

Allowable Expenses

We are often asked: "What expenses can I claim now that I am self employed?".

The rather glib answer is "anything that relates to your business". Whilst this is generally true, there are some expenses which, although genuine business expenses, are specifically excluded from tax relief, such as:

- Business entertaining including the VAT; however input VAT on business entertaining of overseas customers is recoverable
- Charitable subscriptions and donations, except to small local charities
- Political donations
- Costs and Fines for breaking the law
- Loan Capital Repayments
- Drawings, including payments for tax and National Insurance contributions
- Depreciation; capital expenditure is subject to the capital allowance regime

Expenditure on plant and machinery for most small businesses is likely to be covered by the annual investment allowance of up to £1 million.

April 2013 saw the introduction of a new cash basis for calculating taxable income for small unincorporated businesses. One of the measures allows any unincorporated business to choose to use flat rate expenses for the following items of business expenditure:

- Fixed allowances for business mileage
- Expenses relating to business use of the home
- Adjustment for private use of business premises

This information is not exhaustive. Please contact us if you have any queries about the allowability of specific expenses.