

## EXPENSES GUIDE

### INTRODUCTION

A Limited Company is charged corporation tax on profit it generates. This is calculated as being:

<b>+ Income</b>	<b>X</b>
<b>- Less "allowable" business expenses</b>	<b>(X)</b>
<b>= Taxable Profit</b>	<b>X</b>

"Allowable" expenses lower company profits and lower the amount of Corporation Tax that is payable.

<b>ABC Limited</b>		
<b>Profit and Loss Account</b>		
<b>Turnover</b>	<b>£</b>	<b>£</b>
Sales invoiced		50,000
<b>Expenditure ("allowable expenses")</b>		
Directors' salaries	12,000	
Directors' social security	840	
Post and stationery	45	
Travel and subsistence	3,060	
Telephone	50	
Broadband	50	
Sundry expenses	15	
Accountancy	1,440	
		<b>(17,500)</b>
<b>Taxable Profit</b>		<b>32,500</b>
<b>Corporation Tax (20%)</b>		<b>(6,500)</b>
<b>Available Profit</b>		<b>26,000</b>

## WHICH EXPENSES ARE “ALLOWABLE”?

The rule for claiming business expenses is that they should be incurred “wholly and exclusively” for business purposes.

This means that the expense must relate solely to your Limited Company and its trading.

The following table covers the most common types of expenses that are and are not “allowable” for contractors.

Expense	Allowable	Not Allowable	Income Tax Rate
Accountancy Fees	▪		
Director’s Salary	▪		
Employers National Insurance	▪		
Subsistence	▪		Point 1
Computer Equipment	▪		
Business Travel	▪		
Petrol Costs		▪	Point 2
Motor Costs		▪	Point 2
Business Telephone / Broadband	▪		Point 3
Home Expenses	▪		Point 4 & 5

## ADDITIONAL INFORMATION

### 1. Subsistence

Claiming the cost of refreshments purchased for lunch each day is a grey area, as HMRC could argue that you would have had to buy lunch regardless of your business engagements. If you are working away on a remote site, or when staying away from home overnight, you can claim for subsistence. This should be supported with a receipt, not be excessive or include alcohol. Daily round sum claims for meals are not allowed.

### 2. Business Mileage

Car mileage can be claimed at 45p for the first 10,000 miles in the tax year and 25p thereafter. This is instead of claiming running costs for your car. A mileage log should be maintained to support the claims, detailing date of trip, reason for trip and post codes for each location you are travelling to and from.

### **3. Business Broadband & Telephone**

To be an “allowable” expense, business broadband and telephone costs should be invoiced in the Limited Company name.

### **4. Use of home allowance – Minor home use**

Where you maintain your business records at home (minor home use), a small expense can be offset against your profits to compensate for costs incurred. The approved HMRC rate is £4 per week.

### **5. Use of home allowance – Working from home**

Where you regularly work from home you can claim expenses associated with this. Provided you have a designated room in your house to work from, you can claim the additional costs incurred due to working from home. It is important to note that detailed records and invoices should be retained to support any use of home claim over and above the recognised £4 per week.

### **6. 24 month rule (Travel & Subsistence)**

Any contractor who works on the same site (or is aware they will be working on the same site) for 24 months or more is caught under the 24 month rule by HMRC. As a result, from this date, travel and subsistence associated with this location cannot be claimed.

## **HOW DO I SUBMIT MY EXPENSES TO MYACCOUNTANT.CO.UK?**

### **How do I submit my expenses?**

The MyAccountant.co.uk expenses spreadsheet should be completed on a monthly basis and sent to your Accounts Manager along with your bank statements.

### **Do I need to keep my receipts?**

Yes, receipts should be retained for all business expenses. They should be retained for 6 years in case HMRC requests to see them.

### **Who do I contact with expense queries?**

If you have any queries on allowable expenses please contact your Accounts Manager who will be happy to assist you.