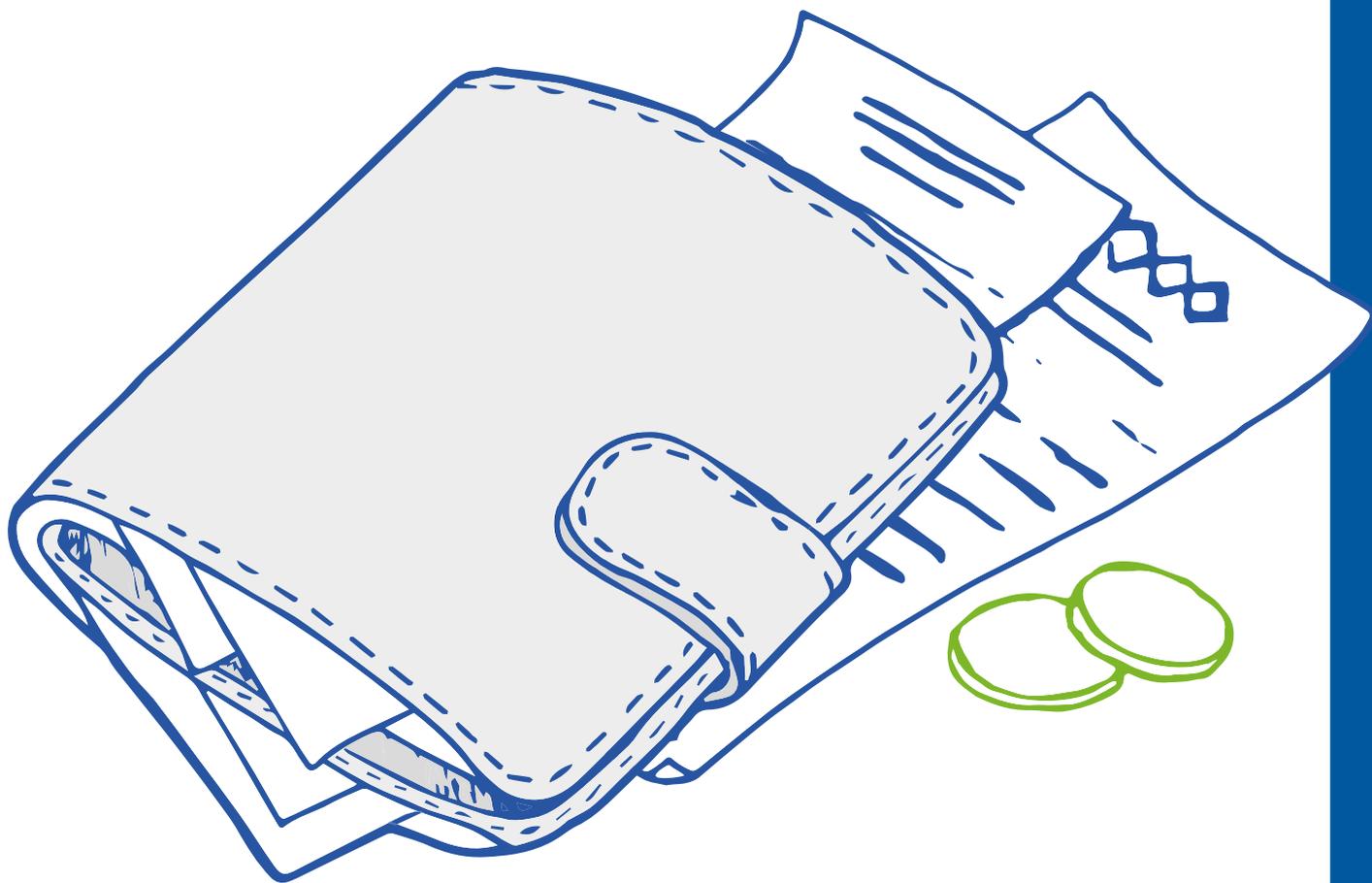


# Can I claim it?

An **A-Z** guide of common business costs & expenses  
for **Sole Traders & Partnerships**



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 you can claim for tax relief - and that might mean that you end up paying too much tax!

In this guide for sole traders and partnerships, FreeAgent's Chief Accountant Emily Coltman lists 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 since 2000 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



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## Read this first

**Remember that as a sole trader or partner in a partnership, you and the business you run are considered the same legal entity by HMRC - that means that for you, an "expense" is the same as a "business cost".**

Instead of "claiming back expenses" from a company, because legally you are the business you would instead just include these costs in your business accounts for tax relief, even if you paid for them 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.



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# A-Z of business costs & expenses



## Accountant



See: '[Professional fees](#)'

## Advertising & Marketing

You can claim tax relief on advertising and marketing costs for your 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 about what counts as entertaining, 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. 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 you have a business bank account that's separate from your personal accounts, you can claim your interest and charges incurred for tax relief.

- Personal Accounts

If you use a personal account for your business banking, then how much 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 and being prepared to discuss this with a visiting HMRC inspector.

## Broadband

- Home 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 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.

As from 6th April 2013 you may be able to claim the flat rate allowance for business use of home, rather than working out actual costs. For more details, see '[Business use of home](#)'. This includes an allowance for your home broadband so you should not claim this too.

- Office 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 broadband contract, so long as you don't also use it heavily for personal use.

## Business use of home

As from 6th April 2013, you can use a new simplified flat rate allowance to claim some of your business use of home costs (unless your business is a LLP). This only covers heat, light and power, though, so you would need to claim tax relief on your other home working costs by claiming a proportion of the actual costs you spent

For more details about the proportional and flat-rate allowance calculations, see our article about business use of home: <http://www.freeagent.com/central/business-use-of-home-expenses>



## Charitable donations

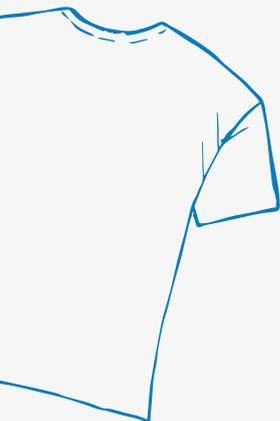
You can get tax relief on some charitable donations, but they aren't included in your business accounts as a cost. Instead, the donations go in Box 5 in the main section of your tax return.

## Childcare

Sorry, the cost of childcare for your own children doesn't count as a business cost, so you wouldn't be able to claim tax relief on this.

## 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 of the suit. There are a few exceptions - see '[Uniform](#)', '[Protective Clothing](#)', '[Costume](#)' and '[Evening Dress](#)' for more details.





## Computer equipment & electronics

- For private and business use

If you buy new computer equipment that you're going to use partly for work and partly for personal use, 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.

For more information, check out our knowledge base article here: <http://www.freeagent.com/support/kb/accounting/asset-bought-for-mixed-use>

- Private equipment brought into a business

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. Don't forget 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.

For more information check out our knowledge base article here: <http://www.freeagent.com/support/kb/accounting/asset-bought-for-mixed-use>

- Solely for business use

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

- Second-hand equipment bought into a business

If you buy a piece of equipment second-hand, you can still claim it as a capital asset at the cost you bought it for because it's new to you. Don't forget that unless you have a VAT receipt and are VAT registered, you can't reclaim VAT on it.

## Costume

If you are an actor, musician, or other entertainer, and the clothes you're buying are a costume, or "acquired for a film, stage or TV performance", then you can claim tax relief on those clothes. So for example, if you're a magician and you buy a cape to dress up for your act, then you can claim the cost of that cape.

## Council Tax (home)

If you work from home, you can claim a proportion of your council tax cost. However, depending on how much you use your home for business, you may have to pay business rates rather than council tax.

For more details about how to work out the proportion, see our article about business use of home here: <http://www.freeagent.com/central/business-use-of-home-expenses>

## Credit card charges

See: ['Bank interest & overdraft charges'](#)

## Cycle travel

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



## 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 your business's profit and loss account as business costs, and save tax.



## Electricity

- Home

If you work from home, you can claim tax relief on a percentage of your electricity costs, based on how much you use your home for business and how much for non-business.

For more details about how to work out the proportion or for a flat-rate option, see our article about business use of home here: <http://www.freeagent.com/central/business-use-of-home-expenses>

- Office

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



## Entertaining

- Entertaining clients

Unfortunately, you 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 in order to carry out your work (for example, if you are a bagpipe player and you wear your full Highland dress), this isn't classed as "everyday wardrobe," so you can claim tax relief for it. Get your glad rags on!



## 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

You can only claim the cost of flights in full if the primary purpose of your journey was for business. If it was mixed (i.e. for both business and private), then you can only claim any costs that you can clearly separate from the private part of your journey. If you can't separate the journey, you can't claim any of the costs.

For more details, visit our article about travel and accommodation here: <http://www.freeagent.com/central/travel-and-accommodation-expenses>



## Food & Drink

- At your home office or an office

If you don't have any employees, you can't claim the cost of food and drink you buy to eat while you're working from home or in your usual office. If you have employees, you can provide basic food and drink (such as tea, coffee and biscuits) for them, and free meals at a canteen, and claim tax relief for these costs - so long as the food and drink you provide is available to all of your staff.

- While travelling

As a self-employed person you are allowed to claim the cost of very little food and drink you buy when you're out and about on business. HMRC takes the stern line that everyone must eat to live, and only have a few exceptions:

You can only claim tax relief on the cost of your food and drink when you're making a journey that's outside your normal working pattern, such as going to visit a client who you usually deal with online. However HMRC don't define "normal working pattern" in any more detail, so if you include a claim for the cost of food and drink on this basis, you should be prepared to justify it to a visiting inspector.

You can also claim "reasonable" costs of food and drink if your business is by nature itinerant - for example if you travel around the country with a mobile childrens' zoo, or if you spend time at different clients' premises in turn and don't stay long at each one, like a chimney sweep or jobbing builder - or if you're staying away from home overnight on business.



## Gas

- Home

If you work from home, you can claim tax relief on a percentage of your gas costs, based on how much you use your home for business and how much for non-business.

For more details about how to work out the proportion or for a flat-rate option, see our article about business use of home: <http://www.freeagent.com/central/business-use-of-home-expenses>

- Office

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

## Gifts

- Gifts to employees

As a self-employed employer, if you give a personal gift to one of your employees, for example a birthday or wedding gift, there's no tax to pay on this and you don't have to report it to HMRC. This is because HMRC treat that as a gift from you as a person, rather than from an employer.

There is no specific guidance from HMRC about whether you can claim tax relief on gifts to employees by putting them in your accounts as a cost - you should ask an accountant about your individual case.

- Gifts to anyone else

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



## 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 (i.e. for both business and private), 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.

For more details, visit our article about travel and accommodation here: <http://www.freeagent.com/central/travel-and-accommodation-expenses>

I

## Insurance

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

L

## Laptop

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

M

## 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.

## Mileage

If you're self employed and using your own car, the simplest way to claim tax relief for your running costs (including petrol or diesel) is to include your business mileage in your accounts at HMRC's approved rates (<https://www.gov.uk/simpler-income-tax-simplified-expenses/vehicles->). Another option is to work out your car running costs and claim a percentage, which may save you tax if you have a car that's comparatively expensive to run.

For more details, see our article about travel and accommodation expenses: <http://www.freeagent.com/central/travel-and-accommodation-expenses>

## Mobile phone

See: '[Telephone](#)'

## Mortgage (home)

If you work from home and 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.

For more details about how to work out the proportion, see our article about business use of home: <http://www.freeagent.com/central/business-use-of-home-expenses>

P

## Parking fines & speeding tickets

Sorry, you can't 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

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, in box 1 or box 2.

## Petrol or Diesel

↩ See: 'Mileage'

## Professional fees

You 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

You can claim tax relief on the cost of annual subscriptions paid to a professional institute or society, if membership of that body gives you the right to use a qualification and you use that qualification in your business. For example, a self-employed bookkeeper could claim the cost of their Institute of Bookkeepers subscription. You can also claim tax relief on the cost of subscriptions to trade associations such as your local Chamber of Commerce.

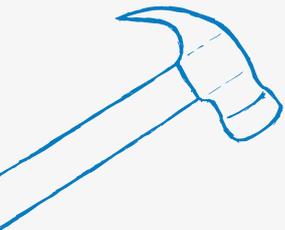
## Property repairs (home)

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 that's used for business, you would include this cost in your accounts in full, subject to the business use of that room.

So for example, if a copywriter has a home with ten rooms and the ceiling in her office/spare bedroom was repaired at a £200 cost, she would multiply the cost by 90% because she uses that room for business 90% of the time, and include £180 in her company accounts.

If the repair is to the whole house, for example a repair to the roof, you can include that in the same proportion as you would the rent or council tax – so in the example of the copywriter's 10-room house, she would claim the repair cost x 1/10 x 90%.

If the repair is just for a part of the house that's not used for business - such as replastering of a kitchen - then you can't claim any part of that repair for tax relief.



## Protective clothing

You can claim tax relief for the cost of protective clothing - for example, if you are a jobbing builder and you buy steel toe-capped boots and a helmet to wear on the site, you can claim tax relief for these items. What you can't include are jeans and a shirt to wear on site, because those would be part of an "everyday wardrobe". It's only the protective clothing itself that you can claim.



## Rent

- Home

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.

For more details about how to work out the proportion, see our article about business use of home: <http://www.freeagent.com/central/business-use-of-home-expenses>

- Office

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.



## Solicitor

↩ See: 'Professional fees'

## Stationery

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



## Telephone

- Home

If you work from home and don't have a separate phone line for business, you can claim the full cost of all of your business use of your home phone line (using an itemised bill), and 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.

- Office

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





## Tolls and car parking

You can claim tax relief for the full cost of tolls and car parking fees you pay while travelling on business. If you are claiming tax relief using the mileage method (see: 'Vehicle'), you can claim tax relief on the costs of tolls and car parking in addition to the mileage. Don't forget, however, that you can't claim tax relief on parking fines! See "Parking fines and speeding tickets" for more detail.

## Train tickets

You can only claim tax relief for the full cost of train tickets if the primary purpose of your journey was for business. If it was mixed (i.e. for both business and private), then you can only claim tax relief for any costs that you can clearly separate from the private part of your journey. If you can't separate the journey, you can't claim tax relief for any of the costs.

For more details, visit our article about travel and accommodation here: <http://www.freeagent.com/central/travel-and-accommodation-expenses>

## Training & Personal Development

If you're self-employed, HMRC say that you can only claim tax relief on training costs if it updates expertise that you already have. For example, a web developer who attends a course to keep up with new developments in the industry can claim tax relief for that cost. Training that gives you new expertise, knowledge or skills, however, isn't allowable for tax relief.



### Uniform

If you have to buy a uniform that identifies clearly what you do, you can claim tax relief on it. For example, if you are a self-employed nurse, you can claim tax relief on that uniform. You can't, though, claim tax relief on buying any clothing other than your uniform, such as shoes or tights.



### Vehicle

If you're self-employed and using your own car and your sales are under the VAT limit (£82,000 a year at the moment), the simplest way to claim tax relief for your running costs (including petrol) is to include your business mileage in your accounts at HMRC's approved rates, which are 45p/mile for the first 10,000 miles you travel on business in the tax year and 25p/mile thereafter.

If you drive both a car and a van or lorry for business, then you only get one allowance of 10,000 miles for all the vehicles that you use. You don't get an allowance for each vehicle. You can also only use this mileage method if you haven't claimed capital allowances on that vehicle before.

For more details, visit our article about travel and accommodation here: <http://www.freeagent.com/central/travel-and-accommodation-expenses>



## 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 you could claim tax relief for the full cost.

If your business use of water is only minor, you can't claim tax relief for any of the cost for your business.

- Office

You can claim tax relief on the full cost of water at your business premises.

## Website costs

- Building a website

You may be able to claim tax relief for the costs of building a website if you think that your website will earn you more money than the cost it takes to build it. HMRC use the analogy of a website as a "shop window" to clarify when you 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 your site is earning you more money than it costs to maintain it, then you can claim tax relief for the costs of hosting and maintaining a website.



## Xmas parties

↩ See: '[Entertaining staff](#)'

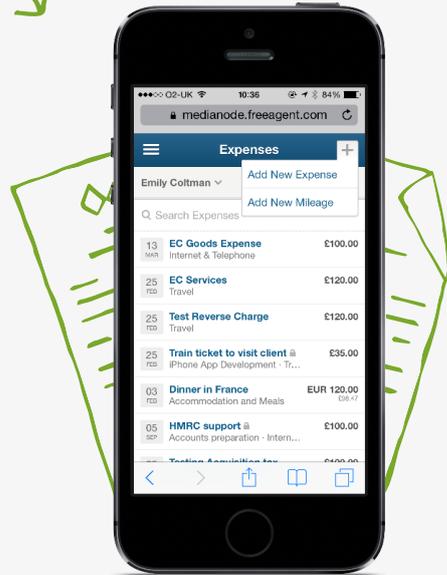


## Zebras

Sorry, you probably can't claim the expense of keeping a zebra, unless you keep a herd of them and sell 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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## For further information

[hmrc.gov.uk/](https://hmrc.gov.uk/)

HMRC's website

[freeagent.com/categories/expenses](https://freeagent.com/categories/expenses)

More information about claiming expenses

0800 288 8691

FreeAgent information and support  
available Monday to Friday 9.00 – 17.00.

You can also email us:

[support@freeagent.com](mailto:support@freeagent.com)

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