

Expense claims

In a recent poll, expenses was highlighted as the most common area that micro-businesses and self-employed people make mistakes in and is viewed by many as a minefield. Some either include everything and hope for the best or alternatively fail to claim back actual permissible expenses on their tax returns. However you can face fines for making mistakes so it's worth treading carefully.

HMRC have clear rules about 'allowable expenses'. These expenses can be subtracted from your turnover in order to work out the taxable profit.

HMRC received some questionable expense claims last year including:

- a carpenter claiming £900 for a 55-inch TV and sound bar to help him price his jobs
- £40 on extra woolly underwear, for 5 years
- £756 for my pet dog insurance
- a music subscription, so I can listen to music while I work
- a family holiday to Nigeria

Obviously these weren't allowed, but below we list ones to consider as legitimate business expenses you may come across in your job.

Office expenses – e.g. business stationery, printing costs, postage and equipment such as computers, software and printers (although these may need to be claimed as capital allowances).

Business premises – e.g. rent, maintenance, repair costs, utility bills, security and property insurance. If you work from home then a percentage of space that your office takes up can be claimed back along with a percentage of the associated costs.

Travel – e.g. business related vehicle costs, insurance, fuel, hire charges, breakdown cover, repair and servicing costs, along with business train, bus, taxi or plane travel, overnight accommodation and meal. Be aware though that you can't claim commuting costs between home and your business premises.

Stock – e.g. raw materials, stock and production costs.

Legal and financial costs – for example cost for an accountant, solicitor, surveyor, etc if they are used for business purposes.

Other expenses can also include bank charges, business insurance, marketing costs, clothing such as uniform or PPE, staff costs and subscriptions.

Remember to keep all receipts and proof of purchases in order to back up your claim in case you are subject to a tax investigation.

Please visit www.gov.uk/expenses-if-youre-self-employed for a full breakdown and further clarification.

As a general rule of thumb - if it's not work related then it is not allowable against your tax liability. Ask yourself if the expense was for your business and if it was necessary to generate income for your business. If you are in any doubt we would advise that you speak with your accountant.

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