



## Expenses if you're self-employed

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### 1. Overview

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If you're self-employed, your business will have various running costs. You can deduct some of these costs to work out your taxable profit as long as they're allowable expenses.

**Example** Your turnover is £40,000, and you claim £10,000 in allowable expenses. You only pay tax on the remaining £30,000 - known as your taxable profit.

Allowable expenses don't include money taken from your business to pay for private purchases.

! If you [run your own limited company](#), you need to follow different rules. You can deduct any business costs from your profits before tax. You must report any item you make personal use of as a [company benefit](#).

### Costs you can claim as allowable expenses

These include:

- [office costs](#), eg stationery or phone bills
- [travel costs](#), eg fuel, parking, train or bus fares
- [clothing expenses](#), eg uniforms
- [staff costs](#), eg salaries or subcontractor costs
- [things you buy to sell on](#), eg stock or raw materials
- [financial costs](#), eg insurance or bank charges
- [costs of your business premises](#), eg heating, lighting, business rates
- [advertising or marketing](#), eg website costs

! Contact the [Self Assessment helpline](#) if you're not sure whether a business cost is an allowable expense.

### Costs you can claim as capital allowances

If you use [traditional accounting](#), claim [capital allowances](#) when you buy something you keep to use in your business, eg:

- equipment
- machinery
- business vehicles, eg [cars](#), vans, lorries

If you use cash basis

If you use [cash basis accounting](#) and [buy a car](#) for your business, you can claim this as a capital allowance. However, all other items you buy and keep for your business should be claimed as allowable expenses in the normal way.

If you use something for both business and personal reasons

You can only claim allowable expenses for the business costs.

**Example** Your mobile phone bills for the year total £200. Of this, you spend £130 on personal calls and £70 on business.

You can claim for £70 of business expenses.

If you work from home

You may be able to claim a proportion of your costs for things like:

- heating
- electricity
- Council Tax
- mortgage interest or rent
- internet and telephone use

You'll need to find a reasonable method of dividing your costs, eg by the number of rooms you use for business or the amount of time you spend working from home.

**Example** You have 4 rooms in your home, one of which you use only as an office.

Your electricity bill for the year is £400. Assuming all the rooms in your home use equal amounts of electricity, you can claim £100 as allowable expenses (£400 divided by 4).

If you worked only one day a week from home, you could claim £14.29 as allowable expenses (£100 divided by 7).

Simplified expenses

You can avoid using complex calculations to work out your business expenses by using [simplified expenses](#). Simplified expenses are flat rates that can be used for:

- vehicles
- working from home
- living on your business premises

## 2. Office, property and equipment

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Claim items you'd normally use for less than 2 years as allowable expenses, eg:

- stationery
- rent, rates, power and insurance costs

For equipment you keep to use in your business, eg computers or printers, claim:

- allowable expenses if you use [cash basis accounting](#)
- [capital allowances](#) if you use traditional accounting

You can't claim for any non-business use of premises, phones or other office resources.

Stationery

You can claim expenses for:

- phone, mobile, fax and internet bills
- postage
- stationery
- printing
- printer ink and cartridges
- computer software your business uses for less than 2 years

- computer software if your business makes regular payments to renew the licence (even if you use it for more than 2 years)

Claim other software for your business as [capital allowances](#), unless you use [cash basis](#).

## Rents, rates, power and insurance costs

You can claim expenses for:

- rent for business premises
- business and water rates
- utility bills
- property insurance
- security
- using your home as an office ([only the part that's used for business](#))

## Business premises

You can't claim expenses or allowances for buying building premises.

Claim expenses for repairs and maintenance of business premises and equipment.

For alterations to install or replace equipment, claim:

- allowable expenses if you use [cash basis accounting](#)
- [capital allowances](#) if you use traditional accounting

You can also [claim capital allowances](#) for some integral parts of a building, eg water heating systems.

## 3. Car, van and travel expenses

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You can claim [allowable business expenses](#) for:

- vehicle insurance
- repairs and servicing
- fuel
- parking
- hire charges
- vehicle licence fees
- breakdown cover
- train, bus, air and taxi fares
- hotel rooms
- meals on overnight business trips

You can't claim for:

- non-business driving or travel costs
- fines
- travel between home and work

! You may be able to calculate your car, van or motorcycle expenses using a [flat rate](#) (known as simplified expenses) for mileage instead of the actual costs of buying and running your vehicle.

## Buying vehicles

If you use [traditional accounting](#) and buy a vehicle for your business, you can claim this as a [capital allowance](#).

If you use [cash basis accounting](#) and [buy a car](#) for your business, claim this as a capital allowance as long as you're not using [simplified expenses](#).

For all other types of vehicle, claim them as allowable expenses.

## 4. Clothing expenses

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You can claim [allowable business expenses](#) for:

- uniforms
- protective clothing needed for your work
- costumes for actors or entertainers

You can't claim for everyday clothing (even if you wear it for work).

## 5. Staff expenses

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You can claim [allowable business expenses](#) for:

- employee and staff salaries
- bonuses
- pensions
- benefits
- agency fees
- subcontractors
- employer's National Insurance

You can't claim for carers or domestic help, eg nannies.

## 6. Reselling goods

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You can claim [allowable business expenses](#) for:

- goods for resale (stock)
- raw materials
- direct costs from producing goods

You can't claim for:

- any goods or materials bought for private use
- depreciation of equipment

## 7. Legal and financial costs

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Accountancy, legal and other professional fees can count as [allowable business expenses](#).

You can claim costs for:

- hiring of accountants, solicitors, surveyors and architects for business reasons
- professional indemnity insurance premiums

You can't claim for:

- legal costs of buying property and machinery - if you use traditional accounting, claim for these costs as [capital allowances](#)
- fines for breaking the law

### Bank, credit card and other financial charges

You can claim business costs for:

- bank, overdraft and credit card charges
- interest on bank and business loans
- hire purchase interest
- leasing payments
- alternative finance payments, eg Islamic finance

! If you're using [cash basis accounting](#) you can only claim up to £500 in interest and bank charges.

You can't claim for repayments of loans, overdrafts or finance arrangements.

### Insurance policies

You can claim for any insurance policy for your business, eg public liability insurance.

### When your customer doesn't pay you

If you're using [traditional accounting](#), you can claim for amounts of money you include in your turnover but won't ever receive ('bad debts'). However, you can only write off these debts if you're sure they won't be recovered from your customer in the future.

You can't claim for:

- debts not included in turnover
- debts related to the disposal of fixed assets, eg land, buildings, machinery
- bad debts that aren't properly calculated, eg you can't just estimate that your debts are equal to 5% of your turnover

Bad debts can't be claimed if you use [cash basis accounting](#) because you've not received the money from your debtors. With cash basis, you only record income on your return that you've actually received.

## 8. Marketing, entertainment and subscriptions

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You can claim [allowable business expenses](#) for:

- advertising in newspapers or directories
- bulk mail advertising (mailshots)
- free samples
- website costs

You can't claim for:

- entertaining clients, suppliers and customers
- event hospitality

## Subscriptions

You can claim for:

- trade or professional journals
- trade body or professional organisation membership if related to your business

You can't claim for:

- payments to political parties
- gym membership fees
- donations to charity - but you may be able to claim for [sponsorship payments](#)

## 9. How to claim

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[Keep records](#) of all your business expenses as proof of your costs.

Add up all your allowable expenses for the tax year and put the total amount on your [Self Assessment tax return](#).

You don't need to send in proof of expenses when you submit your tax return. But you should keep proof and records so you can show them to HM Revenue and Customs (HMRC) if asked.

**!** You must make sure your records are accurate.