

ALLOWABLE BUSINESS EXPENSES /

Limited Company edition

ROBSON / LAIDLER
ACCOUNTANTS

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 the company 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: Even if you are the only director of a limited company, you and your company are considered separate legal entities. So if we say that 'the company' can claim tax relief that means it goes in your company's accounts.

If we say that 'you' can claim tax relief, that means it goes on your own personal tax return. If we say 'you can claim from the company', that means the company can pay you back for costs that you incur personally without either of you paying more tax. These costs are usually allowable for tax relief in the company's accounts.

When we say that something is a 'taxable benefit', it means that even if the company can claim tax relief on the cost by putting it in its accounts, the company and/or the employee may have some additional tax and/or National Insurance to pay on the cost of the item.



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Office and equipment



Computer equipment and electronics

For private and business use

If the company gives you computer equipment that you can use for business and also more than an “insignificant” amount of private use, the company will have to pay extra National Insurance as this is considered a taxable benefit.

Solely for business use

If the company gives you computer equipment that you use only for business and no more than an “insignificant” amount of private use, the company can claim tax relief for this cost and does not need to pay any tax or National Insurance, as HMRC does not consider this to be a taxable benefit.

Private equipment brought into a company

If you already own a computer, office chair, etc and 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 in the company’s accounts. Don’t forget that if you are going to carry on using the equipment privately too, HMRC would consider this to be a taxable benefit.

Second-hand equipment brought into a company

If the company buys a piece of equipment second-hand, it can still claim tax relief on that equipment as a capital asset at the cost it bought it for because the equipment is new to the company. Don’t forget that unless you have a VAT receipt, the company can’t reclaim VAT on it.

Broadband

If you have a separate broadband contract for business, make sure you put the contract in the company’s name. The company should pay this cost directly to the broadband provider. The company can claim tax relief on the full cost of the broadband line rental and the business use of the broadband.

Telephone

If you have a separate phone line for business, again, make sure it is in the company’s name. The company should pay this cost directly to the telephone service provider. The company can claim tax relief on the full cost of the line rental and business calls.

Stationery

If you personally pay for stationery that you and your colleagues will use at work, the company can pay you back for this without HMRC considering this to be a taxable benefit. The company can also include this cost in its accounts for tax relief.

Utilities

The company can claim the full cost of heating, water and lighting your business premises for tax relief.

Mobile phone

The company can provide you with one mobile phone, which could be a smartphone, without HMRC considering it to be a taxable benefit. The contract for the phone must be in the company’s name.



Working from home

Business use of home

As the director of a limited company, you would be able to ask the company to repay you for the extra costs that you incurred as a result of working at home, such as electricity or gas. You can't claim any part of fixed costs that you'd pay regardless of whether you worked from home back from the company without paying extra tax.

If your business use of home cost is under £4 per week then HMRC has said that it will not ask to see proof of how this was calculated, but any higher than this and you would need to be able to demonstrate to a visiting inspector how you worked out your business use of home cost.

Rent, mortgage and council tax

Unfortunately, HMRC says that directors of limited companies can't claim tax relief for these fixed costs, since they would pay these costs regardless of whether they worked from home.

Telephone

If you are the company's only member of staff and don't have a separate phone line for business, you can claim from the company the full cost of all of your business use of your home phone line, and a percentage of the line rental, based on how much you use it for business purposes and how much is for personal use.

Make sure that the company doesn't pay the phone bill directly to the phone company because this will count as a benefit that has to be taxed with your salary. You should pay the phone bill personally, then claim the business use of the phone back from the company.

Broadband

If you work from home as a one-person business and don't have a separate broadband contract for your business, you can claim back from the company the full cost of all of your business use of your home broadband and a percentage of the line rental.

If you pay a fixed fee for your broadband, you should claim the business percentage of your usage of broadband. To calculate the percentage that you can claim, work out how much you use it for business purposes and how much is for personal use.

Make sure that the company doesn't pay your home broadband bill directly to the phone company because this is a benefit that has to be taxed with your salary. You should pay the broadband bill personally, then claim the business use of the line back from the company.

Stationery

If you personally pay for stationery that you and your colleagues will use at work, the company can pay you back for this without HMRC considering this to be a taxable benefit. The company can also include this cost in its accounts for tax relief.

Utilities

If you are the company's only member of staff, you can claim back from the company a percentage of your household gas and electricity costs, based on how much you use your home for business and how much for non-business.

Travel expenses



Vehicle

If you travel on business for the company in your own car, the company can pay you back per business mile travelled at HMRC's approved rates.

Mileage

If you travel on a business journey for the company in your own car, the company can pay you back per business mile travelled at HMRC's approved rates.

Journeys in your car are covered by the rules on travel so the company couldn't reimburse you for travel from your home to a permanent workplace.

Parking, tolls and fines

If you personally pay for car parking and tolls while travelling on business, you can claim the full cost back from the company, and the company can include this cost in their accounts for tax relief. Even if you are claiming the cost per mile of journeys in your own car from the company, this does not stop you also claiming back from the company the costs of car parking and tolls that you paid for yourself.

Sorry, but neither you nor the company can claim tax relief on the cost of fines or speeding tickets, even if you incurred these while travelling on business, because you incurred the cost while breaking the law!

Travel

The company can only pay you back for travel expenses that you've paid for personally if it is a business journey. To be considered a business journey it must fulfil these criteria:

1. The journey was between business appointments, or

2. If you were travelling to or from a temporary workplace, again meaning somewhere you expect to be working for less than 40% of your time for the next 24 months.

Travelling from your home to a permanent workplace doesn't count as business travel, so your employer can't pay you back for the cost of these journeys.

Hotel accommodation

The company can only pay you back for hotel accommodation that you've personally paid for without HMRC considering this a taxable benefit in these three cases:

1. If you were staying away from home for business purposes,
2. If you were attending a business appointment, or
3. If you were at a temporary workplace, meaning somewhere you expect to be working for less than 40% of your time for the next 24 months.

Remember, the company can't reimburse you for the cost of hotel accommodation that you pay for personally if you stay overnight near your permanent workplace. If they do, you'll need to pay tax and National Insurance on the repayment as it will be considered a taxable benefit.

Flights

The company can only pay you back for flights that you've personally paid for without HMRC considering this to be a taxable benefit in one of the following cases:

1. If the flight was between business appointments, for example, you're a salesperson and you flew from one client appointment to another.
2. If you were flying to or from a temporary workplace. In brief this is somewhere you expect to be working for less than 40% of your time for the next 24 months.

Flights are covered by the rules on travel so the company can't reimburse you for travel from your home to a permanent workplace.

Train tickets

The company can only pay you back for train tickets that you've personally paid for without HMRC considering this to be a taxable benefit in one of the following cases:

1. The journey was between business appointments, for example you were travelling from one client appointment to another.
2. You were travelling to or from a temporary workplace. In brief, this is somewhere you expect to be working for less than 40% of your time for the next 24 months.

Train journeys are covered by the rules on travel so the company can't reimburse you for travel from your home to a permanent workplace.

Cycle travel

If you travel for work on a bicycle that belongs to you personally (rather than the company), the usual rules for whether the journey counts as for business will apply. Assuming that your journey does qualify as a business journey, you can claim that expense from the company at HMRC's approved rates. Don't forget that the company can also provide you with a bicycle under a cycle-to-work scheme.

Food and drink

At your home office or other company offices

If you are the sole director and the company has no other employees, you wouldn't be able to claim the cost of food and drink that you buy to eat while you're working from home or in your usual office. This is because HMRC takes the stern line that everyone must eat to live. If the company has other employees, it can provide basic food and drink (such as tea, coffee and biscuits) for them.

The company can also provide free meals at a canteen without having to pay extra tax and National Insurance, as long as the food and drink provided is available to all staff.

While travelling

If you pay for food and drink yourself when you are away from your normal place of work on a business trip, you can claim that cost back from the company. The company can also include this cost in its accounts for tax relief.



Marketing and entertainment

Advertising and marketing

The company 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

When you're entertaining your employees, this may be allowable for tax relief. In order to qualify 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.

Website costs

The company may be able to claim tax relief on the cost of building, hosting and maintaining a website if you think that the website will earn the company more money than it cost to build it. There aren't really any strict rules around this so definitely speak to us about this area.



Clothing expenses

Clothing

The company can provide you with protective clothing that's necessary for you to do your job, such as a high-visibility jacket, or with a uniform that can only be worn at work to do your job, including clothing such as a t-shirt with the company logo on it.

The company can give these clothes to you outright or make them available to you, and although the company has to report these to HMRC on form P11D there's no extra tax for you or for the company to pay. If the company provides you with other clothing, this may be a taxable benefit.

Note: 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.

Evening wear

If you have to wear evening dress for your work and the company provides this for you, the company can include the cost in its accounts for tax relief, and should report this to HMRC on your form P11D.

Legal, financial and other costs



Medical treatment

A company can, in certain cases, provide medical treatment for its employees without HMRC considering it as a taxable benefit. For example, the employer paying for a legally required eye test for an employee who has to use a computer. We can give you a complete breakdown of what is allowed if you'd like to learn more.

Professional fees

The company can claim the full cost of professional fees incurred for the business for tax relief, except in specific circumstances, so speak to our team to learn more.

Bank and other financial charges

Business accounts

If the company has a business bank account in its own name, it can claim tax relief on the interest payments and charges.

Personal accounts

Charges and interest on a personal credit card or bank account aren't allowable and so shouldn't be included in the company's accounts.

Insurance

The cost of insurance for business, such as employer's liability insurance, is fully allowable for tax relief. The company can buy private medical insurance for its staff but in some circumstances this will incur additional National Insurance.

Animals

The company may be able to claim tax relief on the costs associated with some animals. If you think this may apply to your business then get in touch to learn more.

Childcare

The company may be able to claim tax relief for the cost of providing childcare facilities, or for funding the cost of childcare for its employees' children.

Pension contributions

When the company makes contributions to its own pension scheme for employees, it can claim tax relief on the cost of these contributions in its accounts.

Charitable donations

A company making Gift Aid donations to charity can usually claim tax relief on the cost of these donations. For other charitable donations, the rules are more complicated and you should speak to us for more guidance.

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QUESTION? CONTACT US /

If you have any questions whatsoever on claiming business expenses for your limited company then please contact our team

robson-laidler.co.uk