

# Business Expenses

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**Understanding which expenses you are entitled to claim as a business is crucial. You have decided what type of company you would like to establish, you have explored your target market, and you have identified your product or service. Now it is time to pinpoint potential reductions to be made in the company's tax bill and maximise your business' returns.**



## **Rules for claiming business expenses**

HMRC has outlined some fundamental rules for claiming expenses which must be followed by limited companies. Firstly, it is imperative that tax-deductible expenses are 'wholly and exclusively' used for your business. Moreover, if one expense comprises both business and personal use – for

example, you attend a conference in another city, but stay an extra day with your family on the basis of leisure – only the business aspect of the trip's cost can be deducted from the company's tax bill.

With regards to completing the payment of business expenses, transactions can either be processed through a business' bank account or alternatively, costs of the business expenses paid by an individual can be reimbursed via your limited company retrospectively. Generally, most expenses generated by limited companies can be offset against a business' corporation tax burden. However, be wary of the few items which are excluded from the list of deductibles. Business related entertainment and

corporate gifts, for example, may not be classified as deductible expenses if their nature falls outside certain criteria.

## **Keeping a record of your expenses**

As a limited company, it is important to comprehensively and accurately keep track of what you're expensing as HMRC could reject any claim which they deem incomplete, or incorrect. From office rent to business-related fuel costs, it's vital to retain copies of any receipts.

These should be held for a minimum of six years. The physical receipt/invoices do not need to be kept if a digital copy is held. Creating a spreadsheet to track your expenses throughout the tax year is an easy and efficient way to stay on top of your business administration.

## **Company expenses which you can claim**

### **Staff expenses**

If your company takes on any employees (and this includes you as a company director) then the company will be able to claim its employee costs as an expense, these include their salaries, bonuses, pensions, employers' national insurances, uniforms for employees and training courses provided.

In terms of training courses, HMRC often disallows expenses for courses such as MBAs or executive training programs as they offer new skills and knowledge rather than building on existing skills. They may be allowed in certain situations, but only if you demonstrate that they are reinforcing/improving your existing knowledge/skills.

### **Business travel expenses**

You can claim allowable businesses expenses provided that the travel you are undertaking is necessary for your work and should not be 'ordinary commuting', HMRC defines a commute as the journey you make between your home and permanent workplace. The allowable expenses include items such as vehicle insurance, repairs and servicing, fuel, parking, hire charges, train, bus, air and taxi fares, hotel rooms, meals on overnight business trips.

If you've used your personal car or van to get to a temporary place of work and paid for the fuel personally, you're entitled to get this back from your company through a business mileage claim. If the company owns the car, then you can only claim the cost of fuel.

### **Entertainment expenses**

Business entertainment or 'gifts' is not allowable expenses even if it's a genuine expense of your trade or business.

Employee entertainment, such as a Christmas party, is allowable as long as expenditure does not exceed £150 plus VAT per head. Note that the £150 is an annual limit and can cover multiple events for employees.

## **Marketing**

From law firms to fashion brands, every company benefits from communicating their product through marketing, advertising, and PR. If your investment in these services and activities has been used exclusively for your business, then the relevant costs can be claimed as a company expense.

## **Business insurance**

Limited companies can claim any insurance plans related to day-to-day operations as an expense, providing their sole use is for the business. From public liability insurance to contents insurance for your office, the majority of insurance plans count as allowable expenses.

## **IT and office equipment**

Equipment, such as laptops, software and printers, for example, are able to be expensed. Furthermore, any office furniture, stationary, and paper is also eligible to be claimed against providing it's predominantly used for business purposes.

## **Home Offices**

Many businesses are now established right from the comfort of people's living rooms or bedrooms, especially after the pandemic. If your business falls into this camp, you're entitled to claim the increase in bills due to working from home.

## **Professional fees**

Accountancy fees are fully deductible, providing the accountants' time is spent working wholly on company affairs. For any personal affairs (such as preparing your personal tax return) this can be included in your limited company accounts but will be taxable to you personally and needs to be recorded as a 'benefit in kind' (BIK). Additionally, your company will need to pay National Insurance Contributions at 15.05% on the BIK for the 2022/23 tax year.

Legal and other professional fees are allowable expenses as long as they are directly related to the business.

There are many more avenues for claiming expenses out there, so why not take stock of what savings there are to be made within your company?

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