

August 2009

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## Allowable Business Expenses

	Sole Trader	Limited Company	Comments and Tips
<b>Motor</b>	✓	✓	See attached sheet
<b>Home as office</b>	✓	✓	See attached sheet – if using the proportion method, make sure you keep a note of the way in which you have done the calculations.
<b>Mobile phones</b>	Business calls only	✓	If the Limited company holds the contract, both business and personal calls can be claimed.
<b>National Insurance contributions</b>	X	✓	(Employers contributions)
<b>Finance interest and charges</b>	✓	✓	Only the interest or other charges for borrowing can be included as an expense. Repayment of the capital cannot be included.
<b>Training</b>	✓	✓	You can't claim for training that is mandatory to carry out your job, but you can claim for training to improve your skills.
<b>Annual parties</b>	X	✓	Up to £150 per head per year, but every employee must be invited. Can include partners if cost per employee remains below £150.
<b>Customer gifts</b>	✓	✓	Up to £50 per customer per year – but mustn't include food, drink or tobacco.
<b>Professional fees e.g. accountants, solicitors, architects</b>	✓	✓	But not legal costs for buying property or large items of equipment.
<b>Clothing</b>	✓	✓	BUT - only clothing that is either protective, or with a permanent logo can be claimed.



## Motor Expenses



There are two options...but note:

Once you've used a particular option for a vehicle, it cannot be changed.

You cannot use the mileage rate method if the car cost more than the VAT registration limit at the time it was acquired (£68,000 in 09/10).

### Actual cost method

Keep records and receipts for all costs.

Record mileage for all business journeys, and also record mileage at start and end of year.

Can only claim for proportion of costs that relate to business use.

Calculate the proportion from:

$$\frac{\text{business mileage in year}}{\text{total mileage in year}} \times 100\%$$

Include these costs:

- Insurance
- Car tax
- Repairs and servicing
- Parts
- Fuel and oil
- AA/RAC subscription
- MOT

Capital allowances can be claimed for depreciation – depends on cost of car, CO2 emissions.

Additional expenses can be claimed for parking, toll charges and congestion charges.

Expenses cannot be claimed for motoring offence fines!

### Mileage Rate Method

Record mileage for all business journeys.

Charge per mile at the following rates:

	First 10,000 miles	Remaining miles
Cars and vans	40p	25p
Motor cycles	24p	24p
Bicycles	20p	20p

Capital allowances can be claimed

Additional expenses can be claimed for parking, toll charges and congestion charges.

Expenses cannot be claimed for motoring offence fines!



## Home as Office Expenses

There are two options.

### Proportion Method

Fixed costs: cleaning, insurance, council tax, rent.

1. Calculate percentage of area of house that is used -either by square feet if you can, or number of rooms (don't count kitchen, bathroom or hallways as rooms).
2. Calculate percentage of time spent using the room (as a percentage of 24 hours).

*Claim fixed costs x percentage 1 x percentage 2 as a business expense.*

NOTE: Mortgage interest could be included, but this has implications on Capital Gains Tax. Also beware of claiming 100% usage of a room – may also have implications on CGT.

Running costs: heating, lighting, power.

1. Calculate percentage of area of house that is used -either by square feet if you can, or number of rooms (don't count kitchen, bathroom or hallways as rooms).
2. Calculate percentage of time spent using the room (as a percentage of the time the room is used overall).

*Claim running costs x percentage 1 x percentage 2 as a business expense.*

NOTE: Costs of water cannot be claimed.

### Fixed Allowance Method

Claim £3 per week without records, but must exclude any weeks where you haven't been at home (holidays, business trips away etc.)

#### Example (from HMRC)

Chris is an author working from home. She uses her living room for 4 hours during the day to work, and during the evening the room is used for a further 4 hours by the family. The room is 10% of the area of the house.

If her fixed costs are £6,600, she can claim:  
 $£6,600 \times 10\% \times 424 = £110$

If her running costs are £1,500, she can claim:  
 $£1,500 \times 10\% \times 48 = £75$

