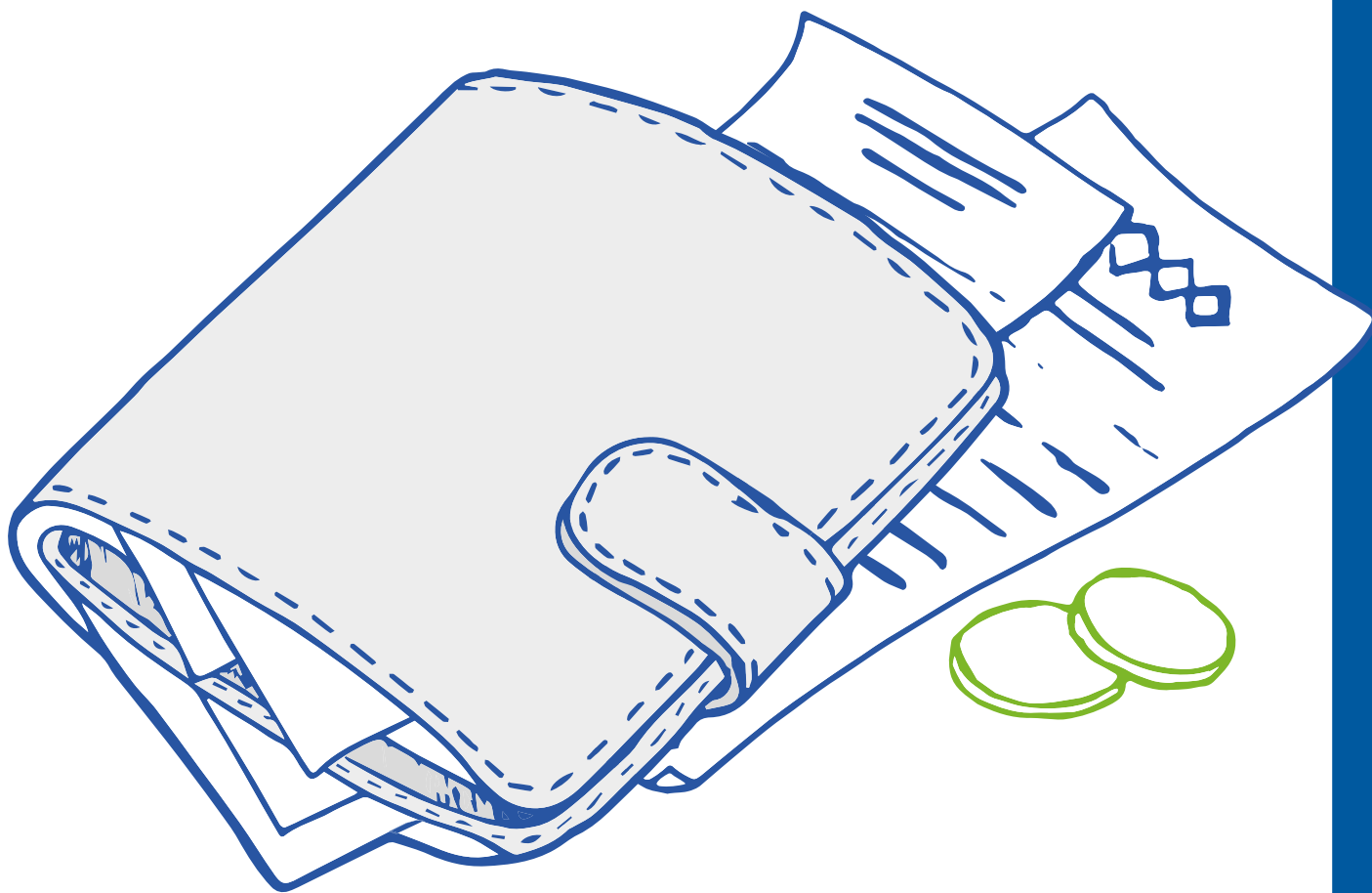


Can I claim it?

An **A-Z** guide of common business costs & expenses
for **Limited Companies**



November 2015

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freeagent

Can I claim that cost?

When you're busy trying to run your business, it's hard to keep track of what business costs and expenses are eligible for tax relief - and that might mean that the company ends up paying too much tax!

In this guide for limited companies, FreeAgent's Chief Accountant Emily Coltman lists some common business costs and expenses, and walks you through HMRC's guidance for claiming tax relief on these costs.

About Emily

Emily Coltman FCA is FreeAgent's Chief Accountant and she is passionate about translating accounting-speak into plain English!

A graduate of the University of Cambridge, Emily has been working with small businesses for the past 13 years and is dedicated to helping their owners lose their fear of "the numbers" and the taxman. She is the author of three e-books: "Refreshingly Simple Finance for Small Business", "Micro Multinationals", and "Very Awkward Tax."



Created by  FreeAgent

This guide was created by FreeAgent, who provide an online accounting system designed especially for small businesses and freelancers. With FreeAgent you can manage expenses and track time, send professionally designed invoices, automatically chase payment, forecast tax commitments, and track your profit and cashflow. To try it out free for 30 days, visit www.freeagent.com.

Read this first

Remember that even if you are the sole director of a limited company, you and your company are considered separate legal entities by Companies House and HMRC - so if we say that "the company" can claim tax relief that means it goes in your company's accounts.

Alternatively, 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, or might be, 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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A-Z of business costs & expenses



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 accountants' fees 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 & Marketing

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

Animals

The company may be able to claim tax relief on the costs associated with some animals, such as farm animals or guard dogs. For more details, see '[Farm Animals](#)' and '[Dogs](#)'.

Also, see our article here about claiming tax relief on the cost of caring for animals: <http://www.freeagent.com/central/can-the-cost-of-caring-for-an-animal-be-tax-deductible>



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.

- 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 only be able to ask the company to repay you for 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 whether or not you worked at home (such as your mortgage or council tax) back from the company without paying extra tax. If your business use of home cost is under £4 per week then HMRC have said they 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.



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 - you should see an accountant for more guidance.

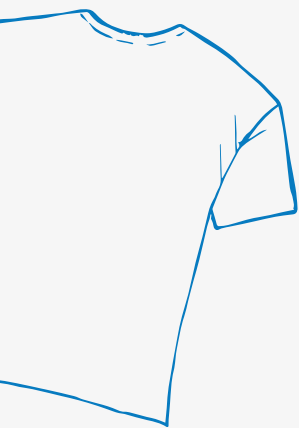
Childcare

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: <http://www.hmrc.gov.uk/payerti/exb/a-z/c/childcare.htm>

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, or with a uniform that can only be worn at work to do your job. This includes clothing such as a jacket with the business 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.





Computer equipment & 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, it will have to pay extra National Insurance as this is considered 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 as 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 do not 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 it's new to the company. Don't forget that unless you have a VAT receipt, the company can't reclaim VAT on it.

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 & overdraft charges](#)'

Cycle travel

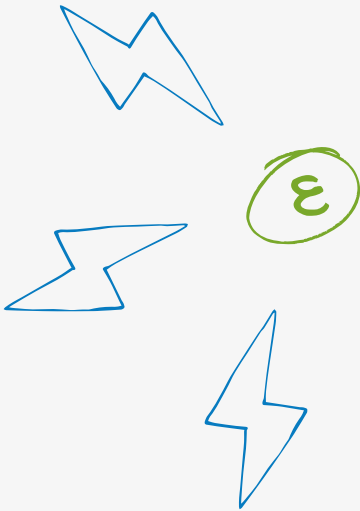
If you travel for work on a bicycle that belongs to you personally (rather than to the company), the usual rules for whether the journey counts as for business will apply (see: 'Travel'). Assuming that your journey does qualify as a business journey, you can claim that expense from the company at a cost of 20p per mile.

Don't forget that the company can also provide you with a bicycle under a cycle-to-work scheme: <http://www.hmrc.gov.uk/payerti/exb/a-z/c/cyclists.htm>



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.



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 and how much for non-business. See 'Business use of home' for more information about working from home.

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

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



Entertaining

- Entertaining clients

Unfortunately, the company can't 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 the party to be what HMRC call a "qualifying event" and therefore not a taxable benefit for your staff, it must meet these three criteria:

- 1) It is an annual event (such as a Christmas party)
- 2) It is open to all staff, and
- 3) It costs less than £150 per guest present

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

Evening Dress

If you have to wear evening dress for your work and the company provides this for you (for example, if you are a waiter who has to wear a tailcoat), the company can include the cost in its accounts for tax relief, and should report this to HMRC on your form P11D.



Farm animals

Farm animals, such as cattle, sheep or laying hens, are tax-deductible in one of two ways - either as stock or as a capital asset. The animals are considered a capital asset if they form a "production herd".

A production herd is one that is kept for what the animals yield while they are still alive, such as wool, eggs, milk, honey, or live young - and each production herd is made up of animals of the same species used for the same purpose. So for example, a flock of sheep kept for wool is the same herd whether it's a mixture of breeds or not, but a flock of one breed kept for wool and another breed for cheese would be two separate herds. HMRC calls them herds whatever the actual collective noun for the animals is - for example, a hive of bees kept for its honey is still referred to as a production herd.

Flights

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

- 1) If the flight was between business appointments, for example you're a salesperson and you fly from one client appointment to another, or
- 2) If you were flying to or from a temporary workplace, which is, in brief, 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 & 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 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, so 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.



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 and how much for non-business. 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

See '[Business use of home](#)' for more information about working from home.

- Office

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



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 was in HMRC's A-Z list here: <http://www.hmrc.gov.uk/payerti/exb/a-z/index.htm>.

If the gift is a small gift that celebrates a personal event for the employee, for example you give a bunch of flowers to an employee who's just had a baby, that is one example of what HMRC call a "trivial benefit" <http://www.hmrc.gov.uk/payerti/exb/a-z/t/trivial-benefits.htm> and you can apply to HMRC not to pay tax or National Insurance on that gift.

- Gifts to anyone else

If you give a gift to anyone who's not an employee of the company, then so long as this gift is not food, drink, tobacco or vouchers, and so long as it costs less than £50 per recipient per year and is prominently marked with the company's name (for example, a small desk diary embossed with the logo), then the company can claim tax relief on that gift.



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 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, which is, in brief, 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 (see '[Travel](#)') and 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 they do, you'll need to pay tax and National Insurance on the repayment as it will be considered a taxable benefit.



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, see here for more details: <http://www.hmrc.gov.uk/payerti/exb/a-z/m/medical-treatment.htm>



Laptop

See: '[Computer equipment & electronics](#)'



Medical treatment

In some cases, a company can provide medical treatment for its employees without HMRC considering this a taxable benefit. One example is if the employer pays for eye tests that are legally required for employees who have to use a computer screen. There's more information about what's allowed here: <http://www.hmrc.gov.uk/payerti/exb/a-z/m/medical-treatment.htm>

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, which are here: <http://www.hmrc.gov.uk/payerti/exb/a-z/m/mileage-expenses.htm>

Journeys in your car are covered by the rules on travel (see '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 includes smartphones such as BlackBerries or iPhones, without HMRC considering it a taxable benefit. Don't forget that the contract for the phone must be in the company's name.

Mortgage (home)

Unfortunately, HMRC says that Directors of Limited Companies can't claim tax relief for fixed costs like your Mortgage, since you would pay these costs whether or not you worked from home.



Parking fines & speeding tickets

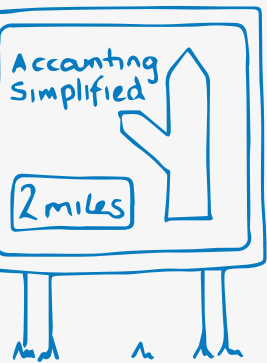
Neither you nor the company can claim tax relief on the cost of fines or speeding tickets, even if you incurred these while travelling on business, because you incurred the cost while breaking the law!

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

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 specific circumstances. For more details about these circumstances, visit HMRC's guidance here: <http://www.hmrc.gov.uk/manuals/bimmanual/BIM46400.htm>

Professional subscriptions

The company can cover the cost of any subscriptions to professional bodies mentioned on HMRC's lists <http://www.hmrc.gov.uk/list3/index.htm> 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.

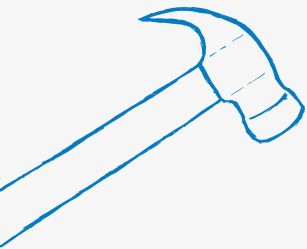
Also, don't forget that the company must pay the cost of the subscription direct to the body. If you pay for a subscription to a professional body that's on HMRC's list and the company pays you back, that repayment gets treated as part of your salary and you have to pay PAYE (but not employee's National Insurance) on it - and 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 your Property Repairs, since you would pay these costs whether or not you worked from home.

Protective Clothing

↩ See: 'Clothing'





Rent

Unfortunately, HMRC says that Directors of Limited Companies can't claim tax relief for fixed costs like your rent, since you would pay these costs whether or not you worked from home.

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 a taxable benefit. The company can also include this cost in its accounts for tax relief.



Telephone

- Home

If you work from home and are the company's sole staff member 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.

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



Train tickets

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

- 1) if the journey was between business appointments, for example you're a salesperson and you travel from one client appointment to another, or
- 2) if you were travelling to or from a temporary workplace, which is, in brief, 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 "Travel") so the company couldn'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 these criteria:

- 1) The journey was between business appointments, for example you're a salesperson and you go from one client appointment to another, or
- 2) If you were travelling to or from a temporary workplace, which is, in brief, 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.

Training & 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.



Uniform

↶ See: 'Clothing'



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, which are here: <http://www.hmrc.gov.uk/payerti/exb/a-z/m/mileage-expenses.htm>. See 'Mileage' for more details.



Water

- Home

If you use a lot of your home water supply for business - for example if you run a car valeting service - then you would need to apply to the water company for this to be separately charged, and put in the company's name. The company could then claim tax relief on the full cost of the water.

If your business use of water is only minor, you can't claim any of the cost from the company.

- Office

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

Website costs

- Building a website

The company may be able to claim tax relief on the cost of building a website if you think that the website will earn the company more money than it cost to build it. HMRC use the analogy of a website as a "shop window" to clarify when the company can claim tax relief for the costs here: <http://www.hmrc.gov.uk/manuals/bimmanual/BIM35870.htm>.

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

- Website hosting & maintenance

In the "shop window" analogy used above, if the site is earning the company more money than it costs to maintain it, then the company can claim tax relief for the costs of hosting and maintaining the website.

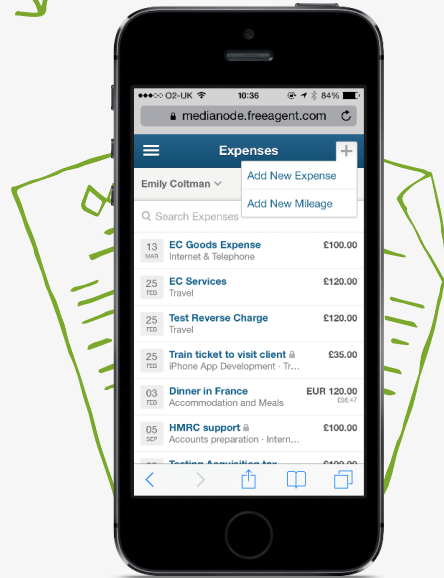


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Zebra

Sorry, the company probably can't claim the expense of keeping a zebra, unless it keeps a herd of them and sells ice cream or cheese made from their milk! If that's the case, see '[Farm Animals](#)' and drop us a line, we'd love to try your ice cream!

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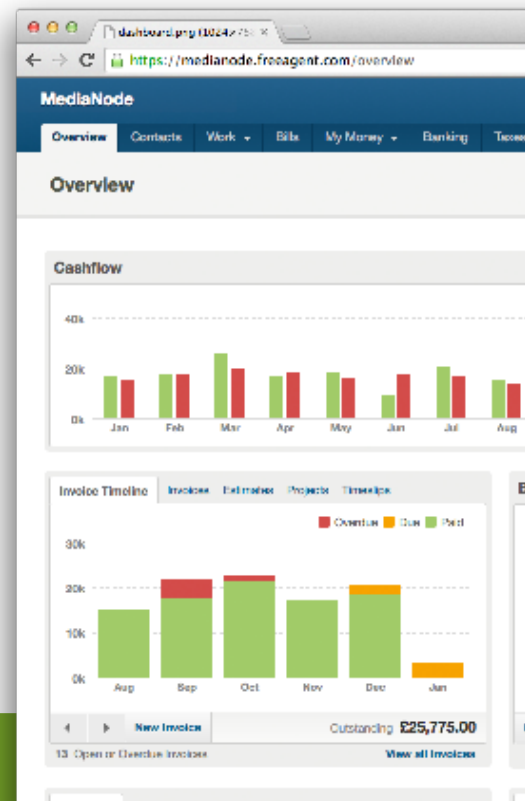
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