

Can I claim it?

An A-Z guide to common business costs and expenses, and how to claim tax relief on them - by FreeAgent's chief accountant Emily Coltman FCA.

Sole trader and partnerships edition

freeagent

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Please read this important information

Remember that as a sole trader or partner in a partnership, you and the business you run are considered the same legal entity by HMRC - that means that for you, an “expense” is the same as a “business cost”.

Because legally you are the business, instead of “claiming back expenses” from a company, you would include these costs in your business accounts for tax relief, even if you paid for them from your personal account.

When we say “claim tax relief”, we mean to put the cost into your business accounts and subtract it from the profit figure that you pay taxes on.

About the author

Emily Coltman FCA is FreeAgent’s chief accountant and she is passionate about translating accounting-speak into plain English!

A graduate of the University of Cambridge, Emily has been working with small businesses since the year 2000 and is dedicated to helping their owners lose their fear of “the numbers” and the taxman.

She is the author of three e-books: ‘Refreshingly Simple Finance for Small Business’, ‘Micro Multinationals’, and ‘Very Awkward Tax.’



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A

Accountant

See: [‘Professional fees’](#)

Advertising & marketing

You can claim tax relief on advertising and marketing costs for your business. Watch out though - some costs that you consider to be ‘marketing’ (like taking a client out to lunch) may be considered to be ‘entertaining’ by HMRC. For more details see [‘Entertaining’](#).

Animals

You may be able to claim tax relief on the costs associated with some animals, such as farm animals or guard dogs. There’s further information in the [‘Dogs’](#) section of this guide and in [our article on claiming tax relief on the cost of caring for animals](#).

B

Bank interest & overdraft charges

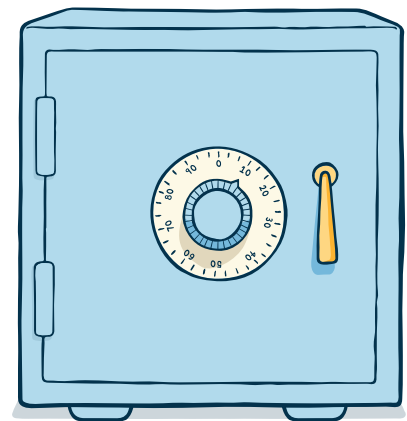
Business accounts

If you have a business bank account that’s separate from your personal accounts, you can claim your interest and charges incurred for tax relief. If you are preparing your accounts on the cash basis, you can claim a maximum of £500 a year in interest and charges.

Personal accounts

If you use a personal account for your business banking, the amount of interest and charges you can claim tax relief on will depend on how much you use the account for business.

If the business use of the account is minimal, then you shouldn’t claim any tax relief on these costs, but if you use the account mainly for business, then it’s worth including at least some of these costs and being prepared to discuss this with a visiting HMRC inspector. Again, if you use the cash basis of accounting, you can’t claim more than £500 for this.



Broadband

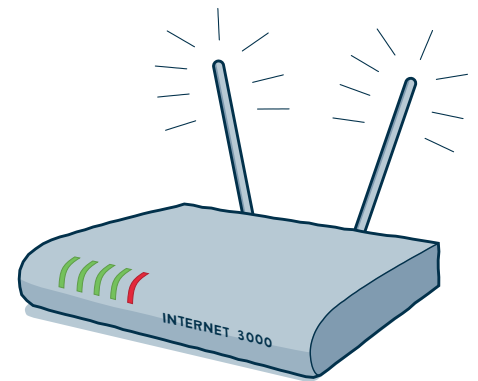
Home broadband

If you work from home and don't have a separate broadband contract for your business, you can claim the full cost of all of your business use of your home broadband (using an itemised bill), and a percentage of the line rental. If you pay a fixed fee for your broadband, you should claim the business percentage of your broadband use.

To calculate the percentage that you can claim, work out how much you use broadband for business purposes and how much is for personal use. HMRC says that if the personal use is "not significant", you can claim the full cost.

Office broadband

If you have a separate broadband contract for your business, you can claim tax relief on all of the use and line rental for this contract, as long as you don't also use it heavily for personal use.



Business use of home

You can use a simplified flat rate allowance to claim some of your business use of home (unless your business is a limited liability partnership). This only covers heat, light and power, so you would need to claim tax relief on your other home working costs by claiming a proportion of the actual costs you spent. For help with calculating your working from home expenses, take a look at our [infographic](#).



Charitable donations

You can get tax relief on some charitable donations, but they aren't included in your business accounts as a cost. Instead, the donations go in the main section of your tax return.

Childcare

Sorry, the cost of childcare for your own children doesn't count as a business cost, so you can't claim tax relief on this.

Clothing

Generally, claiming for any clothing that is (or could be) part of an “everyday wardrobe” is not allowable - so if you have to buy a suit for work but it could be worn elsewhere, you cannot claim for the cost of the suit.

Computer equipment and electronics

For private and business use

If you buy new computer equipment that you’re going to use partly for work and partly for personal use, you have to work out how much you’re going to use it for business, and then include only that proportion of the cost in your accounts.

Solely for business use

If you buy computer equipment that’s just going to be used for your business, you’ll be able to claim tax relief on the full cost of the equipment as a capital asset.

Private equipment brought into a business

If you already own a computer, office chair, etc and want to bring it into your business, you can claim tax relief for its market value at the point you brought it into the business. Check eBay for similar items and then include that cost.

Don’t forget that if you are going to carry on using the equipment privately too, you have to work out how much you’re going to use it for business, and then include only that proportion of the cost in your accounts.



Second-hand equipment brought into a business

If you buy a piece of equipment second-hand, you can still claim it as a capital asset at the cost you bought it for because the equipment is new to you. Don’t forget that unless you have a VAT receipt and are VAT registered, you can’t reclaim VAT on second-hand equipment.

Council Tax (home)

If you work from home, you can claim a proportion of your Council Tax cost.

Credit card charges (personal cards)

See: [Bank interest and overdraft charges](#)

Cycle travel

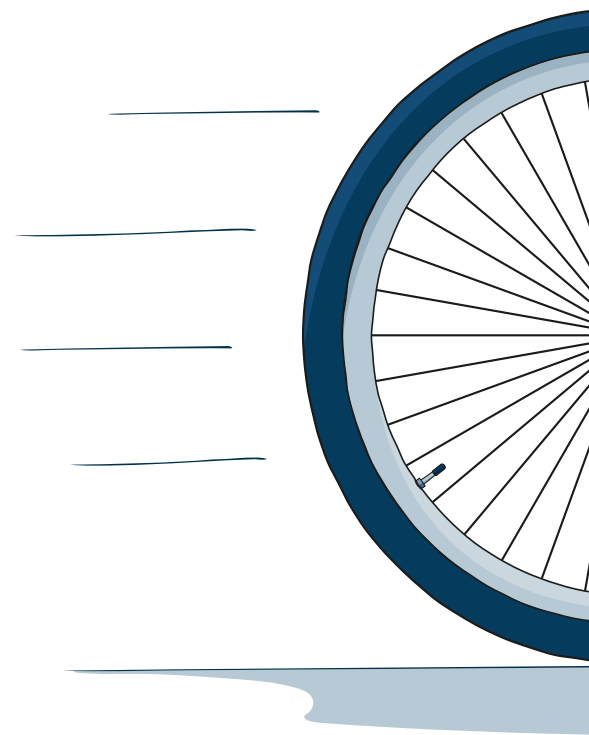
HMRC says that sole traders and partners can't claim tax relief on business journeys undertaken by bicycle. If you employ anyone, then your employees can claim tax relief on business bicycle travel - but you can't!



Dogs

Some dogs (and other animals) are classed as "working animals", for example farm working dogs, gamekeepers' spaniels, police dogs, or army bomb disposal dogs.

These working animals are treated in the business books as capital assets that qualify for capital allowances, and feeding and caring for them as tax-deductible expenses. So you could put food for these animals, veterinary fees and so forth into the company's profit and loss account as business costs, and save tax.



E

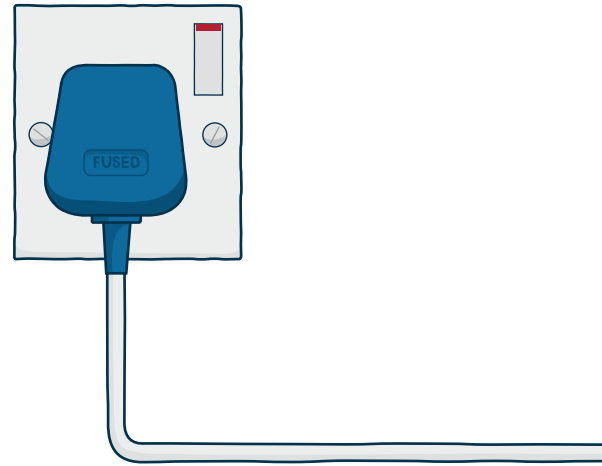
Electricity

Home

If you work from home, you can claim tax relief on a percentage of your electricity costs, based on how much you use your home for business. You can't claim both the percentage and the flat rate allowance, though. For further guidance see ['Business use of home'](#).

Office

You can claim the full cost of heating and lighting your business premises for tax relief.



Entertaining

Entertaining clients

Unfortunately, you can't claim tax relief for entertaining clients. There is no tax relief available on the cost of entertaining anyone other than bona fide payroll employees.

Entertaining employees

When you're entertaining your employees, this may be allowable for tax relief in your business's accounts, but it could also be a benefit on which your employees have to pay some tax.

In order for a party to be what HMRC calls a "qualifying event" and therefore not a taxable benefit for your staff, it must meet all of these three criteria:

- It is an annual event (such as a Christmas party).
- It is open to all staff.
- It costs less than £150 per guest present.

If any of these three conditions aren't met - for example if the event is a one-off meal to celebrate a new contract, or if some employees are excluded, or if the cost per head is over £150 - then the whole cost of the event becomes a taxable benefit. Remember that as a sole trader or partner, you are not an employee of your business.

F

Flights

You can only claim the cost of flights in full if the primary purpose of your journey was for business. If it was mixed (i.e. both for business and private), then you can only claim any costs that you can clearly separate from the private part of your journey.

If you can't separate the journey, you can't claim any of the costs. For more details, visit our article about [travel and accommodation](#).



Food and drink

At your home or an office

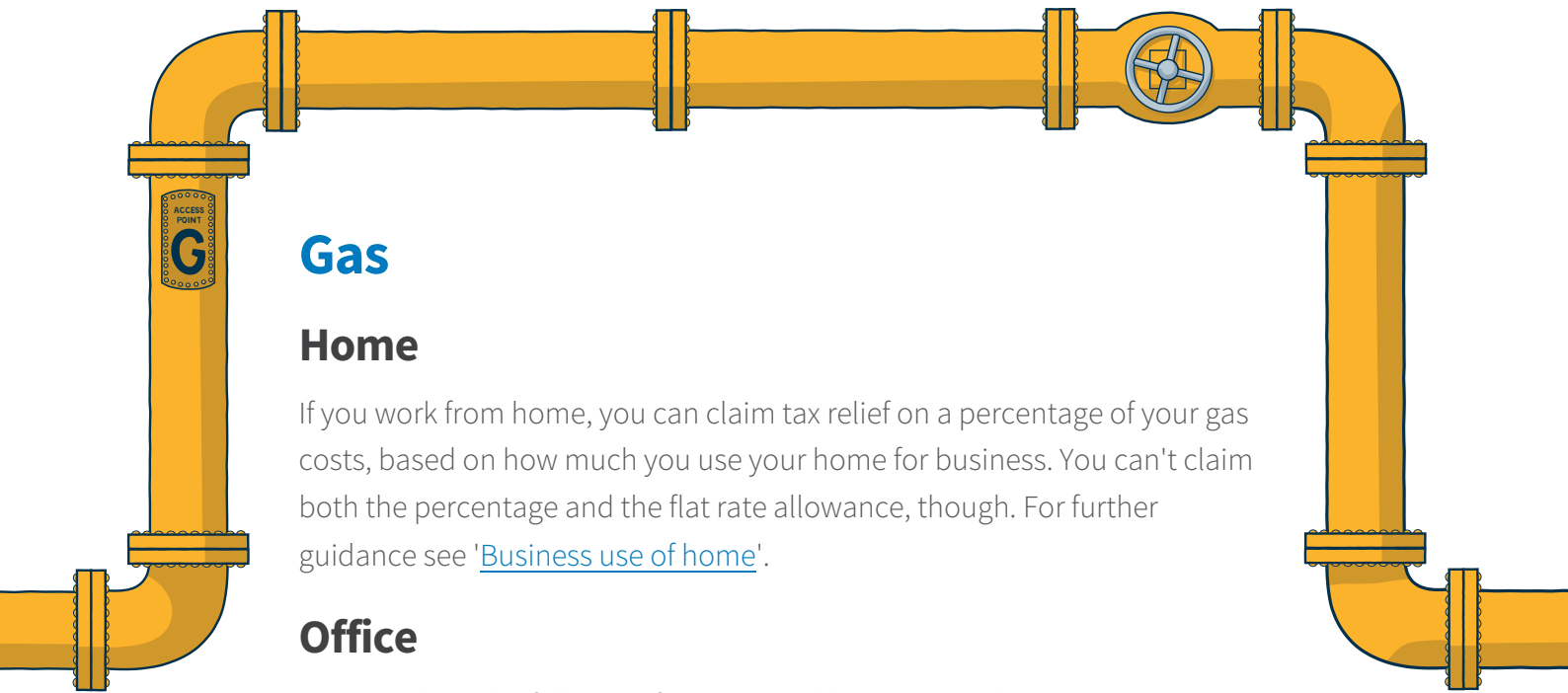
If you don't have any employees, you can't claim the cost of food and drink you buy to eat while you're working from home or in your usual office. If you have employees, you can provide basic food and drink (such as tea, coffee and biscuits) for them, along with free meals at a canteen, and claim tax relief for these costs - so long as the food and drink you provide is available to all of your staff.

While travelling

As a self-employed person you are allowed to claim the cost of very little of the food and drink you buy when you're out and about on business. HMRC takes the stern line that everyone must eat to live, and only has a few exceptions:

- You can only claim tax relief on the cost of your food and drink when you're making a journey that's outside your normal working pattern, such as going to visit a client who you usually deal with online. However HMRC doesn't define "normal working pattern" in any detail, so if you include a claim for the cost of food and drink on this basis, you should be prepared to justify it to a visiting inspector.

- You can claim “reasonable” costs of food and drink if your business is by nature itinerant - for example if you travel around the country with a mobile childrens’ zoo, or if you spend time at different clients’ premises in turn and don’t stay long at each one, like a chimney sweep or jobbing builder.
- You can also claim “reasonable” costs of food and drink if you’re staying away from home overnight on business.



Gas

Home

If you work from home, you can claim tax relief on a percentage of your gas costs, based on how much you use your home for business. You can't claim both the percentage and the flat rate allowance, though. For further guidance see ['Business use of home'](#).

Office

You can claim the full cost of heating and lighting your business premises for tax relief.

Gifts

Gifts to employees

As a self-employed employer, if you give a personal gift to one of your employees, for example a birthday or wedding gift, there’s no tax to pay on it and you don’t have to report it to HMRC. This is because HMRC treats it as a gift from you as a person, rather than from an employer.

There is no specific guidance from HMRC about whether you can claim tax relief on gifts to employees by putting them in your accounts as a cost. You should ask an accountant about your individual case.

Gifts to anyone else

If you give a gift to anyone who's not an employee of the company, then the company can claim tax relief on that gift, so long as it:

- is not food, drink, tobacco or vouchers
- costs less than £50 per recipient per year
- is prominently marked with your business's name

H Hotel accommodation

You can only claim tax relief for the full cost of hotel accommodation if the primary purpose of your stay was for business. If it was mixed (i.e. for both business and private purposes), then you can only claim tax relief for any costs that you can clearly separate from the private part of your stay. If you can't separate the stay between business and private, you can't claim tax relief for any of the costs.

For more details, visit our article about [travel and accommodation](#).

I Insurance

You can claim tax relief on the full cost of insurance for business, such as contents insurance for an office or a specialist home business policy. However, you can't claim tax relief for any insurance that has a dual purpose, such as private medical insurance for the business owner.

L Laptop

See: [Computer equipment and electronics](#)

M Medical treatment

You can almost never claim tax relief for the cost of medical treatment, even if it relates to an injury you sustained at work. The exception is for an actor or other performer who has cosmetic surgery that they can prove is purely for business. HMRC's example is that of an experienced radio performer who has her teeth straightened to allow her to work in TV.



Mileage

If you're self-employed and using your own car, the simplest way to claim tax relief for your running costs (including petrol or diesel) is to include your business mileage in your accounts at [HMRC's approved rates](#). You can use these rates even as a self-employed individual.

Another option is to work out your car running costs and claim a percentage, which may save you tax if you have a car that's comparatively expensive to run.

Mobile phone

See: [Telephone](#)

Mortgage (home)

If you work from home and pay a mortgage, you may be able to claim tax relief for a proportion of the interest that you pay, but not the capital repayment.



Parking fines and speeding tickets

Sorry, you can't claim tax relief on the cost of fines or speeding tickets, even if you incurred these while travelling on business, because you incurred the cost while breaking the law!



Pension contributions

Pension contributions to your own pension count as personal costs, so if you pay these from the business account, you can't claim tax relief on them through your business accounts. Instead, you would claim tax relief on them by putting them into the 'Tax Reliefs' section of the main part of your tax return.

Petrol or diesel

See: [Mileage](#)

Professional fees

You can claim the full cost of professional fees incurred for the business (for example, the fees a solicitor charges you) for tax relief, except in specific circumstances. For more details about these circumstances, visit [HMRC's guidance](#).

Professional subscriptions

You can claim tax relief on the cost of annual subscriptions paid to a professional institute or society, if membership of that body gives you the right to use a qualification and you use that qualification in your business.

For example, a self-employed bookkeeper could claim the cost of their Institute of Bookkeepers subscription. You can also claim tax relief on the cost of subscriptions to trade associations such as your local Chamber of Commerce.

Property repairs (home)

If you work from home and have repaired your property, you may be able to claim tax relief on some costs. If a property repair relates solely to the part of your home that's used for business, you would include this cost in your accounts in full, subject to the business use of that room.

So for example, if a developer has a home with 10 rooms and the ceiling in her office/spare bedroom was repaired at a £200 cost, she would multiply the cost by 90% (because she uses that room for business 90% of the time), and would include £180 in her company accounts.

If the repair is to the whole house, for example a repair to the roof, you can include that in the same proportion as you would the rent or council tax – so in the example of the developer's 10-room house, she would claim 1/10 of the repair cost x 90%. If the repair is solely for a part of the house that's not used for business - such as replastering a kitchen - then you can't claim any part of that repair for tax relief.

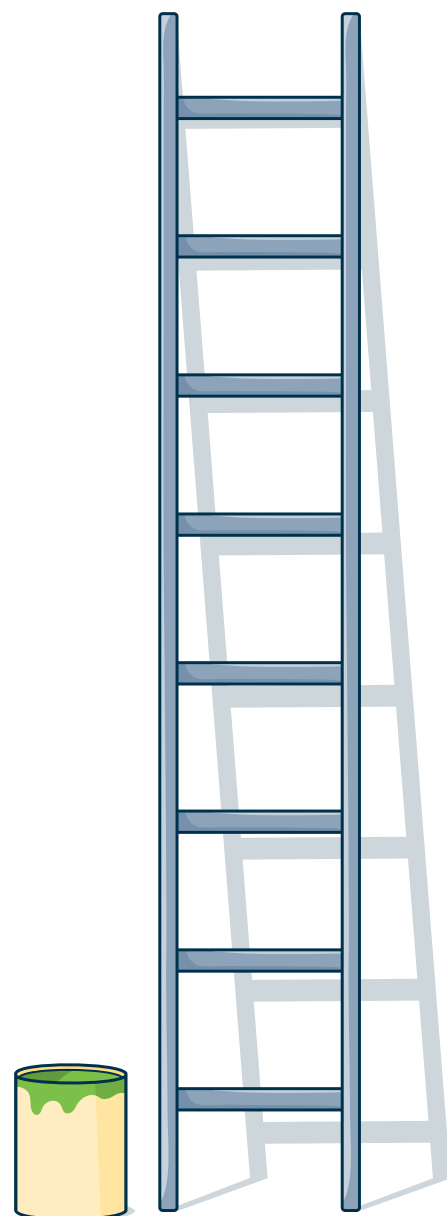


Rent Home

If you work from home and pay rent to a landlord, you may be able to claim a proportion of the rent for your business.

Office

If you rent an office that you use just for business, you can claim tax relief on the full cost of that rent. The exception is a rent deposit, which goes on your balance sheet and isn't available for tax relief.



S

Solicitor

See: [Professional fees](#)

Stationery

If you buy stationery to use for the business, such as business cards or compliment slips, you can claim tax relief on the full amount of this cost.

T

Telephone

Home

If you work from home and don't have a separate phone line for business, you can claim the full cost of all the business use of your home phone line or personal mobile (using an itemised bill). You can also claim a percentage of the line rental, based on how much you use it for business purposes and how much is for personal use. Remember that if you are claiming the flat rate allowance for business use of home, this does not include business calls from your home phone line.

Office

If you have a separate phone line or mobile for business, you can claim tax relief on all the calls and line rental for this phone.



Tolls and car parking

You can claim tax relief for the full cost of tolls and car parking fees you pay while travelling on business. If you are claiming tax relief using the mileage method (see: [Vehicle](#)), you can claim tax relief on the costs of tolls and car parking in addition to the mileage.

Remember, however, that you can't claim tax relief on parking fines! See [Parking fines and speeding tickets](#) for more detail.

Train tickets

You can only claim tax relief for the full cost of train tickets if the primary purpose of your journey was for business.

If it was mixed (i.e. for both business and private use), then you can only claim tax relief for any costs that you can clearly separate from the private part of your journey.

If you can't separate the journey, you can't claim tax relief for any of the costs.

For more details, visit our article about [travel and accommodation](#).



Travel

HMRC doesn't give any explicit guidance about what counts as a claimable business journey for sole traders. It only says that if the travel is "regular and predictable", or between home and a "base of operations" such as a co-working space where you spend most of your working days, then the costs couldn't be claimed.

We suggest speaking to an accountant about your specific circumstances.

Training and personal development

If you're self-employed, HMRC says that you can only claim tax relief on training costs if the training updates expertise that you already have.

For example, a web developer who attends a course to keep up with new developments in the industry can claim tax relief for that cost.

Training that gives you new expertise, knowledge or skills, however, isn't allowable for tax relief.



Vehicle

If you're self-employed and using your own car, and your sales are under the VAT threshold (£85,000 a year at the time of publishing), the simplest way to claim tax relief for your running costs (including petrol) is to include your business mileage in your accounts at [HMRC's approved rates](#). You can only use this mileage method if you haven't claimed capital allowances on that vehicle before.

If you drive both a car and a van or lorry for business, then you only get one allowance for all the vehicles that you use. For more details, visit our article about [travel and accommodation](#).



Water

Home

If you use a lot of your home water supply for business - for example, if you run a car valeting service - then you would need to apply to the water company for the business use to be separately charged, and you could claim tax relief for the full cost. If your business use of water is only minor, you can't claim tax relief for any of the business cost.

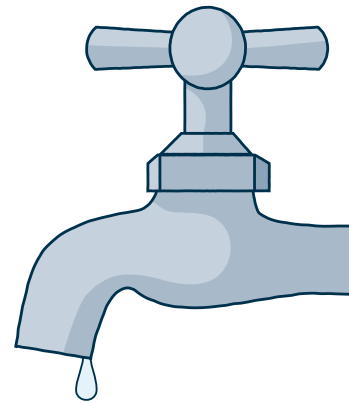
Office

You can claim tax relief on the full cost of water at your business premises.

Website hosting

You may be able to claim tax relief for the costs of hosting a website if you think that your website will earn you more money than the cost it takes to host it. HMRC uses the analogy of a website as a "shop window" to clarify when you can claim [tax relief for the costs](#).

There are no hard and fast rules here so we would recommend speaking to an accountant about these costs.





Xmas parties

See: [Entertaining](#)



Zebras

Sorry, you or the company probably can't claim the expense of keeping a zebra, unless you have a side business that keeps a herd of them and sells ice cream or cheese made from their milk!

If that's the case, drop us a line, we'd love to try your ice cream!





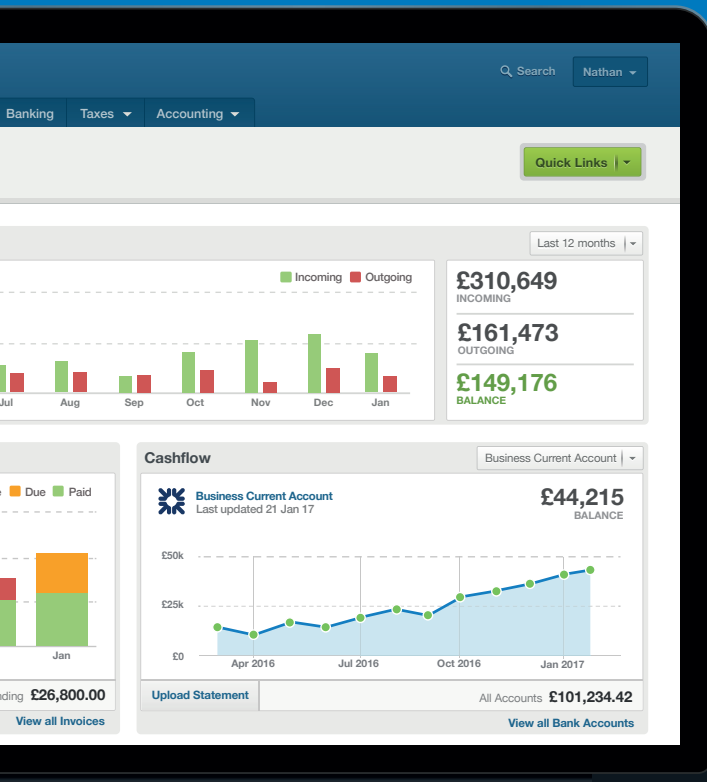
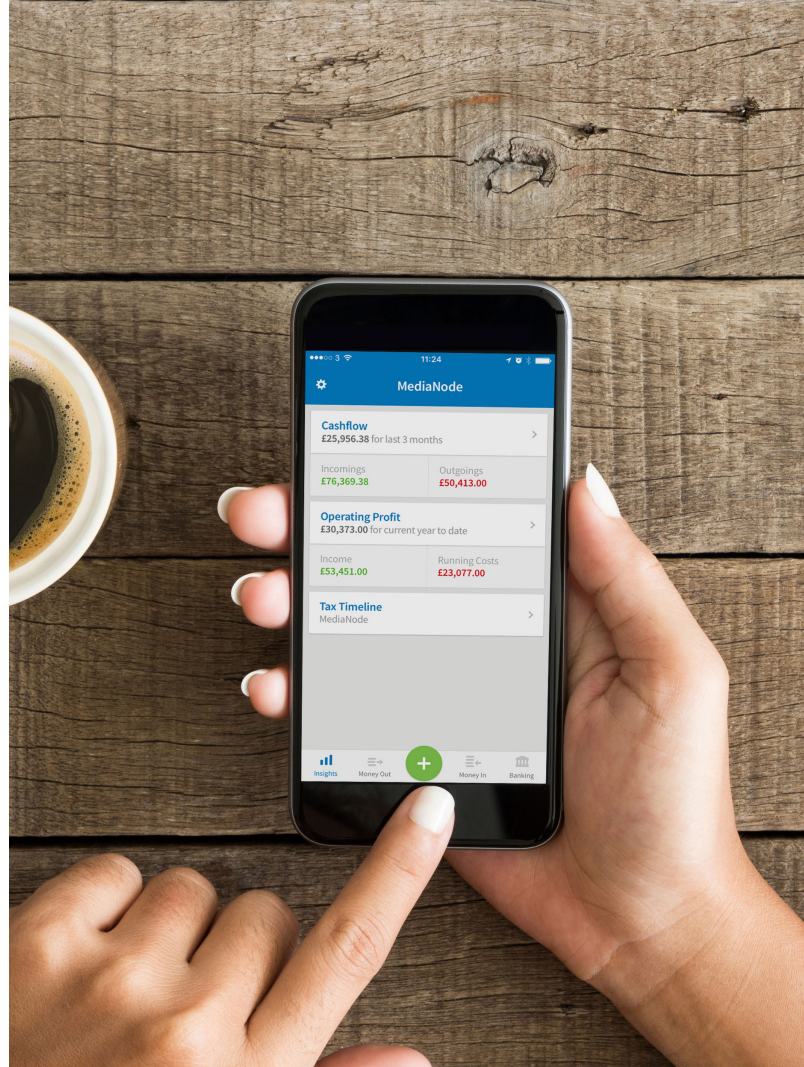
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