

What business expenses are allowed against income

Business expenses are the costs of running a business.

For a business expense to be allowable, it must have been incurred 'wholly and exclusively' through the process of either running the business or trying to attract additional business e.g. if your income was £30,000 last year, and you spent £5,000 on allowable expenses, then your business will only be taxed on profits of £25,000.

Expenses are either allowable (tax deductible) or non-allowable (non-tax deductible) business expenses e.g. a business may incur valid business-related expenses as part of running the business, but which are specifically not allowable, such as business entertainment etc.

To claim an expense as a business expense, then are a number of criteria that need to be met as follows:

Only costs that are incurred 'wholly and exclusively' during the everyday running of your business are allowable.

Expenses that have a dual purpose for business and personal use will not be deductible.

Expenses must typically be paid through the business' bank account, with any business expenses paid personally, being deductible once the costs are reclaimed and later reimbursed.

A record should be maintained as much as possible in respect of all business expenses, including VAT receipts, so that you can justify your actions if you're queried in the future.

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Examples of both allowable and non-allowable business expenses are as follows

Allowable expenses

- Purchase costs of goods and/or services (for resale)
- Clothing expenses (for certain types of business)
- Staff wages and salaries (incl. temporary staff costs)
- Staff recruitment or other related costs
- Freelance staff costs
- Office rent and rates
- Light and heat costs
- Insurance costs
- Postage, stationery and printing costs
- Motor, van and travel expenses (including mileage)
- Staff entertainment costs
- Repairs and renewals
- IT and software costs
- Telephone and mobile phone costs
- Marketing and advertising costs
- Professional subscriptions
- Accountancy fees
- Legal fees

- Professional or consultancy fees
- Bank, credit card and other processing charges
- Interest on bank and other business loans, lease interest

The list of allowable expenses is very detailed, so you can see HMRC's on 'A to Z guide of allowable expenses' here: <https://www.gov.uk/expenses-and-benefits-a-to-z>

Non-allowable expenses

- Client entertainment costs
- Legal fees (related to purchase of property or assets)
- Loan or lease repayments
- Penalties or fines
- Non-business expenses (personal business use of cars, office, or personal expenses).