



## **Guide to Expenses in a Limited Company**

At Woods Russell we are often asked what expenses you can legitimately claim for to reduce your tax to as low as legally possible. We have therefore put together a list of the most common expenses that you can claim for in a limited company.

If you have any questions or anything you are not sure of please be sure to ask and we will be happy to explain them to you in greater detail and in relation to your specific business circumstances. Please remember that the most important thing is to record expenses correctly as if you can't prove it to the tax man then you can't claim a tax deduction.

- 1) Mileage:** You are allowed to claim for all business miles that are not to a usual place of work. At the time of writing, for cars you can claim for 45p for the first 10,000 miles and 25p thereafter. You should ensure that a log is maintained of all your business mileage detailing the date of the trip, where the trip was too and the number of miles travelled.
- 2) Other Travel:** You should also ensure that other travel expenses such as train tickets, oyster card top ups, toll road payments, parking etc. are recorded as they are allowable business expenses. Parking fines and other road fines are not allowable.
- 3) Fuel:** Normally when you buy fuel at the pump this should be paid for personally rather than through the company and you should claim Mileage (see point 1) instead. The exceptions to this are normally if you have a van or if your car is owned by the Company. Please speak to us to see if it may be beneficial to you to have your car or van in the company name.
- 4) Subsistence:** You can claim for all food and beverages brought while away on business that is not at your usual place of work. You can claim on a receipt basis by keeping the receipts and records of what you have purchased or if it can be justified you can use a daily benchmark rates of £5 (one meal/5 hours) £10 (two meals/ten hours) or £15 (late evening meal rate finishing after 8pm where you do not normally finish after 8pm).
- 5) Entertaining:** If you take a UK customer or a UK client or someone not connected to the business out for drinks, dinner or other entertainment activities then this is classed as entertaining and it is not a tax deductible expense. VAT cannot be reclaimed on entertaining either.
- 6) Staff parties:** If spending on a party or entertaining is available for all staff (not just directors unless all staff are directors) and the annual amount spent per head is less than £150 then it is tax deductible.
- 7) Giving employees or directors gifts:** Gifts to employees and directors in cash or vouchers are always taxable, and need to be declared through the payroll. However small gifts such as chocolates or flowers can be given if the value is below £50 per



gift. If the gifts are to director/shareholders, then this is limited to a yearly total of £300.

- 8) Use of home as an office:** HMRC allow a £4 per week allowance. However, if you use your home for a substantial amount of your work for the company you should be able to increase this claim to reflect a proportion of the household bills and expenses used by the business. This is a more complex area and please see our guide for claiming for using your home as an office to get this right.
- 9) Mobile Telephone:** You should aim to get your mobile phone in the name of the business because then all calls and charges are 100% tax deductible. If the phone contract is in your personal name, then you can only claim for the percentage of business calls.
- 10) Health screening:** One health screening/medical check-up can be paid for by the company once a year.
- 11) Eye tests:** If you use a computer for work then eye tests can be paid for by the company. The glasses or contact lenses cannot generally be claimed for.
- 12) Workwear:** Protective clothing such as hard hats, steel capped boots and high visibility jackets can be claimed for. However, anything which resembles 'normal' clothing such as jeans, t-shirts or suits cannot be claimed for.
- 13) Subscriptions and training:** Any trade subscriptions or training materials that are relevant to your business are tax deductible.
- 14) Child care vouchers:** These are tax deductible if the company provides them. Note that there are limits on the amount of child care vouchers that can be provided to you depending on what rate of tax you pay. The limit for a basic rate tax payer is £243 a month.
- 15) Anything that is necessary for your business and has exclusive business use (not used privately):** Finally, if you come across other expenses not detailed in this list the general rule is you can claim for anything which is necessary for your business which does not have private use (i.e. it is exclusive to your business).

We hope you find this basic guide useful. If you come across items of expense where you are unsure about the tax treatment, please get in contact with Woods Russell on the below contact details and we will be happy to give you the answer. Please note that although the above was correct at the time of writing, tax laws do change and this could lead to changes in what is and what is not tax deductible, as always please check with us beforehand if you are uncertain about the tax treatment of a certain expense.

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