

# What Expenses can I include in my Tax Return?

*The Sole Trader Edition*



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FINANCIALS

You don't have to choose between your  
business and your life

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## What are your 'expenses'?

Put simply, **your expenses are the costs that you incur in order to run your business.**

In order to legitimately use something as a tax-deductible (more on that later!) business expense, **you must be reasonably able to explain why this cost was needed.**

Yes, this is pretty vague!

But rule of thumb; **would you feel comfortable explaining to HMRC** why and how this cost is necessary for your business.

**If it's a yes - congrats, you have an expense.**

**If it's a no - sorry, this cannot be included.**

**If it's a maybe - this might be a cost that you apportion as partly personal and partly for business.**

## *And, why are they good?*

Because all legitimate business **expenses can be deducted from your sales,** leaving you with your taxable profit.

**(and don't get us wrong, tax is a GOOD THING! After all; no tax = no profit)**

But any way to reduce the tax you owe will always be welcomed!



## What do I need to know about income?

In the main, when we're talking about income, we're talking about the sales your business has made. And it's part of **your obligation to keep an accurate record** of these.

It'll be no surprise that we are big advocates for invoicing through your accounting software, and using the tech & apps available to connect your sales platforms to it as well!

Invoice	
Your business name & address	<i>Date of sale</i>
Client name	
<input checked="" type="checkbox"/>	What they bought
<input checked="" type="checkbox"/>	How much they paid
<input checked="" type="checkbox"/>	Any VAT you charged
<i>The date you received payment</i>	
If you have a Companies House & VAT number, they should be included on invoices to your clients	

### You mentioned VAT..?

Once your turnover (total of sales, regardless of expenses) exceeds **£90,000 in a rolling 12 month period**, you will be required to charge VAT on your sales, and file VAT Returns with HMRC.

In general, the VAT you must charge will be 20%, but some products are zero rated, or rated at another amount, for VAT purposes.

Any VAT you paid on your expenses will then off-set your sales VAT, and decrease what you owe HMRC.



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## So what expenses are ‘allowable’?

As mentioned earlier, we’re looking for things that are **reasonably incurred in the running of your business.**

And you want a list right? Below you’ll find many (but not all) of the expenses that are often considered ‘allowable’

### Accountancy, Legal & Professional Fees

- Accountants & Bookkeepers
- Legal advice
- Financial advice etc

### Bank Charges

- Bank account fees
- Sales platform fees
- Money collection fees
- Credit card memberships
- Foreign currency fees
- Interest on business loans

### Advertising & Marketing

- Social media costs
- Sponsorships
- Business cards, leaflets etc

### Charity Donations

- Regular donations to registered charities
- One off donations eg Just Giving
- Gift Aid can be claimed if you’re a tax payer

### Clothing

- Clothing branded with your business
- Personal Protective Equipment if relevant
- Uniform if relevant
- Uniform provided to any staff or sub-contractors
- If your clothing does fit these purposes, then you can claim a fixed rate for the cost of laundry at home

### Computer Equipment

- Laptop or computer you use for work
- Any provided to staff or sub-contractors



## So what expenses are 'allowable'? cont'd

### Employees & Wages

- You may employ people via PAYE. You can claim all the costs of their wages & your employer's NI
- Recruitment costs
- 'Direct wages' AKA paying subcontractors who you have not employed
- Equipment, uniform etc provided to employees to enable them to work for you
- CIS wages if you work within the construction industry

### Cost of Goods Sold

- Costs of sourcing or making your product
- Packaging
- Shipping costs of your products
- Factory or manufacturing costs

### Food & Drink

- When travelling away from your usual place of work
- Food & drink provided to staff during work hours
- When staying overnight for business purposes

### Gifts

- Gifts to clients are only allowable if branded with your business & isn't food, drink or tobacco
- Gifts to employees must cost less than £50, and cannot be cash or cash equivalent.

### Insurance

- Any professional insurance needed for your industry
- Life or income protection may count but there are hoops to jump through with this so do speak to an advisor

### Physical Premises

- If you rent or own an office space or physical premises, then all of the costs incurred with the space are allowable - water, electricity, rent, insurance etc
- Cleaning products and costs if outsourcing
- Furniture - desks, computer screens, fridge etc
- Repairs & Maintenance to the premises
- Renovations or large works may be allowable, or may be seen as a 'capital expense', so do seek advice on this



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## So what expenses are 'allowable'? cont'd

### Phone

- Landline at a physical premises
- All costs for a work-only phone
- If using a personal phone for work, then a proportion of the bill can be claimed

### Postage

- Letters sent to clients / HMRC etc
- If you send our physical products, the cost of postage

### Professional Costs

- Any certificates, memberships etc required within your industry

### Professional Development

- Your industry may require courses etc as part of C.P.D.
- Training undertaken to improve any of your business skillset (eg the [Money Confidence Program!](#))

### Stationary

- Some of us still like a notepad & pen!
- Bonus if you get branded notebooks and give these as gifts!

### Travel & Vehicles

- Actual costs associated with a vehicle are ONLY allowable if the vehicle is for business use only
- For any personal use of a vehicle, you can instead claim mileage (don't forget to keep track!)
- If you need to travel away for work, to visit a client, for training etc, then the costs of your transport, hotel etc are allowable. However, if there is any personal element to the trip, or anyone accompanies you who isn't working, then costs will need to be split accordingly

### Use of Home

- If you spend any of your time working from home, then you can calculate the proportion of your household bills that correspond to the time spent working, and the amount of space used in your home for work, and can claim this as an expense
- If you can't be bothered with the calculations, then you can use the Flat Rate, £26 per week



## Don't get caught out!

The above list is by no means exhaustive, and every individual business will have its own nuances and additions that will be allowable in each case.

And there may be some things that you were expecting to see on there that weren't ... As logical as some things may seem to us, HMRC has made a few rules on certain things, and we often see business owners getting caught out by these!

### *Entertainment*

Taking clients out for meals or other excursions is not tax deductible. However, if this ultimately leads to a sale, it's still a great thing to do!

If you have **employed staff**, then there is a yearly allowance for staff meals, team days etc.

### *Fines*

Parking or speeding tickets, even during work, are a no-no.

Fines for late payment or filing of tax returns are also not deductible.

### *Subscriptions*

Whilst some subscriptions are of course, fully legit, for many, it's hard to believe that there is never any personal use; we're talking streaming or music services, memberships to spas (but I take my laptop!) etc.

**It is always better to pay more tax and have everything done correctly, than to save a little but to get in trouble down the line. The cost of the fine will be more than the saving & it also wouldn't be an allowable expense...**

### *Furniture*

If your office is in your home, then it may be hard to argue that some items are used for business only. For example, working from your dining table does not make that table a business expense!



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## Final thoughts!

Yes, you're exactly right - this information is pretty much nowhere to be found, a little confusing, and quite frankly, it can seem like a certain organisation is just **trying** to trip you up!

Other things you may need to consider when filing your tax return are:

- ✓ Assets
- ✓ Rental Properties
- ✓ Unpaid Invoices
- ✓ Earned Interest

And the list goes on.

**We are also frustrated at the lack of information out there, and the amount of pitfalls that well-intentioned business owners can fall into. It's just not good enough.**

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IN MY POCKET 

*Pink Pig in My Pocket is a membership for early days businesses who don't get have the funds to invest in full accounting services.*

Monthly live sessions, Ask Me Anythings with our team of accountants & bookkeepers, a whole vault of resources just like this one (including the self-assessment filing checklist) & the option to have us file your tax return for you at a reduced cost, but with increased peace of mind.



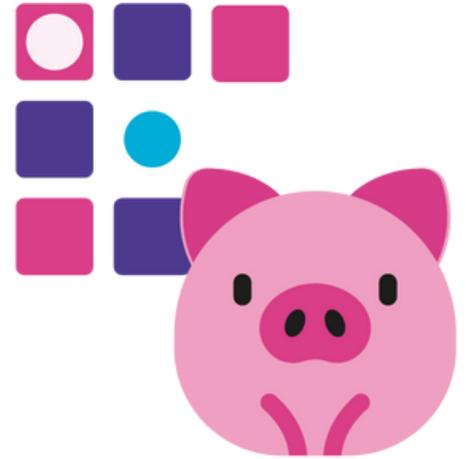
# ABOUT PINK PIG FINANCIALS

*Financial freedom for business owners  
running busy lives too*

You started your business with ambitions. You had a dream lifestyle in mind, even if it felt far away on the horizon.

But it's hard to let your ambition lead the way when you're buried under admin and financial obligations.

Being a business owner can feel lonely. Chatting with other like minded people can really help you navigate this journey in a happy healthy way.



## OUR MISSION:

To make the accounting process as quick and simple as possible for parents, so you can spend more time doing the things you love with the people you love.

We do that by understanding where you are today. Once we've defined your goals and freed up your time, we can forecast your tomorrow, taking practical steps towards your ideal lifestyle.

We believe accounting must revolve around the milestones in your life. Just ticking boxes isn't enough. You want to be mentally free from overwhelm, and financially free to take the next step forward.

## Here's the truth:

-  You can run a successful business and take time off.
-  You can make a profit and be present.
-  You can have both.

For more information on how Pink Pig Financials can help you have your cake and eat it too, email us or visit our website [www.pinkpigfinancials.co.uk](http://www.pinkpigfinancials.co.uk).



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