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Self Employed Business Expenses Guide

This handy guide will help you save money by giving you detailed instructions on exactly what you're entitled to claim as business expenses - and how to go about doing it. You might be surprised to learn about the various business expenses that you never thought you could claim before.

Our Rating
5.0 ★★★★★

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03

Introduction

It's no small feat running a business, and keeping track of expenses is one of the biggest challenges.

You'll inevitably rack up a long list - from paper clips and pens to rental payments and salaries. Being Self Employed, you need to know what expenses you're entitled to claim back and how to include these in your accounts.

When claiming back expenses, any business expenditure which you paid personally can be reimbursed to you by your business as and when you choose. Your business will also receive tax relief for any other business expenses incurred.

This handy guide will help you save money by giving you detailed instructions on exactly what you're entitled to claim as business expenses - and how to go about doing it. You might be surprised to learn about the various business expenses that you never thought you could claim before.

As ever, HMRC rules can be complex and are often based on concepts such as the 'fairness' and 'reasonableness' of expenses claimed. There may also be an impact on the amount of personal tax you pay.

When in doubt, always contact an accountant such as Jaccountancy for advice.

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What is a business expense?

Every business has running costs. Sometimes, you can claim these as self employed business expenses. Knowing what to claim – and how much – is essential when it comes to getting your tax right.
Learn the different types of business expenses for self employed people, why they're so important, and how you can manage your expenses effectively.

Self employed business expenses are your running costs. Some of these costs will be classed as 'allowable expenses' by HMRC. These can be deducted from your tax bill, so you'll be taxed on the remaining profit once these have been taken off.

Claiming the right allowable expenses means you also pay the right amount of tax. Your self employment tax bill is calculated based on your taxable profit – not your total turnover. So claiming the right amount of allowable expenses can reduce your tax bill.

This guide should explain which costs can be classed as a business expense.

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Accommodation Whilst on Business Travel

You can claim expenses for accommodation when you travel to a temporary location for business-related purposes, providing the expense is reasonable and not excessive.

HMRC will likely question any excessive claims for expensive hotels or apartments with more than one bedroom. So sorry, but the Ritz is probably not going to be acceptable! At Jaccountancy we use an app to simplify recording expenses. Through the app, you can take a photo and have the details automatically uploaded to your Xero account.

Accountancy Fees

You can claim tax relief for the full cost of your company's accountancy fees, providing the accountants' time is being spent working wholly on your company's affairs. If the accountants provide advice or spend time working on your personal affairs (such as preparing your personal tax return) this can be included in your accounts but will be disallowed for Corporation Tax.

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Business mileage

Your travel expenses are generally deductible where all the following conditions apply:

1. You're responsible for paying the travel costs
2. The travel you're undertaking is necessary to your work, i.e. your attendance at the place you're travelling to is mandatory
3. The travel should not be 'ordinary commuting'. HMRC defines a commute as the journey you make between your home and permanent workplace.

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

Ensure that you keep receipts for everything and a mileage log. We have a simple business mileage spread sheet that you can use to log this. We also provide a Xero mobile app for Xero clients to simplify recording your mileage.

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Car, Van and Travel Expenses

You can claim allowable business expenses for:

- Vehicle insurance
- Repairs and servicing
- Fuel
- Parking
- Hire charges
- Vehicle licence fees
- Breakdown cover
- Train, bus, air and taxi fares
- Hotel rooms
- Meals on overnight business trips

You can't claim for:

- Non-business driving or travel costs
- Fines
- Travel between home and work.

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Entertainment Gifts

With certain, limited exceptions, expenditure on business entertainment or gifts is not allowable as a deduction against profits, even if it is a genuine expense of your trade or business. Tax relief is therefore not available.

If you've incurred the cost of business entertaining personally you may be able to claim the expense back however these costs would be disallowed in the profit calculation, so the net effect would be the same as not claiming the expenses in the first place.

Equipment

The cost of anything that's necessary and essential for your duties will receive tax relief. This covers computers, printers and software. You may also claim reasonable relief towards the cost of equipping/furnishing an office, e.g. chairs, bookcases and so on.

This may appear to hold a dual purpose, but it's allowed because it is a consequence of a business need. As long as the personal use is insignificant it will not be treated as a 'benefit in kind' and you won't have to pay personal tax on it.

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Eyesight Tests and Glasses or Spectacles

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 aren't able to claim for glasses or contact lenses unless they're prescribed during your time at work, specifically for 'monitor or screen work'.

General office purchases

Minor purchases with receipts that are used wholly, exclusively and necessarily in the performance of your duties are claimable. This includes postage, computer consumables and office stationery.

Gifts and trivial benefits

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

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

This is known as a 'trivial benefit'. You don't need to pay tax or National Insurance or let HMRC know. You have to pay tax on any gifts or benefits that don't meet all these criteria.

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Medical insurance

Your company may provide financial support towards medical insurance for employees. This is regarded as a 'benefit in kind' and the employee must pay personal tax on it. Your company will be liable to National Insurance Contributions at 13.8%.

Your company can provide the following and claim tax relief:

- Medical insurance for an employee working abroad
- An annual check-up.

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Professional Subscriptions

Claims to certain HMRC approved professional bodies which are relevant to your employment are allowed. If it is not directly relevant, then it's not allowed.

Broadband

If you start to carry out some of your work from home, using your residential broadband, you cannot make a claim if the broadband was already in place, unless you can clearly split the business from the personal element. Having two broadband lines could show one line is 100% for business.

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Mobile Telephone and Landline

If your landline phone contract is only for business use, this is an allowable expense and you won't be taxed personally. By having a separate phone line for 'only business', it shows this is 100% for business.

If your company pays your entire personal phone bill, you'll have to pay a 'benefit in kind' (BIK) charge on the total amount of the bill, and your company will pay National Insurance Contributions at 15% on the same amount (minus the cost of any business calls you can identify).

If you make a claim for the business only calls made on your personal mobile or landline phone bill, this is an allowable expense provided you can prove it was a business call. You can also reclaim the VAT element of the business calls (only if you're VAT registered), but you won't be able to reclaim any part of the line rental, as you would incur this cost anyway.

It's increasingly difficult to separate the cost of business calls, given the way mobile (and many landline) phone operators package call costs (e.g. 'up to 2,000 free monthly minutes'). If you can't separate the business element of your personal mobile phone usage, you cannot make a claim, due to the duality of purpose rules, as any business calls you make incur no extra cost on top of the tariff you already pay for personal calls.

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Using your Home as an Office

If you work from home, HMRC allows you to claim £6 each week without keeping any detailed records.

The other good news is that HMRC doesn't believe this to be a benefit in kind, which means you won't have any tax to pay on this through your Self Assessment.

As always, there are rules: you must be able to prove that you regularly spend time doing your job in this office space, so you can't just use your home office for a small bit of administration while the majority of your work is done on-site or at client offices.

Equipment that is necessary and essential for your professional duties will receive tax relief. You may also claim reasonable relief towards the cost of equipping/ furnishing an office, (for example chairs or bookcases).

Renting your Office to your Business

You might be able to rent your personal work space in your home to your limited company and claim that as an expense. You'll need to declare these earnings on your Self-Assessment, so they'll be subject to further taxes after you've deducted your expenses. HMRC requires you to:

- Own the property
- Make sure any amount over £312 per annum is classified as rental expenses
- Create a rental agreement between yourself and your limited company
- Make sure that the rental agreement states that the rent is specifically for use of the office at certain times of the day, and nowhere else within your house is used
- Make sure the rent you set is reasonable.

HMRC rules are complex in this area and they expect any calculation to be 'fair and reasonable'. You should speak to our accountants at Jaccountancy.

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Training

You can claim for training that's aimed at improving the skills you apply in your work. Additionally, you can claim travel and accommodation while attending a training course.

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 are allowed, but only if you demonstrate that they are reinforcing/improving your existing knowledge/skills.

Travel & subsistence

If you have to travel for your work you may be able to claim tax relief on the cost or money you've spent on food or overnight expenses. You can claim tax relief for money you've spent on things like:

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

You can't claim for travelling to and from work, unless you're travelling to a temporary.

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What sort of travel can I claim?

Your travel expenses are generally allowed as a business expense where all of the following conditions apply:

- You're responsible for paying the travel costs
- The travel you're undertaking is necessary for your work, i.e. your attendance at the place you're travelling to is mandatory
- The travel shouldn't be 'ordinary commuting'. HMRC defines a commute as the journey you make between your home and permanent workplace.

A permanent workplace is defined as somewhere you attend regularly, which forms a 'base' to work from, or where you must attend to perform certain duties. For example, if you work in the same office, nine-to-five, Monday to Friday.

However, HMRC also look for patterns in your travel. So, for example, if your work regularly involves a meeting at a specific office every Monday afternoon, this could be a 'pattern of travel' and mean that this mileage can't be claimed.

To be considered a valid business trip, the journey must be from one workplace to another, for the purpose of work.

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Here are some exceptions:

The 24 month rule

A workplace will be regarded as permanent if the following apply:

- You've spent more than 40% of your total working time at this same location

AND

- You've worked there continuously for 24 months

OR

- You intend to be at the workplace for more than 24 months

OR

- You work there for all, or almost all, of the period for which you were an employee or director of your limited company at a single workplace.

A workplace can be a geographical area, even if you perform work there for different clients. Please see HMRC's guidance on the matter.

If you do have a permanent workplace, then any travel, rent and subsistence expenses for that location and journey won't be allowable as a business expense, because the travel would be considered ordinary commuting.

The workplace becomes permanent from the moment that you show intent to remain there for more than 24 months. You can claim for any travel to the temporary workplace up until the point of forming this intention.

Forming the intention might be implied by signing a contract, for instance.