

BROADLEY ACCOUNTING | 2024 | V1

Allowable Expenses for a Limited Company





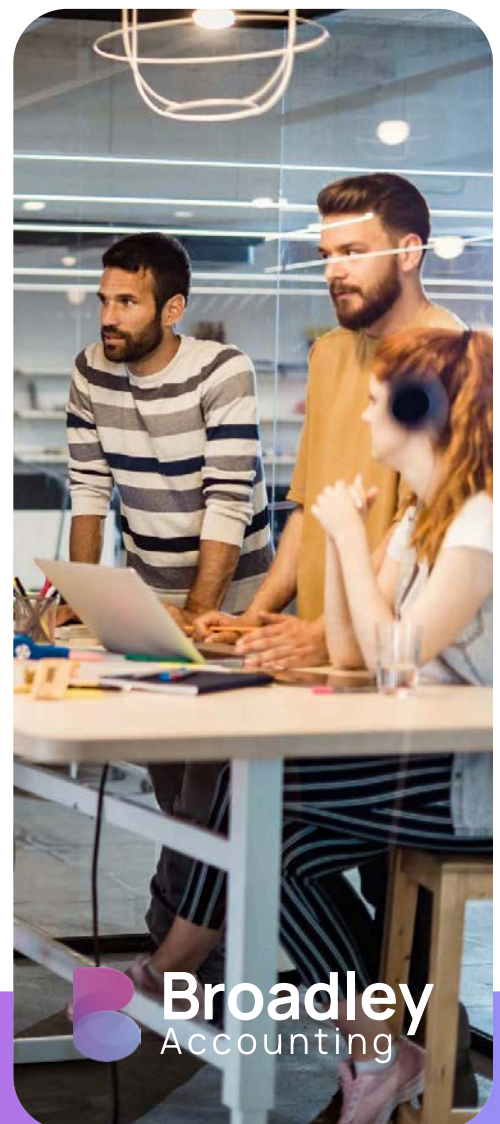
About our guide

Running a Limited company can be overwhelming and knowing what an allowable expense is and what isn't is just one more area to understand. Many business owners don't claim tax relief for all the allowable expenses they could because they don't know they can. This guide will ensure you do claim all that you can.

Why does it matter?

By claiming allowable expenses, you can reduce your company profits, and in turn this reduces your Corporation tax liability.

For example, if your company incurs £5,000 of allowable costs, then your taxable profits are reduced by £5,000 saving you between £950 and £1,250 in Corporation tax depending on the rate applicable to your profits.





Accountancy and Professional Fees

Accountancy Fees

Tax relief is available on the full cost of accountancy fees, in relation to the preparation of company accounts, bookkeeping, VAT preparation, payroll tax planning and much more.

Professional/consultancy fees

It is possible to claim tax relief for other professional fees, such as solicitors and lawyers. You may need to engage them for legal assistance, preparing business contracts or signing a business lease.

If the costs are in relation to a long-term investment, property purchase or other transaction capital in nature, tax relief may not be immediate, and you should seek our advice first.

Start-up costs

It is possible to claim for costs that were incurred before you started to trade. For example, you may be able to claim for equipment, legal costs, and stationery. Check with us first before incurring large costs and we can advise.





Advertising and Marketing

Marketing and advertising costs are an allowable business expense. This can include print advertising, social media advertising, LinkedIn subscriptions, and branded merchandise.

Website costs

You can claim tax relief on the cost of building and maintaining a business website. The website must promote the business and give it an online presence. Domain and hosting costs are also allowed.



Bank Charges, Financial Fees & Interest

Tax relief is available on your bank charges, interest payments and financial fees assuming the costs are incurred for business purposes and the accounts are in the company's name.



Business Premises

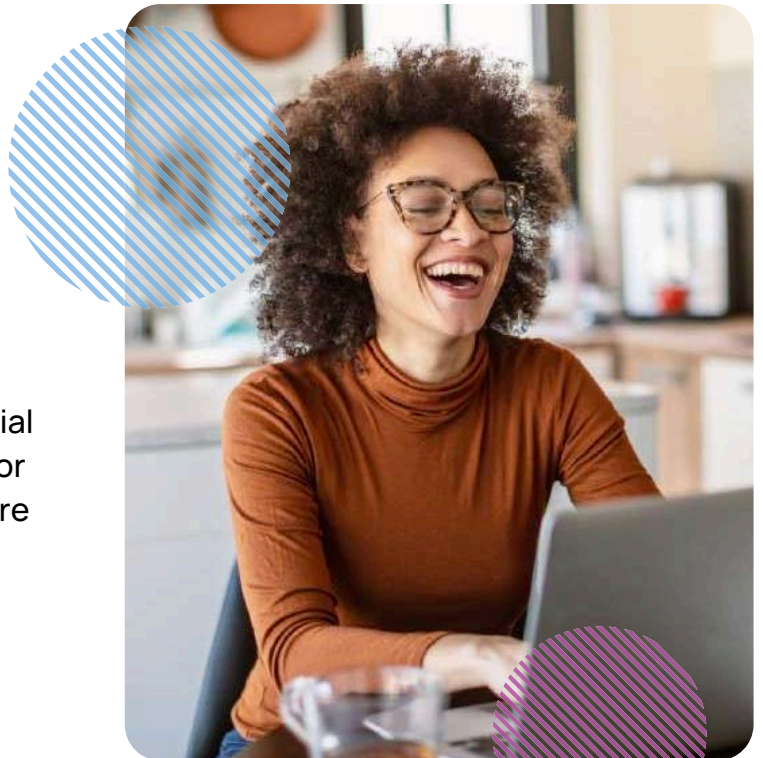
Whether you work from home or an office you will incur costs. These premises costs are tax deductible.

Rented Office Space

Whether you rent a room on an ad-hoc basis or you have signed a business lease your company can cover the full costs of the rent, rates (if applicable), utilities and phone/broadband connections.

Work from Home

As a director of your Limited company, you can claim HMRC's Home Working Allowance of £6 per week (or £26 per month).





Childcare

Prior to 4 October 2018, directors were able to use the voucher scheme or a direct agreement scheme with the childcare provider.

From 5 October 2018, the two schemes were closed to new members and the only option now is the Tax-Free Childcare (TFC) government scheme.

For every £8 you pay in to the TFC, the government will pay an extra £2. You can receive up to £500 every 3 months (£2,000 a year) towards childcare costs for each of your children if:

- Neither you nor your partner earn more than £100,000 per year
- The children you are claiming for are aged 11 or under
- The provider of the childcare is registered with Ofsted
- You have parental responsibility for the child you are claiming the childcare for
- Adopted children fall within these rules but fostered children do not.



Charitable Donations

You can claim tax relief on cash donations to charity. Charitable donations that don't attract tax relief are:

- Loans that will be repaid by the charity
- Made on the condition that the charity will buy property from your company, or anyone connected with it
- Are a distribution of company profits (eg dividends)

Check with us before making donations.



Clothing and Laundry

Everyday clothing (jeans, t-shirts, trainers) that could be worn outside work (even if it isn't) are not allowable business expenses, so even if you have bought a suit for work, that you won't wear at any other time, it is not allowed.

However, if you or your employees need protective clothing or you have branded clothing or uniforms that can only be worn at work, your limited company can pay for these, and the cost will be tax-deductible.

The cost of laundering the above clothing can also be claimed as a business expense. The cost of laundering general business clothing and suits etc. cannot be claimed.



Computer Equipment and Technology

Provided the computer equipment you purchase, is primarily for business use and has not significant private use, you can claim the cost against your profits.

When starting your company, if you want to use your own office equipment or computer in the business, you can claim tax relief on the market value at the time you brought it into the business. Effectively you sell the asset to the business.

If you purchase second hand equipment you can still claim tax relief on the cost, as its new to your company.



Entertainment

Clients

Client entertainment is NOT tax deductible.

You can claim tax relief on entertainment for employees that are on your payroll.

Employees

You may be able to claim tax relief on employee entertainment but be careful! It can be classed as a benefit that the employee must pay extra tax on unless specific rules are followed.

To avoid being classed as a taxable benefit, the event (commonly a Christmas party) must meet the following criteria to be considered a 'qualifying event' by the HMRC:

- The event must be open to every employee
- It must be an annual event
- It mustn't exceed £150 per attending guest





Gifts

Employees

A gift to an employee may be considered a taxable benefit, depending on the nature of the gift. If it's considered a 'trivial benefit' (such as a bouquet of flowers for a leaver) then the company may be able to apply to HMRC to not pay additional tax or National Insurance.

Non-employees

Tax relief on a gift given to someone outside the company, is available, if it meets the following criteria:

- The gift isn't vouchers, tobacco, food, or drink
- The cost of the gift doesn't exceed £50
- The gift is clearly marked with the company's logo

Trivial Benefits

A company can provide its directors and employees (but not shareholders) with trivial benefits if they amount to £50 or less each time. These trivial benefits can be given without any tax or National Insurance costs.

For directors, there is no limit on the quantity of 'benefits' you can provide, so long as they do not exceed £300 per year, or £50 at one time.

30 claims of £10, or you could make six claims of £50. If any 'benefit' exceeds £300 for the year or £50 per benefit, they will no longer be deemed allowable via the business. If the benefit costs more than £50, the whole amount becomes a taxable P11D benefit.

There are certain things that cannot be claimed as Trivial Benefits, so make sure you are familiar with these.

- The benefits are not allowed to be regular payments, for example a subscription or gym membership
- The benefit cannot be provided in recognition of specific services that an employee has performed as part of their employment duties
- The benefits should not be a contractual entitlement
- The benefit cannot be provided in the form of cash or cash vouchers
- Cash vouchers refer to vouchers that can be exchanged for cash, so shop vouchers are allowed
- The company should pay for the benefit, not reimburse an employee

The £300 annual amount and the £50 benefit caps represent limits not an allowance. You should retain receipts for the costs, and you cannot claim the full amount at the end of the year, if the cost has not actually been incurred.



Insurance

Full tax relief is available on the following:

Professional Indemnity Insurance

This insurance covers your business for any claims of financial loss due to error or negligence.

Public Liability Insurance

This covers businesses for any claims from the public for injury etc.

Employer's Liability Insurance

This is legally compulsory if you have staff and covers the business for any claims by employees for injury etc.

Contents Insurance

If you rent or own your own premises than contents insurance will be needed. If you are working from home, make sure your contents insurance covers business assets.



Life Insurance and Medical Care

Life Insurance

You may be able to put the cost of life insurance through the company and claim as a tax-deductible expense if you meet the following conditions:

- The policy can only provide life cover and no benefits
- The policy can only pay out a lump sum if the director/employee dies in service before age 75
- The policy can't have a surrender value
- The policy can only pay out to an individual or charity

Private medical insurance

Your company may be able to contribute towards private medical insurance for directors and employees. If the insurance provides more than one standard free check a year, it will be classed as a benefit in kind. The director/employee will have to pay tax on the benefit and the company will have to pay National Insurance.

Medical treatment

There are some circumstances where the company can provide medical treatment for employees, without it being considered an employee benefit. For example, eye tests for employees who regularly use a PC screen as part of their role (as this is a legal requirement).

A qualified optician must carry out the eye test and the original VAT receipt for the test must be supplied. Any claim for contact lenses or spectacles must be supplied with proof from the optician that the expenses has been incurred for VDU use whilst working and not a general need for glasses.



Pensions

Your company can claim 100% tax relief on contributions made to a directors or employee's pension fund. Auto-enrolment costs if applicable are also an allowable expense.

There is an annual limit for pension contributions of £60,000.

We work alongside regulated pensions advisors if you would like more advice.



Postage and Stationery

You can claim tax relief on postage incurred by the business.

All stationary used in the business by you and your employees, along with computer and printer consumables are tax allowable expenses.



Software

Licence costs and initial purchase costs of software used in the business are allowable expenses.



Salaries

As a director (and therefore employee) of your limited company, the salary you pay yourself is considered an allowable expense, along with the Employers National Insurance cost. You can choose how much salary the company pays you on an annual basis. We can recommend the most tax-efficient option for your business and review this with you.

Employees

The cost of your employee's salaries is an allowable expense, along with associated employment costs such as Employers National Insurance and Auto Enrolment contributions.

We strongly recommend you seek our advice before taking on staff as you will have several responsibilities and obligations to fulfil.





Telephone & Broadband

Mobile Phones

One mobile phone per business owner or staff member is an allowable tax-deductible expense, even if there is personal use. The purchase of the handset and cost of the line rental and calls can only be paid for and treated as tax-deductible in full if:

- The handset and contract are in the company name
- The company pays the costs directly (not reimbursing the director/staff member)
- The phone is primarily used for business use, with minimal /incidental personal use

Note – if the mobile phone contract is in the director's name and you pay for it personally, strict rules from HMRC state that you can only claim the cost of business calls based on an itemised bill and no proportion of line rental.

Landline phones

If you're the only member of staff and work from home, you can claim the cost of your business use of your home line, based on itemised calls. If you have a separate phone line for the business, either at home or at business premises, it's advisable to put it in your limited company's name and for the company to pay the bill directly. The company can then claim tax relief on the full cost of the line rental and business calls.

Broadband (Internet)

Like mobile phones, the cost of home broadband can be claimed provided that the contract is in the name of the company and paid direct from the company bank account and it is a separate business line (you must have a personal line as well).





Training & Professional Memberships

Training

Tax relief can be claimed on training and development, if the training is relevant to your business, with the key aim being to update or upgrade your knowledge and skills. Training that will not directly impact the business (for example, learning a language that isn't necessary for the business) would not be allowable.

Associated costs, such as travelling to your training are also allowed.

You may be able to claim tax relief on some books and magazines, but you will need to be able to demonstrate that they are relevant to your business.

Professional Memberships

Your company can claim for subscriptions direct to professional bodies where the membership is necessary for the performance of your duties and the professional body is included on the HMRC's approved list.

If these criteria are not met, then additional tax or National Insurance costs may be incurred. The company can also pay fees direct to professional bodies not on the HMRC's list, but this will be classed as a taxable benefit for the individual.



Travel, Subsistence & Accommodation

Travel costs can only be claimed when incurred in travelling to a “temporary workplace”. You cannot claim tax relief for ordinary commuting backwards and forwards to your main office or place of work.

A “temporary workplace” is defined as a workplace attended for a limited period, up to two years. This is often known as the 24-month rule.

24 Month Rule

If you attend a temporary workplace for work or to carry out your business, you can claim the cost of travel to and from, but only if you expect to visit the workplace for less than 24 months.

As soon as you expect to spend 24 months or more at the workplace, it becomes a deemed permanent place of work and the cost of travel is no longer allowed as it is deemed to become ordinary commuting.

If the 24-month rule applies, then the associated expenses for accommodation and subsistence are also disallowed.

If you think these rules may affect you, then seek our advice.



Company Car

If you purchase a car through the business, the company will be able to claim tax relief for the cost and all maintenance and insurance costs. Any company car that has an element of private use, will incur a benefit in kind for the user to whom it has been provided.

The benefit in kind is calculated on list price, CO2 emissions, fuel type and transmission type. For this reason, unless you plan to purchase or lease an electric or ultra-low emission vehicle, in most cases it is more tax efficient to purchase a company van or claim mileage and use your personal vehicle.

If you are thinking of providing a company car, please seek our advice first.

Company Van

Whilst the provision of a company van, still incurs a benefit in kind, where there is an element of private use, the benefit in kind rate is greatly reduced.

If the company owns a van it can pay for the cost of the vehicle along with all maintenance, insurance, and fuel costs. These costs will be tax-deductible.

Use of Personal Vehicle

You can claim business mileage from your company when you drive your own car for business purposes.

These are the current rates (2024)

VEHICLE	Rate per mile - first 10,000 miles in a tax year	Rate per mile (on miles above 10,000 in a tax year)
Car	45p	25p
Motorbike	24p	24p
Bicycle	20p	20p

You can claim an extra 5p per mile if you travel with a colleague in your vehicle, for the purposes of business.

Trains & Flights

Your company can reimburse you for the cost of air or rail travel that you've paid for, without HMRC considering this a taxable benefit, if:

- The travel is between business appointments (from one client to another)
- You were travelling to a temporary workplace

Accommodation

The company can pay for the cost of hotel accommodation without it being considered a taxable benefit if:

- You were attending a business appointment
- You were working at a temporary workplace
- You required accommodation because you were away for business purposes

If you would rather stay with friends and family whilst away on business, you can claim the cost of an evening meal only.

Subsistence

Your company can pay the cost of food whilst you are working away, provided you are travelling to temporary workplace.

The amount claimed should be reasonable and modest and supported by receipts. Alternatively, you could claim HMRC's approved subsistence rates, based on the time you are away from home. Different rates are available when travelling abroad. The UK rates are as follows:

Description	Amount (Up to)
Breakfast rate - paid where you leave home earlier than usual and before 6am	£5
One meal (5 hour) rate	£5
Two meal (10 hour) rate	£10
Late evening meal rate - paid where you work later than usual and finish after 8pm	£15



Secure your financial future



Still got a question as to whether something is a tax-deductible expense? Get in touch today and book a call!

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This guide has been written to provide an overview of the common tax allowable expenses. The rules are complex and subject to change, so always make sure you check with us for the latest information and guidance.

Secure your financial future



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