don't get an allowance for each vehicle.

### Parking

You can claim for the full cost of parking so long as it is for business purposes. However, parking fines (and other fines such as speeding tickets!) can not be claimed.

### Hotel accommodation

You can only claim tax relief for the full cost of hotel accommodation if the primary purpose of your stay was for business. If it was for both business and private then you can only claim tax relief for any costs that you can clearly separate from the private part of your stay.

### Train/plane tickets

Like hotel accommodation, you can only claim the cost of train and plane travel in full if the primary purpose of your journey was for business.

If it was mixed then you can only claim any costs that you can clearly separate from the private part of your journey.

### Food and drink

You can only claim tax relief on the cost of your food and drink when you're making a journey that's outside your normal working pattern, such as going to visit a client's premises who you'd ordinarily deal with online.



## Clothing expenses

Normally, claiming for any clothing that could be part of an everyday wardrobe is not allowable – so if you have to buy heels for work but they could be worn outside of work then you cannot claim for the cost of the shoes. So what can you claim for?

### Protective clothing

You can claim tax relief for the cost of protective clothing – for example, if you are a builder and you buy a helmet to wear on the site.

### Uniform

If you have to buy a uniform that identifies clearly what you do, you can claim tax relief on that too, e.g. a self-employed nurse. Like we mentioned before however, you can't, claim tax relief on buying any clothing other than your uniform, such as shoes or socks.

### Costume

If you are an entertainer and the clothes you're buying are a costume or outfit that's needed for a TV, film or stage performance then you can claim tax relief on those clothes.



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## Marketing and entertainment

You can claim tax relief on advertising and marketing costs for your business. But maybe not on everything you'd expect, so here's what you can claim for.

### Website creation and hosting costs

You may be able to claim tax relief for the costs of building, hosting and maintaining a website if you think that your website will earn you more money than the cost it takes to build it.

### Entertaining employees

When you're entertaining your employees, this *may* be allowable for tax relief. In order to qualifying it must meet three criteria:

- 1) It is an annual event (such as a Christmas party)
- 2) It is open to all team members, and
- 3) It costs less than £150 per guest

If any of these three conditions aren't met, then the whole cost of the event becomes a taxable benefit.

Unfortunately, you can't claim tax relief for entertaining clients – there is no tax relief available on the cost of entertaining anyone other than employees.



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## Legal and financial costs

There are a number of fees and charges that can count as allowable business expenses, these include.

### Professional fees

You can claim the full cost of professional fees incurred for the business (for example, the fees an accountant charges you) for tax relief, [except in specific circumstances](#).

### Bank, credit card and other financial charges

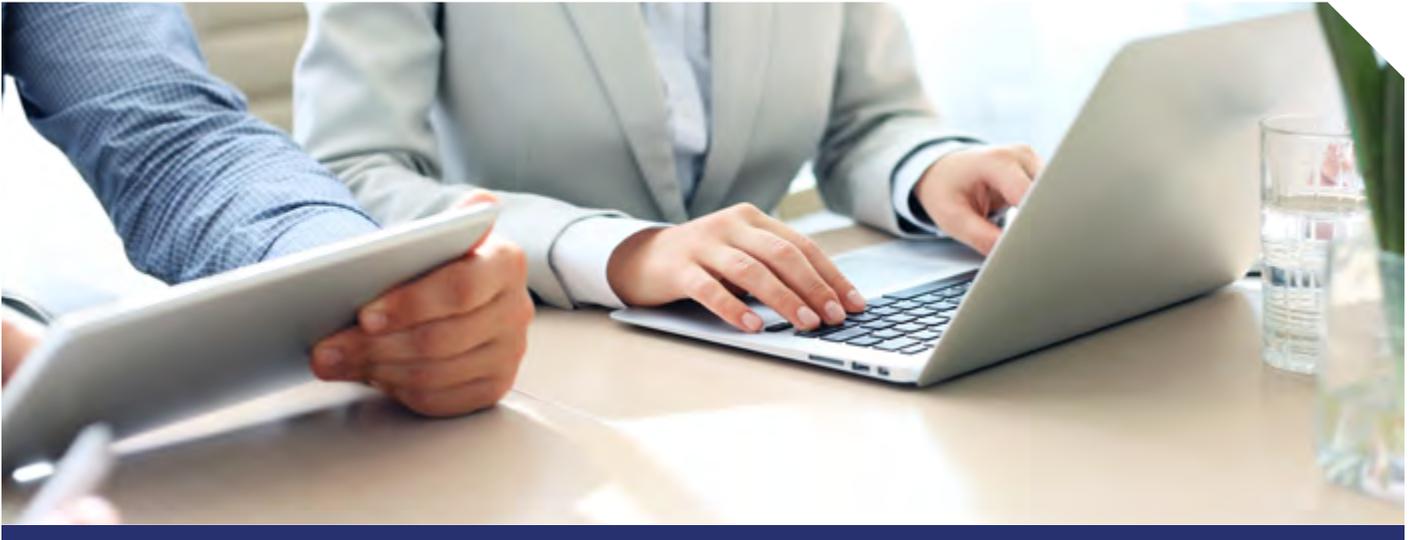
If you have a business bank account that's separate from your personal accounts, you can claim your interest and charges incurred for tax relief. Though remember, if you are preparing your accounts on the cash basis, you can claim a maximum of £500 a year in interest and charges.

If you use a personal account for your business banking then how much interest and charges you can claim tax relief on depends on how much you use the account for business.

If the business use of the account is minimal, then you shouldn't claim any tax relief on these costs, but if you use the account mainly for business then it's worth including at least some of these costs. Again, if you use the cash basis of accounting you can't claim more than £500 for this.

### Insurance

You can claim tax relief on the full cost of insurance for business, for example contents insurance for an office. However, you can't claim tax relief for any insurance that has a dual purpose.



## Want further help?

This guide was created by Bambury & Co, an Oxfordshire based accounting firm who provide both general accountancy services along with business development and specialist tax services.

Our philosophy is always to do our utmost to...

- Provide friendly, courteous and efficient service;
- Always exceed your expectations;
- Listen to what *you* are saying;
- Communicate with you quickly and fully;
- Never surprise you with bills you're not expecting;
- Be honest, truthful and upfront with you at all times;
- Aim for you to pay the least amount of tax payable within the law;
- Provide pro-active business advice wherever possible.

To find out more about how we can help your business go to [www.bambury.info](http://www.bambury.info).

## About Patrick

Our principal, Patrick Cracroft-Brennan FCA, qualified as a chartered accountant in 1974. Since then he has worked in professional practices, commercial companies, charities, local government and central government, frequently at CFO or CEO level. As our client you have full access to over 40 years' worth of experience and knowledge. It is unlikely you will come across problems that Patrick hasn't already faced and solved, either as a manager or as a business owner.

Patrick is a great believer in the importance of voluntary service. For twenty eight years he helped to lead St John Ambulance in London. He is now doing voluntary work in Oxfordshire for the Order of Malta.





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