



YOUR COMPLETE A-Z HANDBOOK ON WHAT EXPENSES ARE ALLOWED

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BUSINESS ADVISERS : ACCOUNTANTS

AN INTRODUCTION TO OUR ACCOUNTANCY FIRM

Imagine this: It's a crisp Monday morning, and you've just settled into your office, coffee in hand. Your inbox is overflowing, and the stack of receipts, invoices, and financial documents on your desk seems to be growing by the day. You run a business that you're passionate about – but keeping track of the finances? That's another story. This is where we come in. At **Seagrave French**, we've seen it all. From the excited entrepreneur just starting out, to the established business owner looking to streamline their operations – every client's story is different, but the need for financial clarity is universal. For over [X] years, we've helped businesses like yours make sense of the numbers, so you can focus on what you do best. As accountants, we don't just crunch numbers. We partner with our clients on their journey, providing more than just tax returns and spreadsheets. We offer peace of mind, confidence, and the assurance that every decision you make is grounded in sound financial advice.



Whether you're looking to better understand tax-deductible expenses, plan for future growth, or simply ensure your business is operating as efficiently as possible, this guide is designed for you.

We believe in making accounting approachable – because we know that when you feel empowered by your numbers, your business can thrive. The stories and strategies in this E-book are just a glimpse of what we can do together.

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NOTICE

This E-book is designed as a general guide to assist in understanding tax-deductible expenses related to your business. It provides concise summaries and a general list of potential expenses and overheads that may apply to your business. However, this list is not exhaustive and is intended solely as a reference.

Please be aware that the information provided in this E-book is for general informational purposes only. It is not intended to constitute financial, tax, or legal advice. Tax laws and regulations are subject to change, and their application may vary depending on your specific business circumstances.

We strongly advise that you seek guidance from a qualified bookkeeper, accountant, or tax professional before acting on any of the information contained in this E-book. It is essential to ensure that any expenses you intend to claim are allowable and relevant to your specific business under current tax laws and regulations.

We accept no responsibility or liability for any losses, damages, or penalties incurred as a result of using this E-book without seeking appropriate professional advice. Always consult with a qualified expert to confirm that the information is up-to-date and applicable to your situation.



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BUSINESS ADVISERS | ACCOUNTANTS

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CHAPTER 01

**Expenses explained and
the importance of
claiming them.**

At its essence, a business expense refers to any cost associated with managing and operating your business. These expenses encompass a broad range of items, including everyday essentials like office supplies, as well as significant investments such as equipment purchases and employee salaries.

01.

Defining Business Expenses

WHY CLAIM EXPENSES?

A common question is: Why should you bother claiming expenses? The answer is rooted in effective financial management and navigating HMRC's constantly evolving tax allowances and implications, which can assist with the following: ➡



01. REDUCE TAXABLE INCOME

A key reason to claim expenses is to reduce your taxable income. By deducting eligible expenses from your business profits, you effectively lower the amount you owe to HMRC. This is a legitimate and acceptable method to optimise your tax obligations and retain more of your hard-earned revenue within your business.

02. ACCURATE PROFIT CALCULATION

Claiming expenses allows you to accurately calculate your business's profit. Profit, after all, is the result of deducting expenses from your total turnover. A precise understanding of your profit is essential for evaluating your business's financial health and cashflow to make informed and calculated decisions.



03. COMPLIANCE WITH TAX REGULATIONS

Legally, it is essential to maintain precise records of all business expenses, including documentation for each expense and its connection to your business. In the event of an investigation, you can have peace of mind knowing that your expenses are well-documented and properly accounted for.

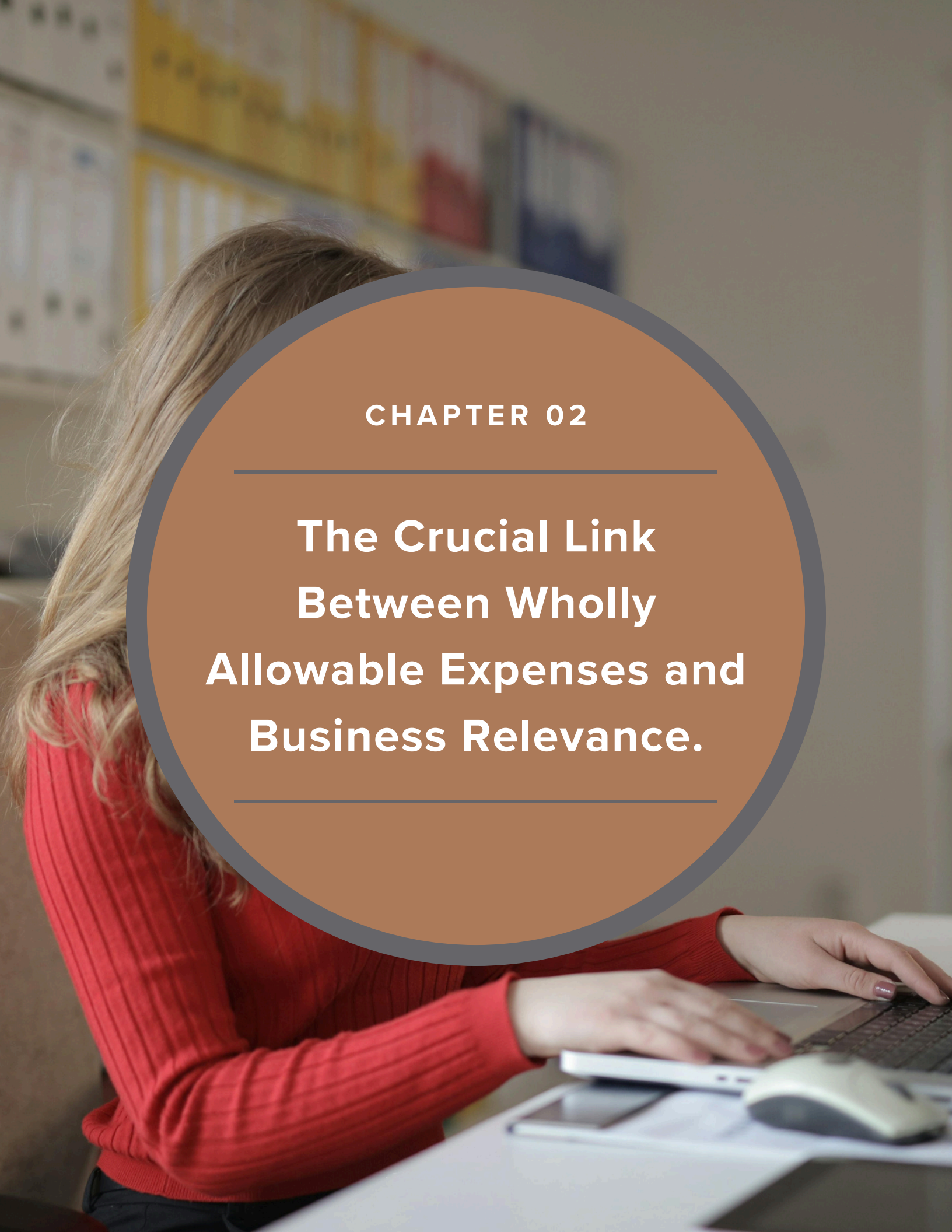
04. BETTER UNDERSTANDING OF FINANCIAL PERFORMANCE

Claiming legitimate expenses ensures that your financial statements provide an accurate report of your business's performance. This transparency is essential not only for your internal decision-making but also for external stakeholders, such as investors, lenders, and potential partners.

05. REINVESTMENT FOR BUSINESS GROWTH

Effective management of expenses provides clarity on your financial performance, highlighting how much can be reinvested in your business's growth. Revenue can be directed toward areas such as marketing, systems development, employee training, and equipment upgrades. This approach enables strategic spending while also minimising your tax liabilities.





CHAPTER 02

The Crucial Link Between Wholly Allowable Expenses and Business Relevance.

02. Wholly Allowable Expenses and Business Relevance



The term “wholly allowable” holds significance when claiming expenses for your business. Expenses must be wholly allowable and how they relate to your business should be clear and explainable for navigating the complex landscape of expense claims in accordance with UK tax rules.

HMRC will refuse expenses that are not wholly for the purpose of your business so it’s imperative you can prove or explain this with expenses that your business incurs.

If your company receives an investigation, HMRC will look to see if incorrect expenses claimed have been done so deliberately or because of lack of knowledge, and if you have correctly kept records.

HERE ARE KEY PRINCIPLES TO CONSIDER:

01. ORDINARY AND NECESSARY

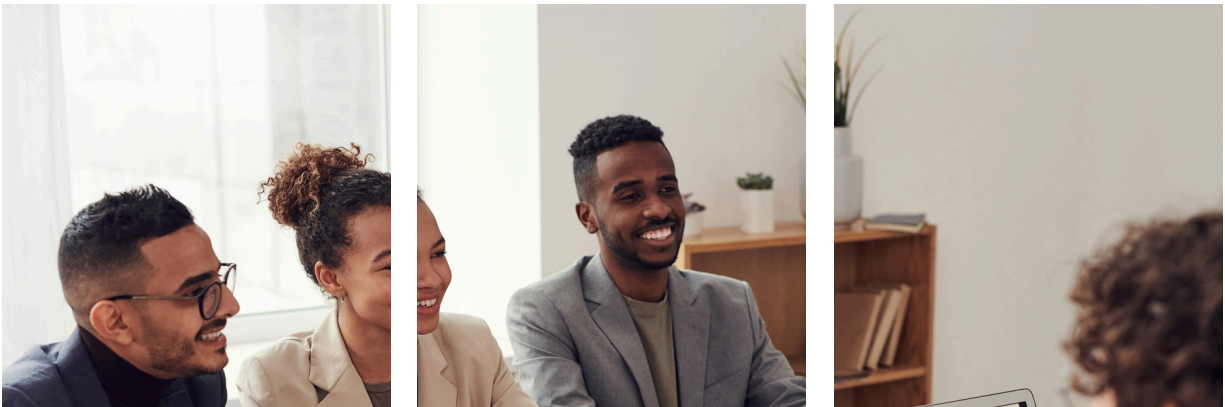
An expense must be ordinary for the type of business you operate and necessary for its operations. This means that it should be a common and accepted practice within your industry and essential for your creative business to function effectively.

02. APPORTIONMENT FOR MIXED USE

If an expense serves both business and personal purposes, apportioning the expense to reflect the business-related portion is necessary.

IMPORTANT

HMRC has the authority to initiate an investigation and question any of your expenses dating back up to six years. Therefore, it is crucial to maintain records of all your expenses.



03. RECORD KEEPING

Accurate record-keeping is a must. Maintaining detailed records that show the expense, its purpose, and its relevance to your business activities is due diligence and provides peace of mind during potential audits and assessments.

04. CAPITAL VS REVENUE

Differentiating between capital and revenue expenses is essential. Capital expenses involve significant investments in assets that have a long-term benefit for your business i.e., new film equipment - this expense would need to be expensed differently, whereas revenue expenses are ongoing daily business operational costs.

What is a HMRC Investigation?

An HMRC expense investigation may arise due to various reasons, including discrepancies in reported expenses, flagged irregularities, or random audits. Here's what you need to know about the process:



Notification: HMRC will notify you about the investigation, outlining the reasons and scope.

Documentation: Provide requested documents, including receipts, invoices, and records substantiating claimed expenses.

Communication: Maintain open and transparent communication with HMRC throughout the investigation.

Resolution: The investigation aims to resolve any discrepancies, ensure compliance, and determine any adjustments required.

1 STAY CALM AND COLLABORATIVE

While an investigation can be unsettling, maintaining a calm and cooperative manner will help.

2 CONSULT YOUR ACCOUNTANT

Reach out to your qualified accountant or tax advisor immediately.

3 REVIEW YOUR RECORDS

Thoroughly review your expense records to ensure accuracy and compliance with regulations.

4 APPEAL IF REQUIRED

If you disagree with the investigation's outcome, you have the right to appeal and can do so [here](#).

A woman with long dark hair, wearing a black blazer, is smiling and looking towards a man on the left. The man is wearing a white shirt and glasses, and is looking down at a laptop. The laptop is on a small round wooden table with a black metal frame. A smartphone is also on the table. The background shows a modern office with large windows and other people working.

CHAPTER 03

Employee Expenses: Best Practices for Accounting and Reimbursement.

03. Employee Expenses

Employees frequently incur costs while performing their duties. It is crucial to accurately account for and reimburse these expenses to uphold a transparent and harmonious relationship between employers and employees.

COMPREHENDING EMPLOYEE EXPENSES

Expenses submitted by employees should be entirely and exclusively related to their job responsibilities.

Such expenses may encompass travel, meals, lodging, supplies, and additional costs. Effective management of these expenses not only ensures equitable treatment of employees but also aids in precise financial reporting and adherence to tax regulations.

[Click here for a full A-Z list of Employee Benefits and Expenses](#)





1

EXPENSE GUIDELINES

Develop a clear expenses policy that outlines the types of expenses eligible for reimbursement, submission deadlines, and required documentation.

2

EVIDENCE OF EXPENDITURE

Encourage employees to maintain accurate records and submit valid receipts or documentation for each expense.

3

CLASSIFICATION

Implement an approval process that involves designated individuals reviewing and authorising expenses before they're reimbursed.

4

AUTHORISATION

Implement an approval process that involves designated individuals reviewing and authorising expenses before they're reimbursed.

5

EXPENSE SOFTWARE

If you often reimburse employees for expenses, we recommend an expense management software to streamline the submission, approval, and tracking of expenses.





Reimbursement and Tax Implications

1

OPEN AND CLEAR COMMUNICATION

Clearly communicate the reimbursement process, timelines, and required documentation to employees.

2

DIRECT TRANSFER

Offer direct transfer option for reimbursements to expedite the process and reduce admin burdens.

3

TAX-EXEMPT REIMBURSEMENTS

Certain reimbursed expenses can be provided tax-free if they fall within HMRC guidelines. These include travel and subsistence expenses.

4

TAXABLE REIMBURSEMENTS

Some expenses, when reimbursed, may attract tax and National Insurance contributions. For example, cash allowances and non-essential benefits.

5

P11D REPORTING

The P11D is a form used by employers to report expenses and benefits provided to employees. Employers must submit P11D forms to HMRC each tax year, detailing taxable expenses and benefits.

6

NATIONAL INSURANCE CONTRIBUTIONS

Both employers and employees' National Insurance contributions can be impacted by reimbursed expenses. Proper classification is essential to ensure correct contributions.



CHAPTER 04

**Business Owner
Expense FAQ's**



QUESTION: IS IT POSSIBLE TO PURCHASE A CAR USING MY LIMITED COMPANY?

Answer: Yes, but this is a complex area. Cars have special rules for claiming expenses, and the tax treatment varies based on factors like finance, emissions, business use, and personal use.

If a loan is taken out to purchase the vehicle or the vehicle is purchased on Hire Purchase, only the interest payments are an allowable company expense.

If the vehicle is leased so your limited company does not own it, the monthly lease payments can be claimed by your limited company as a business expense. However, there is a flat rate disallowance of 15% of relevant payments and applies only to cars with CO2 emissions above 50g/km. This means 15% of the expense is not allowable for tax purposes.

QUESTION: AM I ELIGIBLE TO CLAIM MILEAGE EXPENSES FOR BUSINESS-RELATED TRAVEL?

Answer: Yes, you can claim mileage expenses for business-related travel using your personal vehicle. This however can't be a regular commuting journey and you should keep a record of all journeys. UK mileage rates can differ, however, HMRC advisory fuel rates state that in most circumstances you can claim business mileage at a rate of 45p per mile for the first 10,000 business miles in a year and then 25p per mile thereafter.

QUESTION: AM I ELIGIBLE TO CLAIM EXPENSES FOR TAXI RIDES TAKEN LATE AT NIGHT?

Answer: Yes, but only if you are taking a taxi after attending a work-related event or working late, those expenses can be claimed as long as they're wholly and exclusively for business purposes.



QUESTION: AM I ABLE TO CLAIM EXPENSES FOR MEALS AND FOOD?

Answer: Yes, you can claim expenses for meals if they are directly related to business activities, such as client meetings or meals whilst travelling on business. However, only a portion of the expense is typically allowed, and excessive claims might be scrutinised.

QUESTION: DO I NEED TO KEEP RECEIPTS FOR ALL EXPENSES?

Answer: Yes, keeping detailed records and receipts for all expenses is essential for validating your claims and demonstrating the business purpose of the expenses, receipts must be kept for up to 6 years however you may choose to keep them electronically and throw physical copies away.

QUESTION: IS IT POSSIBLE TO CLAIM EXPENSES FOR CLIENT ENTERTAINMENT?

Answer: Yes, you can claim expenses for entertaining clients, if the primary purpose is to discuss business and not a social event. However, be aware that there are restrictions on the types of entertainment that can be claimed and limits on the amount.

QUESTION: CAN I CLAIM VAT ON EXPENSES IF MY BUSINESS IS VAT REGISTERED?

Answer: Yes, VAT registered businesses can claim back VAT on eligible expenses, which helps reduce the overall VAT liability.



CHAPTER 05

Your Complete A-Z Handbook on What Expenses Are Allowed



- **Accommodation Costs:** Business-related expenses for overnight stays, such as hotels and short-term rentals.
- **Accounting Services:** Fees for professional accountants managing your business finances, tax returns, and audits.
- **Advertising Expenses:** Costs related to marketing, including promotions, digital ads, and social media campaigns.
- **Agent Commissions:** Payments made to agents or intermediaries for securing deals or contracts.
- **Allowances for Employees:** Business-related allowances like mileage or subsistence paid to employees.
- **Asset Depreciation:** The reduction in value of business assets over time, which can be claimed as a deductible expense.
- **Awards and Recognition:** Costs related to applying for business awards or rewarding employees for achievements.



- **Bad Debt Write-Offs:** Unrecoverable debts that can be written off as a business loss.
- **Banking Charges:** Fees incurred from business bank accounts, such as transaction or overdraft fees.
- **Books and Subscriptions:** Purchases of business-related books, magazines, journals, and professional memberships.
- **Broadband Services:** Costs for internet connections used in business operations.
- **Bonuses to Employees:** Payments made to employees as incentives or performance rewards.
- **Business Insurance:** Premiums for insuring your business against risks such as property damage, liability, or loss.
- **Business Rates:** Local government taxes on non-domestic properties, such as your business premises.
- **Business Supplies:** Office-related purchases, including stationery, paper, and other essential items.
- **Bus Fares:** Costs for using bus transport for business-related travel.



- **Car Costs:** Expenses related to business vehicle use, including fuel, maintenance, insurance, and road tax.
- **Charitable Contributions:** Donations made to eligible charities from your business.
- **Cleaning Expenses:** Costs for cleaning services or products used to maintain your business premises.
- **Clothing for Work:** Expenses for specialised work attire, such as uniforms or PPE, including laundering or dry cleaning.
- **Computer Equipment:** Purchases of computers and accessories necessary for business operations.
- **Consulting Fees:** Payments for professional consultancy services.
- **Courses for Staff:** Costs for educational programs or training courses for employees.
- **Christmas Party Costs:** Reasonable expenses for hosting a company Christmas party.
- **Courier and Postal Services:** Payments for delivering business-related mail or packages.
- **Credit Card Fees:** Charges incurred through using business credit cards.
- **Currency Conversion Fees:** Costs of exchanging currencies when doing business internationally.
- **Conference Expenses:** Costs of attending or exhibiting at business conferences or exhibitions.
- **Copyright and License Fees:** Payments for securing copyrights, licenses, or patents necessary for your business.
- **Customer Research Costs:** Expenses for conducting research on customer preferences or market trends.
- **Car Parking Fees:** Payments for parking during business-related travel.
- **Congestion Charges:** Fees for driving in congestion zones while conducting business.
- **Canteen Costs:** Costs associated with providing meals or refreshments for employees at the workplace.
- **Catering Expenses:** Costs of catering for business meetings or events.
- **Commission Payments:** Compensation paid to employees or contractors based on sales or performance.
- **Council Tax on Business Premises:** Local taxes applied to certain business properties.



- **Delivery Charges:** Costs for sending goods or products to customers or other businesses.
- **Design and Development Costs:** Expenses related to the creation and development of products, websites, or marketing materials.
- **Directory Listing Fees:** Costs for listing your business in directories to enhance visibility.

- Dues and Memberships: Fees for joining professional associations or subscription-based services.
- Data Protection Fees: Expenses related to data protection compliance, such as GDPR registration.
- Debt Recovery Costs: Legal and court fees incurred when recovering unpaid debts.
- Decoration Expenses: Costs of decorating your office or workspaces, including event set design.
- Domain Registration: Payments for securing or renewing domain names for your business website.
- Display Equipment: Costs for exhibition stands, banners, and promotional materials.
- Disposal Fees: Costs incurred in safely disposing of waste or unwanted business equipment.



- Entertainment Costs: Expenses for entertaining clients or customers, subject to tax limitations.
- Equipment Purchases and Rentals: Costs of buying or leasing essential business equipment.
- Electricity Expenses: Payments for electricity used in business premises.
- Educational Programs: Expenses for business-related educational courses and certifications.
- Employee Training Costs: Expenditures for training staff to improve their skills and knowledge.
- Equipment Repair Fees: Payments for repairing essential business equipment.
- Eye Tests for Employees: Costs for eye examinations, particularly for employees working with screens.
- Employee Salaries: Wages paid to employees for work within the business.



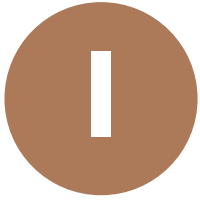
- Financial Advisory Fees: Costs for hiring financial advisors to guide business investments or strategies.
- Furniture Costs: Expenses for purchasing desks, chairs, and other essential business furniture.
- Freelancer Payments: Fees paid to independent contractors or freelancers for outsourced work.
- Fundraising Expenses: Costs associated with organising or running fundraising activities.
- Film and Photography Services: Payments for professional film or photography used for business promotions.



- Gas Expenses: Costs for gas utilities used at your business premises.
- Gifts for Clients or Employees: Reasonable costs for providing gifts, such as branded items, to clients or employees.
- Garden and Landscaping Services: Payments for maintaining outdoor spaces at your business location.
- Gym Memberships for Staff: Costs for providing gym memberships to employees as part of a health and wellness program (must be reported on P11D).
- Guest Accommodation Expenses: Costs for providing accommodation to business guests, such as clients or visiting partners.



- Home Office Costs: Expenses related to working from home, such as a portion of rent or mortgage interest, utilities, and council tax, based on business usage.
- Health and Wellness Programmes: Costs for programs aimed at improving employee health, such as fitness initiatives, mental health support, or wellness workshops.
- Holiday Pay for Employees: Payments made to employees during their annual leave or holiday periods, as required by law.
- Hire and Leasing Costs: Expenses for hiring or leasing equipment, vehicles, or property for business purposes.
- Holiday Costs (Business Related): Expenses incurred for business-related trips that include holiday time, ensuring only business portions are claimed.



- Insurance Premiums: Payments for business-related insurance policies, such as liability, property, or professional indemnity insurance.
- Interest Payments: Interest on business loans, credit, or overdrafts that can be claimed as an allowable expense.
- IT Support Services: Fees paid for technical support, software maintenance, or outsourced IT services.
- Industry Association Memberships: Costs of joining professional organisations or trade bodies relevant to your industry.
- Income Tax Payments: Payments of income tax on behalf of the business, though not directly deductible, may be relevant for accounting purposes.
- Installation Fees: Costs for installing equipment, machinery, or other business assets.
- Import Duties and Taxes: Fees paid for importing goods, including customs charges and duties.



- Job Advertising Costs: Expenses incurred from advertising open positions within your business, including job board listings, recruitment agencies, or social media promotions.



- Key Cutting Costs: Expenses for duplicating or replacing keys for business premises or equipment.



- Language Lesson Costs: Expenses for language courses or training relevant to your business or employees.
- Legal Fees: Payments for legal advice, services, or representation related to your business.

- Lunch Expenses (Business-Related): Costs of meals during business meetings or when traveling for work.
- Lighting Expenses: Costs for lighting at business premises, including utility bills and maintenance.



- Marketing Costs: Expenses related to promoting your business, such as advertising, social media campaigns, and promotional materials.
- Maternity Leave Pay: Payments made to employees during maternity leave.
- Membership Fees: Costs of joining professional bodies, industry groups, or business clubs.
- Maintenance Expenses: Costs for maintaining business premises, equipment, or vehicles to ensure smooth operations.
- Mobile Phone Costs: Expenses for mobile phone bills and devices used for business purposes.
- Music Licensing Fees: Payments for licenses to play music in your business, whether in a shop, office, or at events.
- Machinery Expenses: Costs related to purchasing, leasing, or maintaining machinery.
- Merchandise Costs: Expenses for producing or purchasing branded merchandise or promotional products for your business.
- Moving Premises Costs: Expenses incurred when relocating your business.



- National Insurance Contributions: Employer payments made toward National Insurance on behalf of employees, required by law.
- Networking Event Costs: Expenses for attending or hosting business networking events, including registration fees, travel, and meals.



- Packaging Materials: Costs for materials used to package and ship products to customers.
- Pension Contributions: Employer contributions to employee pension schemes as required by law.
- Props for Media Production: Expenses for purchasing or renting props used in filming, photography, or other media production.
- Public Relations (PR) Costs: Fees for PR services, such as press releases.

- **Product Sample Costs:** Expenses for creating and distributing samples of products to potential customers or clients.
- **Packaging Design Fees:** Costs for designing product packaging, including graphics and branding.
- **Photography Services:** Payments for professional photography used for business promotion, marketing, or product displays.
- **Property Insurance:** Premiums for insuring business premises against damage, theft, or liability.
- **Private Healthcare Costs:** Payments for private healthcare plans offered to employees as part of their benefits package (must be reported on P11D).



- **Qualification Fees:** Costs for professional qualifications, certifications, or exams required for business or employee development.



- **Rent Payments:** Costs for leasing or renting business premises or office space.
- **Research and Development (R&D) Costs:** Expenses related to the development of new products, services, or innovations.
- **Recruitment Fees:** Payments to agencies or platforms for sourcing and hiring new employees.
- **Refurbishment Expenses:** Costs for renovating or upgrading business premises or office spaces.
- **Royalty Payments:** Fees paid for using copyrighted material, intellectual property, or patented products.
- **Remote Work Equipment Costs:** Expenses for purchasing equipment, such as laptops or office furniture, for employees working from home.
- **Referral Fees:** Payments made to individuals or businesses for referring new clients or customers to your business.



- **Software Subscription Fees:** Payments for recurring software services or licenses essential for business operations.

- Stationery Expenses: Costs for office supplies, including paper, pens, and other day-to-day stationery.
- Subcontractor Payments: Fees paid to subcontractors for outsourced work or specialised services.
- Security Expenses: Costs for securing business premises, such as alarm systems, security staff, or surveillance equipment.
- Storage Fees: Payments for storing business equipment, stock, or materials in off-site facilities.
- Sponsorship Costs: Expenses related to sponsoring events, programs, or initiatives that promote your business.
- Social Events for Staff: Costs for organising staff events, such as team-building activities, parties, or celebrations.
- Staff Welfare Costs: Expenses for employee welfare programs, including mental health support, benefits, and wellness initiatives.



- Travel Costs: Expenses for business travel by air, road, rail, or sea, including tickets and fuel.
- Telephone Expenses: Costs for business-related phone calls, including mobile and landline bills.
- Translation Services: Fees for translating documents, websites, or communication to facilitate international business.
- Testing Equipment Costs: Expenses for purchasing or maintaining equipment used to test products or services.
- Travel Insurance and Visa Fees: Costs for insuring business trips and obtaining visas for international travel.



- Warranty Costs: Expenses for purchasing warranties or extended coverage on business equipment or products.
- Web Hosting Fees: Payments for hosting and maintaining your business website on the internet.
- Water Utility Bills: Costs for water used in your business premises.

Please note that this list is not exhaustive, and the eligibility of expenses can vary based on your specific business circumstances and the latest tax regulations. Always consult with a tax professional or accountant to ensure you're correctly claiming allowable expenses.

Ready to elevate your finances?

Ready to take control of your financial future? Our introductory call is designed to give you a clear understanding of how we can help you achieve your business and personal financial goals. During this free, no-obligation consultation, you'll receive expert accountancy advice tailored to your unique situation.

01

Contact Us: Getting started is as easy as reaching out to our friendly team. You can call our sales team on 1234 567 890, email us at hello@youremail.com or simply scan the QR code to book online instantly.

02

Discuss Your Needs: During your consultation, we'll take you through a series of questions so that we can understand your business and financial positioning to see how we can help, once this has been determined, we will schedule you in for a proposal meeting with one of our Senior Accountants.

03

Meet with an Accountant: During this meeting, you'll be able to address any questions or concerns you may have about your finances, taxes, or our services. You'll receive professional advice on best practices, tax-saving strategies, and more! At the end, our team will send you over a proposal to review, you then have a chance to discuss any questions in relating to the proposal before onboarding with us.

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