CAN I CLAIM IT?

An A-Z of common of common business costs and expenses, and how to claim tax relief on them.

Limited company edition

LKA

A-Z EXPENSES

A

ACCOUNTANT

The company can claim tax relief for the full cost of an accountant preparing accounts for the company. However, if the company pays for an accountant's fee to complete your own personal tax return, then you would have to report this amount as a taxable benefit on your own return. To avoid this, your accountant may be able to put the cost of accountancy fees for your own tax return to your director's loan account.

ADVERTISING AND MARKETING

The company can claim tax relief on advertising and marketing costs for the business. Watch out though - some costs that you consider to be 'marketing' (like taking a client out to lunch) may be considered to be 'entertaining' by HMRC. For more details, see '**Entertaining**'.

ANIMALS

You may be able to claim tax relief on the costs associated with some animals, such as farm animals or guard dogs. There's further information in the '**Dogs**' section of this guide.

A-Z EXPENSES

B

BANK INTEREST & OVERDRAFT 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
Interest and charges on a personal bank account or credit card aren't allowable for tax and shouldn't be included in the company's accounts.

BROADBAND

Home
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 (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 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.

A-Z EXPENSES

B BROADBAND CONT.

Office

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 telephone company (for example, BT or Virgin). The company can claim tax relief on the full cost of the broadband line rental and the business use of the broadband

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 (such as your mortgage and council tax) 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.

A-Z EXPENSES

C

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 see an accountant for more guidance.

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. For more information, visit HMRC's website.

CLOTHING

The company can provide you with protective clothing that's necessary for you to do your job, such as a high-visibility jacket for a railway worker. It can also provide you with a uniform that can only be worn at work to do your job, such as a uniform for a nurse. The company can either give these clothes to you outright or simply make them available to you. Although the company has to report these costs 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.

A-Z EXPENSES

C 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 eBay 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.

A-Z EXPENSES

C

COUNCIL TAX (HOME)

Unfortunately, HMRC says that directors of limited companies can't claim tax relief for fixed costs like Council Tax, since you would pay these costs whether or not you worked from home.

CREDIT CARD CHARGES (PERSONAL CARDS)

See: Bank interest and overdraft charges

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 (see: Travel). 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.

A-Z EXPENSES

D DOGS

Some dogs (and other animals) are classed as “working animals”, for example farm working dogs, gamekeepers’ spaniels, police dogs, or army bomb disposal dogs. These working animals are treated in the business books as capital assets that qualify for capital allowances, and feeding and caring for them would be tax-deductible expenses. So you could put food for these animals, veterinary fees and so forth into the company’s profit and loss account as business costs, and save tax.

E ELECTRICITY

Home
If you work from home and are the company’s sole staff member, you can claim back from the company a percentage of your household electricity costs, based on how much you use your home for business.

If you are not the sole staff member of the company, the costs you can claim become more complex, so you should check this with an accountant.

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

A-Z EXPENSES

E ENTERTAINING

Entertaining clients
Unfortunately, neither you nor your company can claim tax relief for entertaining clients. There is no tax relief available on the cost of entertaining anyone other than bona fide payroll 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 that £150 per guest present.

If any of these three conditions aren't met - for example if the event is a one-off meal to celebrate a new contract, or if some employees are excluded, or if the cost per head is over £150 - then the whole cost of the event becomes a taxable benefit.

A-Z EXPENSES

F 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:

- If the flight was between business appointments, for example you're a salesperson and you flew from one client appointment to another.
- 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 (see **Travel**) so the company can't reimburse you for travel from your home to a permanent workplace.

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.

A-Z EXPENSES

F FOOD AND DRINK CONT.

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.

G GAS

Home
If you work from home and are the company's sole staff member, you can claim from the company a percentage of your gas costs, based on how much you use your home for business. If you are not the sole staff member of the company, the costs you can claim become more complex, so you should check this with an accountant.

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

A-Z EXPENSES

G GIFTS

Gifts to employees
If the company gives a gift to an employee, it may be subject to taxable benefit rules. To find out, look up what the gift is in HMRC's A-Z list.

A small gift that celebrates a personal event for an employee, for example a bunch of flowers for an employee who has just had a baby, is one example of what HMRC calls a trivial benefit. You can apply to HMRC to not pay tax or National Insurance on this kind of gift.

Gifts to anyone else
If you give a gift to anyone who's not an employee of the company, then the company can claim tax relief on that gift so long as it:

- is not food, drink, tobacco or vouchers
- costs less than £50 per recipient per year
- is prominently marked with your business's name

A-Z EXPENSES

H HOTEL ACCOMMODATION

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

- If you were staying away from home for business purposes.
- If you were attending a business appointment.
- If you were at a temporary workplace. This, in brief, is somewhere you expect to be working for less than 40% of your time for the next 24 months.

Accommodation is covered by the rules on travel, but travel from home to a permanent workplace doesn't count as business travel. That means that the company can't pay you back for the cost of hotel accommodation that you pay for personally if you stay overnight near your permanent workplace. If it does pay you back for this you'll need to pay tax and National Insurance on the repayment as it will be considered a taxable benefit.

I INSURANCE

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

A-Z EXPENSES

L

LAPTOP

See: **Computer equipment and electronics**.

M

MEDICAL TREATMENT

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

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

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. Don't forget that the contract for the phone must be in the company's name.

A-Z EXPENSES

MORTGAGE (HOME)

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

P

PARKING FINES AND SPEEDING TICKETS

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!

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.

PETROL OR DIESEL

See: **Mileage**.

PROFESSIONAL FEES

The company can claim the full cost of professional fees incurred for the business (for example, the fees a solicitor charges you) for tax relief, except in the specific circumstances outlined in HMRC's guidance.

A-Z EXPENSES

PROFESSIONAL SUBSCRIPTIONS

The company can cover the cost of subscriptions to any of the professional bodies mentioned on HMRC's lists without there being extra tax or NI to pay. If the company pays for a subscription to a body that's not on HMRC's list then that will count as a taxable benefit.

Don't forget that the company must pay the cost of the subscription directly to the body. If you pay for a subscription to a professional body that's on HMRC's list and the company pays you back, that repayment gets treated as part of your salary and you have to pay PAYE on it (but not employee's National Insurance).

If the company pays you back for a subscription to a professional or other body that's not on HMRC's list, the repayment is treated as part of your salary and you have to pay both PAYE and employee's National Insurance on it.

PROPERTY REPAIRS (HOME)

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

A-Z EXPENSES

R RENT

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

S SOLICITOR

See: **Professional fees**.

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.

T TELEPHONE

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

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. Instead, you should pay the phone bill personally, then claim the business use of the phone back from the company.

A-Z EXPENSES

TELEPHONE CONT.

If you are not the sole staff member of the company, the costs you can claim become more complex, so you should check with an accountant about this.

Office

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

TOLLS AND CAR PARKING

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

A-Z EXPENSES

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:

The journey was between business appointments, for example you were travelling from one client appointment to another.

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 (see below) so the company can't reimburse you for travel from your home to a permanent workplace.

TRAVEL

The company can only pay you back for travel expenses that you've paid for personally if the journey counts as a "business journey." To be considered a "business journey", it must fulfil one of these criteria:

The journey was between business appointments, for example you were travelling from one client appointment to another.

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.

A-Z EXPENSES

TRAVEL CONT.

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.

TRAINING AND PERSONAL DEVELOPMENT

The cost of staff training is allowable for tax relief provided that you can show that the training is "wholly and exclusively" for the purpose of the company's business.

V 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. See **Mileage** for more details.

W WATER

Home

Most freelancers won't be able to claim tax relief for water charges. Only businesses that use a lot of home water supply for business - for example, a car valeting service - would qualify and even then they would need to apply to the water company for this to be charged separately, and put in the company's name. If your business use of water is only minor, you can't claim any of the cost from the company.

A-Z EXPENSES

WATER CONT.

Office

The company can claim the full cost of water at the business premises for tax relief.

WEBSITE HOSTING

The company may be able to claim tax relief on the cost of hosting a website if you think that the website will earn the company more money than it costs to host it. HMRC uses the analogy of a website as a “shop window” to clarify when the company can claim tax relief for the costs.

There are no hard and fast rules here so we would recommend speaking to an accountant about these costs.

X

XMAS PARTIES

See: **Entertaining**.