



Together
We Count

Allowable Business Expenses

For Sole Traders and Partnerships

Hello there,

When you're busy running a 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! We don't want that.

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

And remember, if you have any questions whatsoever then please contact a member of our team and we'll be happy to help.

Please note: As a sole trader or partner in a partnership, HMRC considers you and the business you run as the same legal entity, meaning that for you, an "expense" is the same as a "business cost".

Because legally you are the business, instead of claiming back expenses from a company, you would include these costs in your business accounts for tax relief. This includes those that you paid from your personal account.

When we say "claim tax relief" we mean to put the cost into your business accounts and subtract it from the profit figure that you pay taxes on.

Office and Equipment

Computer equipment and electronics

For private and business use

If you buy new equipment or electronics that you're going to use partly for work and partly for personal use, you'll need to calculate how much you're going to use it for business, and then include only that amount of the cost in your accounts.

Solely for business use

If you buy computer equipment that's going to be used for business use only, you'll be able to claim tax relief on the full cost of the equipment as a capital asset.

Private equipment brought into a business

If you already own computer equipment and you want to bring it into your business, you can claim tax relief for its market value at the point you brought it into the business. Check a site such as Amazon for similar items and then include that cost.

Remember that if you are going to carry on using the equipment privately too, 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.

Second-hand equipment brought into a business

If you buy a second-hand piece of equipment, you can still claim it as a capital asset at the cost you bought it for because the equipment is brand new to you.

Rent

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

Broadband

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



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.

Telephone

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

Stationery

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

Utilities

You can claim tax relief on the full cost of water, heating and lighting at your business office.

Working From Home

Business use of home

You can use a simplified flat rate allowance to claim some of your business use of home with the exception if your business is an LLP. This only covers heating, lighting and electricity, so you would need to claim tax relief on your other home working costs by claiming a proportion of your costs.

Rent, mortgage and council tax

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, as well as claim a proportion of your council tax cost. If you 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.

Telephone

If you work from home and don't have a separate phone line for business, you can claim the full cost of all the business use of your home phone line or personal mobile using an itemised bill. You can also claim a percentage of the line rental, based on how much you use it for business purposes and how much is for personal use. Remember that if you are claiming the flat rate allowance for business use of home, this does not include business calls from your home phone line.

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I've been fortunate enough to have both my business and personal accounts looked after by Together We Count for many years. Attention to detail, efficiency and clear, focussed advice delivered in a friendly and professional way are just some of the reasons why I would not go anywhere else. The service I've received has been second to none. I would recommend their services to everybody.

-- Deen

Broadband

If you work from home and don't have a separate broadband contract for your business, you can claim the full cost of all of your business use of your home broadband using an itemised bill, and a percentage of the line rental. If you pay a fixed fee for your broadband, you should claim the business percentage of your broadband use.

To calculate the percentage that you can claim, work out how much you use broadband for business purposes and how much is for personal use. HMRC says that if the personal use is "not significant", you can claim the full cost.

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Aaron is very down to earth, helpful and very clever at what he does. We messed up and missed the cut off date for our tax return submission ending up accumulating fees and charges. Together We Count has managed to write a letter on our behalf and submit an appeal to cancel the fines and charges. We cannot thank you enough for your help and we recommend your services to anyone. Many thanks 5 star service.

--Glenn, Builder

Utilities

If you work from home, you can claim tax relief on a percentage of your gas and electricity costs, based on how much you use your home for business. Remember: If you use a lot of your home water supply for business, e.g. if you run a car washing service, then you would need to apply to the water company for the business use to be separately charged, and you could claim tax relief for the full cost. If your business use of water is only small, you can't claim tax relief for any of the business cost.

Property repairs

If you work from home and have repaired your property, you may be able to claim tax relief on some costs. If a property repair relates solely to the part of your home that's used for business, you would include this cost in your accounts in full, subject to the business use of that room.



“A man should never neglect his family for business.”

-- Walt Disney

Travel Expenses

Vehicle

If you're self employed and using your own car, and your sales are under the VAT threshold – currently £85,000 a year in 2019 – the simplest way to claim tax relief for your running costs and petrol is to include your business mileage in your accounts at HMRC's approved rates. You can only use this mileage method if you haven't claimed capital allowances on that vehicle before.

If you drive both a car and a van or lorry for business, then you only get one allowance for all the vehicles that you use.

Mileage

If you're self-employed and using your own car, the simplest way to claim tax relief for your running costs and petrol/diesel is to include your business mileage in your accounts at HMRC's approved rates.

Another option is to calculate your car running costs and claim a percentage, which may save you tax if you have a car that's comparatively expensive to run.



As a self assessment novice, Aaron at Together We Count Limited came to me highly recommended and the level of service and quality of work I received certainly surpassed my expectations! Clear advice and instructions, quick to respond via email, always available for a chat when needed and professional yet friendly at all times, I knew my tax returns were in safe hands at every step of the way. I wouldn't hesitate in recommending TWC's services for those looking for accounts made easy!

--Meghan, Property Investor



Parking, tolls and fines

You can claim for the full cost of parking and tolls so long as it is for business purposes. However, parking and speeding tickets can not be claimed.

Travel

HMRC doesn't give any explicit guidance about what counts as a claimable business journey for sole traders. It only says that if the travel is "regular and predictable", or between home and a "base of operations" such as a co-working space where you spend most of your working days, then the costs couldn't be claimed. Talk to us about your specific circumstances if you'd like to know more.

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 mixed, so for both business and private purposes, then you can only claim tax relief for any costs that you can clearly separate from the private part of your stay. If you can't separate the stay between business and private, you can't claim tax relief for any of the costs.

Food and drink

As a self-employed person you are allowed to claim the cost of very little of the food and drink you buy when you're out and about on business. HMRC takes the strict line that everyone must eat to survive, but it does have a few exceptions. If this is something that you would like to learn more about then please get touch with our team.

Train and 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.

Cycle travel

HMRC says that sole traders and partners can't claim tax relief on business journeys undertaken by bicycle. If you employ someone, then they can claim tax relief on business bicycle travel – but you can't!

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I have over the years recommended 'Together We Count' to friends, family and business associates, and many of them have been served happily as clients for years. I would recommend the services of 'Together We Count' to anyone looking for an accountancy service that is as approachable and friendly as it is knowledgeable and professional.

-- Sam, Entrepreneur

"A successful man is one who can lay a firm foundation with the bricks that other throw at him."

-- David Brinkley

Marketing and Entertainment

Advertising and marketing

You can claim tax relief on advertising and marketing costs for the business. However, some costs may not be allowed by HMRC, such as taking a client out to lunch.

Entertaining

Entertaining clients

Unfortunately, you cannot claim tax relief for entertaining clients. There is no tax relief available on the cost of entertaining anyone other than employees.

Entertaining employees

When you're entertaining your employees, this may be allowable for tax relief in your business's accounts, but it could also be a benefit on which your employees have to pay some tax. In order for a party to be what HMRC calls a "qualifying event" and therefore not a taxable benefit for your staff, it must meet all of these three criteria:

- It is an annual event (such as a Christmas party)
- It is open to all staff
- 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.

Website 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. There are no hard and fast rules here so we would recommend speaking to us if you think this relief may apply to you.

"A business has to be involving, it has to be fun, and it has to exercise your creative instincts."

-- Richard Branson

Clothing Expenses

Clothing

Generally, claiming for any clothing that is or could be part of an “everyday wardrobe” is not allowable – so if you have to buy a suit for work but it could be worn elsewhere, you cannot claim for the cost.

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

Legal, Financial and Other Costs

Medical treatment

You can almost never claim tax relief for the cost of medical treatment, even if it relates to an injury you sustained at work. The exception is for an actor or other performer who has cosmetic surgery that they can prove is purely for business. HMRC’s example is that of an experienced radio performer who has her teeth straightened to allow her to work in TV.

Professional fees

You can claim the full cost of professional fees incurred for the business for tax relief, except in specific circumstances. Talk to us to find out more.

Bank and other financial charges

Business accounts

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.

If you are preparing your accounts on the cash basis, you can claim a maximum of £500 a year in interest and charges.

Personal accounts

If you use a personal account for your business banking, the amount of interest and charges you can claim tax relief on will depend 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. Like before, if you use the cash basis of accounting, you can't claim more than £500 for this.



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Excellent services. Brilliant guys and great professionals! Highly recommended!!!

--Ilias, Plumbing firm

Insurance

You can claim tax relief on the full cost of insurance for business. However, you can't claim tax relief for any insurance that has a dual purpose, such as private medical insurance for the business owner.

Animals

You may be able to claim tax relief on the costs associated with some animals, such as farm animals or guard dogs. If you think this may apply to your business then get in touch so we can explain further.

Childcare

The cost of childcare for your own children doesn't count as a business cost, so you can't claim tax relief on this.

Pension contributions

Pension contributions to your own pension count as personal costs, so if you pay these from the business account, you can't claim tax relief on them through your business accounts. Instead, you would claim tax relief on them by putting them into the 'Tax Reliefs' section of the main part of your tax return.

Charitable donations

You can get tax relief on some charitable donations, but they aren't included in your business accounts as a cost. Instead, the donations go in the main section of your tax return.



How we go beyond compliance

Your financial welfare can be split into the following categories:

Business

Compliance

- Tax returns
- VAT returns
- CIS returns
- Company secretarial
- Year-end accounts

Running your business

- Management accounts
- Payroll
- Auto-enrolment
- Bookkeeping
- Budgets
- Hr & Employment Law
- Training
- Credit control
- Board meetings
- Finance director
- Company formations

Grow

- Business plans
- Cash flow forecasts
- Company valuation
- Profitability analysis
- Securing finance
- Acquisitions
- Sales training
- Business advisory
- Business coaching
- Price consulting

Save

- Tax planning
- Banking
- Business cost reduction

Individual

What if's

- Business insurances
- Revenue investigations
- Other business
- Investigations e.g. Fraud

Personal

- Pensions
- Savings/investments
- Wills/inheritance
- Protection
- Mortgages
- Income planning
- Personal tax planning
- Separation/divorce
- Annual reviews
- Family agreements
- Wealth management
- Wealth preservation
- Personal insurances
- Power of attorney
- Executor/trustee
- Capital gains tax
- Legal services
- Client account banking

Other

- Exit strategy
- Shareholders agreements
- References
- Business systems
- Liquidations
- Company reorganisations
- Mediator





Together
We Count

You Count, I Count,
We Count

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ProActivTax



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MEMBER

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Brighton and
Sheffield.

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Together We Count aim to ensure you:

- Achieve more profits
- Pay less tax
- Have reduced costs
- Have more cash
- Have less stress
- Are prone to less risk
- Save more time
- Increase your wealth
- Have a better lifestyle
- Have greater security