

Common Business Expenses



Amethyst Raccoon

Common Business Expenses for Sole Traders:

BE SURE TO CLAIM FOR:

1 Goods bought to resell

2 Travel

Train, bus, and taxi fares.
Hotel rooms and meals for overnight business trips.
Tolls, congestion charges, and parking.

3 Cars and Vans

You must use the same method for the life of the vehicle in your business.

Actual costs:

Track fuel, insurance, repairs, servicing, parking, breakdown cover, etc.

Simplified flat rates:

Covers the whole cost of buying, running, and maintaining the vehicle.

4 Premises

Separate business premises:

Rent, insurance, rates, energy.

Home working - simplified flat rates:

Flat rate per month based on number of hours worked each month.

Home working - actual costs:

Energy, council tax, mortgage interest, rent, insurance, security
Business proportion only: must divide costs reasonably (ex: Number of rooms). Must have a dedicated space only used for business.

5 Telephone and Broadband

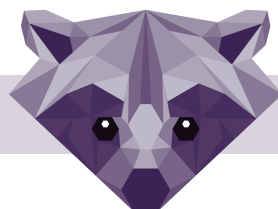
Be sure to only claim for the business portion.

6 Insurance

Any and all insurance for your business.

7 Stationery, Printing, Ink, and Postage

8 Software



Common Business Expenses for Sole Traders:

BE SURE TO CLAIM FOR:

9 ICO Data Protection Fee

10 Finance charges

Bank charges, overdraft charges, credit card charges.
Hire purchase interest, leasing payments.
Interest on business loans, bank accounts, and alternative finance payments (excluding Islamic finance).

11 Payments to others for services

Contractors: All payments made to someone you sub-contract to do work for you.
Wages: All wages paid to employees through a PAYE payroll. This does NOT include any money you take out of the business yourself that is not through PAYE.

12 Marketing and advertising

Free samples.
Websites, domain names, business email address.
Print, online, radio, podcast, television advertisements.

13 Legal and financial costs

14 Trade or professional journals

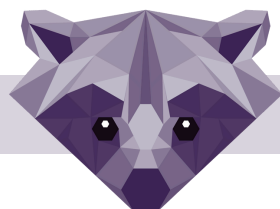
15 Specialist or protective clothing

But never general clothing! It must be something you wouldn't otherwise wear and is required for the work you do. Costumes, hard hats, etc, are allowed.

16 Bad debts

17 Petty Cash & Credit Cards

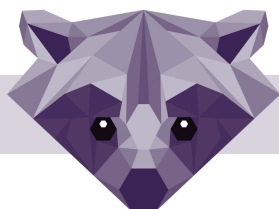
The method of payment makes no difference to whether something is an allowable business expense. Make sure to keep a notebook handy to record whatever you purchase with cash or other means so you can claim the relevant expenses later.



My Business Expenses:

BE SURE TO CLAIM FOR:

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Common Business Expense Mistakes:

BEWARE IF CLAIMING:

1 Trade or Professional subscriptions

You can only claim for these if the professional body is on the [HMRC-approved list](#) and membership is required in order for you to trade.



2 Fines

HMRC does not allow fines issued for breaking the law as a business expense. This applies to fines from HMRC, parking fines, speeding, etc.



3 Subsistence (Food & Drink)

Only allowed if you're travelling for business somewhere outside your normal pattern. Allowed for visits to suppliers and clients, but not if eating with them.



4 Entertainment

Entertaining clients or suppliers is not an allowable expense for sole traders. This includes meals, coffee, Christmas parties, etc.



5 Commuting

Travel expenses to a regular place of work are not allowable business expenses for sole traders. So if you go to the same market or work at a client's premises every week, these would be commuting, rather than business mileage. If you start your days by collecting stock from a storage unit before heading to a market, your trip from your home to the storage unit is commuting, but the miles from the storage unit to the market can be claimed.



6 Drawings (What you pay yourself)

Any money you take out of your sole trader business for personal use is called drawings. This could be stock you keep for personal use, money you pay yourself, money you use to pay for Netflix, etc. Drawings don't reduce your tax burden.



7 Stock you keep for personal use



8 Income tax and National Insurance Contributions

Annoyingly, these don't reduce your tax burden. Don't include them in your sole trader accounts.



Common Business Expense Mistakes:

BEWARE IF CLAIMING:

9 Donations

You can make donations to charities or community amateur sports clubs as an individual and claim this on your self-assessment tax return. You cannot claim for any other donations to reduce your tax burden.



10 Carers or domestic help (including childcare of any sort)

Though you may need these to run your business, they are not allowable business expenses.



11 Gym membership fees

Again, this might feel necessary to run your business, but HMRC says you can't reduce your tax burden with this expense.



12 Medical insurance and health costs

Obviously, you are the most important asset in your sole trader business. In spite of that, your healthcare costs are not an allowable business expense.



13 Pensions

If you employ anyone, you can claim their pension (and wages). As a sole trader, you cannot claim your own pension contributions as a business expense. You can, however, get personal tax relief on it. This may be taken care of automatically by your pension provider, or you can claim it on your self-assessment tax return. Your pension scheme must be registered with HMRC to get tax relief for your contributions. Check with your pension provider for further information.



14 General Clothing

Only specialist clothing and equipment are allowable business expenses; general workwear is not.

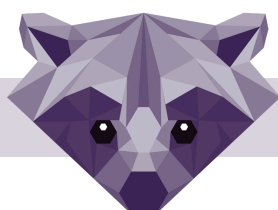


15 Training

Only to enhance existing knowledge which relates to your current trading activity. Sole traders cannot claim for training to gain a new skill.

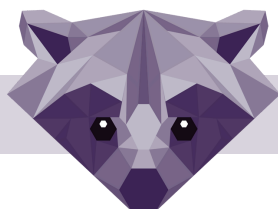


16 Depreciation



My Non-Business Expenses:

DON'T CLAIM FOR:



WHO IS SARA-JAYNE SLOCOMBE?



Hi, I'm Sara-Jayne Slocombe of Amethyst Raccoon. I help your small business thrive using the power of your numbers, empowering you so that you have the confidence and knowledge to run your business profitably and achieve the goals you're after.

I am a Business Insights Consultant, which means I look at your data and turn it into information and insights. I separate the noise from the signal and translate it all into actions that you can actually take in your business.

I am a data scientist, mathematician, and qualified bookkeeper; I've been in business since 2019.

WARNING: The information in this guide is correct as of December 2023. Check with your bookkeeper or accountant before filing any returns past that point.



Amethyst Raccoon

www.amethystraccoon.co.uk