



 **dns
accountants**

Expenses pocket guide for **limited companies**

Expenses you can claim

A complete pocket guide to common business costs
and expenses for limited companies

2023/24



Can I expense this?

When you are running a business it's important to gain an understanding of business expenses – or the company may end up paying too much tax!

In this guide for companies, dns group managing partner, Sumit Agarwal outlines some common business expenses and allowances that can be claimed to reduce the tax bill.

About Sumit



Sumit Agarwal ACA (India), ACMA is the managing partner of dns group, a multi award-winning accounting practice specialising in SME business and contractors. He is very passionate about owner managed businesses; and has helped thousands of businesses across the UK to prosper and help them to financially manage the challenges of growth.

Published by dns accountants

The guide has been created by dns accountants, who specialise in accounting services for businesses. dns has a unique support model for businesses that can help you succeed whether you are starting a new business or an existing business owner. Our in-house developed software eases out the process of claiming expenses and takes away the hassle of accounting.

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A photograph of three business professionals in a meeting. On the left, a woman with long brown hair, wearing a white button-down shirt, is looking towards the center and smiling. In the middle, a man with short dark hair, wearing a dark suit, white shirt, and dark tie, is looking down and to the right. On the right, another woman with long dark hair, wearing a white shirt and a brown blazer, is looking towards the man. The background is a plain, light-colored wall.

Fundamentals of expense claims

There are only two rules

1

Business expenses and costs
'Is the expense wholly and exclusively for business?'

2

Director or employee reimbursement 'Is the expense wholly, exclusively and necessary for business?'

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A photograph of a business meeting with several people in suits sitting around a table. A large blue hexagonal graphic is overlaid on the center of the image, containing the text 'Business costs and expenses'.

Business costs and expenses

A Accommodation

The company can pay or reimburse and claim tax relief on the expenses incurred by directors or employees when they are away from home on business and spend money on temporary accommodation such as hotels, bed & breakfast or rental property.

Residential accommodation supplied to employees as part of their job has special rules, please discuss these with dns accountants.

See also '[Travel](#)', '[Overseas travel](#)' and '[Overnight allowances](#)'.

A Accounting

See '[Professional fees](#)'.

A Advertising & marketing

Expenses incurred for advertising and marketing, including PR and networking, can be claimed for tax relief. You need to be careful while claiming expenses like 'taking a client out for dinner' as they can be termed as entertaining by HMRC, which is not tax deductible.

See also '[Promotional products](#)' and '[Entertaining](#)'.

B Bank and overdraft charges

The company can claim tax relief on interest payments and charges paid on business loans (including HP) and the business bank accounts in its name. Late payment interest may also be tax allowable on company debts, but not personal debts e.g. credit cards.

B Books & magazines

The company can claim all expenses related to business books, magazines and subscriptions to trade publications, provided they are business relate e.g. for research, reference or training. The daily newspaper is not generally an allowable expense.



B **Business property**

The company can purchase property for business use or as an investment. The company may be able to claim capital allowances on fixtures and fittings attached to the property. If constructing the property after purchase for business use, structure and building allowance (SBA) may be available. The tax rules and reliefs are complex so do discuss with dns accountants before making your purchase.

See also '[Rent & rates](#)' and '[Utilities](#)'.

C **Commission, licences & royalties**

When making a sale there may be people that need to be acknowledged. Payments of royalties, commission and licences are all valid tax allowable business expenses.

Franchisee commission is also tax allowable, but care should be taken over categorisation, as franchisors can charge for many things including training and advertising.

See also '[Registration fees](#)'.

C **Computers and computer accessories**

Costs incurred in the purchase or maintenance of computer equipment, hardware and software can be classed as a valid business expense, provided it has some business use.

These will usually qualify for 100% capital allowance (a deduction from taxable profits) at time of first business use. But if making large purchases then do check tax relief available with dns accountants.

If computers and accessories are bought for the company, then these can be reimbursed and still claimed for tax relief, even if the bill is in a personal name. The VAT paid on these purchases can also be claimed provided the company has a VAT receipt.

If you bring into the company a computer or accessory that is owned personally, tax relief may be claimed on its market value at the point it first has business use - check online platforms for similar items and then include that cost in the company's accounts.

See also '[Website](#)' and '[Repairs & maintenance](#)'.



C **Cycle travel**

HMRC is encouraging employers to provide bikes for employees or assist them to purchase bicycles under the cycle to work scheme. Accordingly, the purchase of a bicycle (including related safety equipment etc) by the company and its provision to an employee/director is tax deductible on the company and tax free on the employee if the following conditions are met.

- made available to all employees
- used mainly (over 50% of the time) for qualifying journeys

Qualifying journeys are those that are all or part of a journey to, from or between workplaces. Note these are more than just business journeys as defined under the travel rules.

See also '[Travel](#)'.

D **Donations to charity**

A company can usually claim tax relief on small donations (cash or raffle prizes) it makes to local charities or industry related organisations. The rules pertaining to other donations, especially if there is a personal interest, can be complicated and you should contact dns for more guidance.

See also '[Gifts](#)'.

E **Electricity**

See '[Utilities](#)'.

E **Entertaining**

Business entertaining, to discuss a business project or form or maintain a business connection, is a legitimate business expense that the company can pay for or reimburse to the employee, without creating a taxable benefit. However, it is not a tax allowable expense in the company. Gifts to third parties may also be classed as entertainment.

The company cannot recover input VAT tax incurred on the provision of business entertainment expenses.

See also '[Gifts](#)'.

E **Equipment**

In general, the same rules apply to the company for all business equipment purchases; they are a valid business expense.

These will usually qualify for 100% capital allowance (a deduction from taxable profits) at time of first business use.

However large value purchases could take you over annual limits, so care must be taken as regards timing. Specifically, tax allowance limits change regularly and there are special rules for buildings.

Full expensing – which offers 100% first-year relief to companies on qualifying new main rate plant and machinery investments is available from 1 April 2023 until 31 March 2026.

The 50% first-year allowance (FYA) for expenditure by companies on new special rate (including long life) assets until 31 March 2026.

Please discuss tax relief with dns accountants, before making large purchases.

See also '[Computers and computer accessories](#)', '[Cycle travel](#)', '[Vehicles](#)', '[Health & safety](#)' and '[Leasing](#)'.

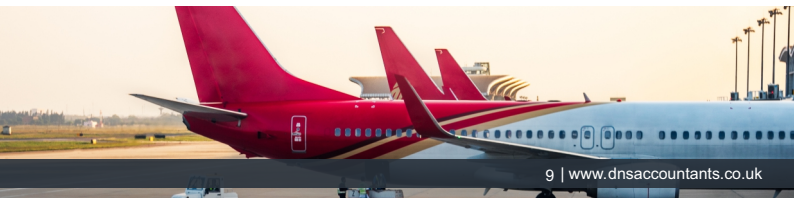
F **Flights**

The company can claim the flight expenses paid on behalf of employees traveling on business, for as long as or for the proportion that it constitutes a business journey.

See also '[Travel](#)'.

F **Fines and penalties**

If your business incurs or pays any fines or penalties, be they from HMRC or any other governing body, then they may be genuine business expenses but are not tax deductible. The simple reasoning behind this is that fines are put in place if rules are broken and, as your company should be following the rules, breaking them is not a part of doing business.



F Food when travelling

An employee travelling on business can claim subsistence costs e.g. a meal or coffee stop, that are tax free on the individual and tax allowable for the company.

For travel in the UK the tax man has set benchmark subsistence rates that you may use to make the day's subsistence claim, instead of keeping the receipts and claiming actual costs.

Description	Benchmark allowance
Breakfast	£5
5 hours	£5
10 hours	£10
15 hours	£15

A further allowance maybe claimed of £10 where the qualifying trip lasts beyond 8pm.

Qualifying conditions for benchmark daily subsistence claims

- The travel must be in the performance of duties or to a temporary workplace, on a journey that is not substantially ordinary commuting.
- Breakfast rate is paid when an employee leaves home earlier than usual and before 6am and incurs a cost on breakfast.
- The employee should be absent from the normal workplace for a continuous period in excess of 5, 10 or 15 hours.
- The employee should have incurred a cost on a meal (food and drink) after starting the journey.

For travel overseas HMRC has set benchmark rates for Accommodation, Subsistence and some incidentals. These rates are split out into various elements and may be used in full, per hours in the country, or piecemeal with receipts. For a full list, city by city, see:

<https://www.gov.uk/guidance/expenses-rates-for-employees-travelling-outside-the-uk>

See also 'Travel', 'Overseas travel'.



G Gifts

If the company gives a gift to an employee then it would be classed as a benefit in kind, and hence be taxable on that employee, unless it can fall under the trivial benefits exemption.

If the company gives a promotional gift to any third party who's not an employee of the company, then that may be tax free for the individual and tax allowable on the company if the following conditions are met

- is not food, drink, tobacco or vouchers,
- total of such gifts is less than £50 per recipient per year
- Gifts are prominently marked with the company's name (for example, a mug with the company's logo).

Free samples given to the public for advertising those goods are also tax deductible.

Gifts that do not fall into any of the above categories are classed as '[Entertaining](#)'

See also '[Promotional products](#)', '[Entertaining](#)' and '[Donations](#)'.

G Goods for resale

For completeness we have included Goods for resale in allowable business expenses. These are tax allowable on sale, stocks held are valued for later deduction when sold or scrapped.

See also '[Parts & materials](#)'.

H Health & safety

It is the company's responsibility to look after its employees. As such it also needs to check what they need. Accordingly, the following are legitimate business expenses

- Annual health check
- Eye test for employees using computers
- Protective clothing
- Training
- Adaptive equipment



I Insurance

Costs incurred on business insurance such as employer's liability, public liability or professional indemnity can be claimed as an expense for tax relief. The insurance should be in the company's name.

I Internet

See '[Utilities](#)' or '[Telephone](#)'

L Laptop

See '[Computers and computer accessories](#)'.

L Leasing

A company may decide to borrow, hire or lease - equipment, vehicles, premises or staff. If these are used for business purpose's, then the hire charges are allowable business expenses.

There are however special rules for long term arrangements akin to purchase and if there are any inducements, upfront or on termination then tax rules along with accounting rules can get very complex so do talk to your dns accountant before entering into such an arrangement.

See also '[Equipment](#), '[Rent & rates](#)'

M Meals at work

The company can provide free or subsidised meals at a workplace canteen or vouchers for such meals at a similar shared facility e.g. business centre cafeteria.

See also '[Food when travelling](#)'



M Mileage

If an employee uses their own vehicle for business travel, then HMRC has set mandatory mileage rates for re-imbusement.

These mandatory rates are as follows

Type of vehicle	First 10,000 miles	Above 10,000 miles
Cars and Vans	45p	25p
Motorcycles	24p	24p
Bicycles	20p	20p

If travelling with a business passenger, then the driver is entitled to claim an extra 5p per mile.

If an employee drives a company vehicle on business, but no fuel is provided, then HMRC issues Advisory fuel rates that may be used to reimburse fuel costs for business mileage. These rates are changed regularly by HMRC, but can be found at

<https://www.gov.uk/guidance/advisory-fuel-rates>

See also 'Vehicles', 'Travel'

M Mobile

The company can expense, tax free, the provision to an employee of one mobile phone, that may be used for private use. The contract for the phone must be in the company's name.

A mobile phone is a device that is designed or adapted for the primary purpose of transmitting and receiving spoken messages. It includes SIM only supply and SMART phones but excludes satnav, PDA, Laptops and devices using VOIP.

See also 'Telephones', 'Computers & computer accessories'



O **Overseas travel**

An employee travelling overseas on business can claim the costs incurred, to the extent that the trip is classed as business.

The tax man has provided benchmark rates you can claim instead of keeping the receipts to claim the actual cost of travel, subsistence, accommodation etc. These rates are split out into various elements and may be used in full, per hours in the country, or piecemeal with receipts. For a full list, city by city, see:

<https://www.gov.uk/guidance/expenses-rates-for-employees-travelling-outside-the-uk>

See also 'Travel'.

P **Parts & materials**

Do not forget to expense all costs for parts and materials used in getting the job done – however small. All are tax allowable, and only useable stock is valued for deduction later, the rest is available for immediate tax deduction.

See also 'Goods for resale', 'Tools & consumables'.

P **Pension contributions**

Company funded contributions are tax allowable for the company.

Remember there are caps to investment in pensions so do talk to a financial advisor about this.

Costs incurred in providing relevant pension advice to an employee is exempt for up to £500 in a tax year.

P **Petrol**

The company may only pay for or reimburse fuel for company owned vehicles or equipment.

See also 'Mileage'.



P **Pre-trading expenses**

There are certain expenses which are incurred prior to the setting up of a company like meeting clients, phone bills or equipment costs. If these expenses are incurred in anticipation and made within 7 years of your first day of business, you can claim them as business expenses.

See also '[Website](#)'

P **Printing, postage and courier**

The costs incurred on postage, printing or couriers by the company for business purposes are claimable as an expense for tax relief.

See also '[Stationery & office supplies](#)'

P **Professional fees**

The company can usually claim the cost of professional fees incurred for the business (for example, solicitor fees, architects, accountants) for tax relief.

But there are exceptions so do make notes of the reasons for these costs. For more information, kindly get in touch with the dns team.

P **Promotional products**

If the company gives a promotional gift to any third party who's not an employee of the company, then that may be tax free for the individual and tax allowable on the company if the following conditions are met

- total of such gifts is less than £50 per recipient per year
- is not food, drink, tobacco or vouchers,
- Gifts are prominently marked with the company's name (for example, mug with the company's logo).

Free samples given to the public for advertising those goods are also tax deductible.

See also '[Uniform](#)', '[Donations](#)' and '[Gifts](#)'.



P **Protective clothing**

Cost of everyday wear is not a part of an allowable business expense; however, uniform or protective clothing can be. This can include cost or hire and laundering.

Protective clothing is defined as that worn as a matter of physical necessity because of the nature of the job, such as a high-visibility jacket for a road worker.

See also '[Uniform](#)'

O **Overseas travel**

Being in business can involve registering and paying fees; these business costs are all tax allowance e.g.

- Disclosure and Barring Service fees for staff checking
- Information Commissioner fee for Data Protection registration
- Companies House fee for Confirmation statement
- Music License fee to play background music in your store

See also '[Subscriptions](#)', '[Professional fees](#)', '[Commission, licences & royalties](#)'

R **Rent & rates**

The rent paid by the company for its business premises and the associated business rates can be claimed as an expense and is eligible for tax relief. This can include premises used as offices or storage, as well as trading.

If you are running the business from home then the rules pertaining to how much you can claim as rent are more complex and you should get in touch with dns for advice.

See also '[Utilities](#)' and '[Repairs and maintenance](#)'



R Repairs and maintenance

The company should maintain its assets so repairs and maintenance costs are allowable business expenses provided the company owns the asset.

Certain rental agreements include the obligation to maintain & repair, or a management fee, so provided the contract puts this obligation on the company then these costs too are tax allowable.

Works done that are not part of such an agreement e.g. leasehold improvements, may not get tax relief.

See also 'Rent and rates', 'Website', 'Computers and computer accessories' and 'Equipment'.

R Research and development

The company may decide to enter into the development of new products, processes or services. If these include an advance in human knowledge, then extra allowances may be available so please note costs separately per project and discuss this with dns accountants.

In other respects, the costs will fall under usual categories, and the business use will be product development.

For more information on R&D Tax Relief, visit here:

<https://www.dnsassociates.co.uk/research-and-development-tax-relief>

See also 'Professional fees' and 'Equipment'.

S Solicitor

See 'Professional fees'.

S Staff costs

All costs of staff working in or on the business are allowable business expenses, whether cash wages, staff benefits or the taxes thereon.

Please see Employee Expense and benefits guide for more details of benefits.

See also 'Subcontractors', 'Travel', 'Pensions contributions', 'Health & safety'.

S Stationery & office supplies

The costs incurred by the company for designing and purchasing stationery and other supplies can be expensed and claimed for tax relief. If an employee personally pays for stationery that will be used at work, then the company can reimburse this without HMRC considering it a taxable benefit.

See also 'Printing, postage & courier'.

S Subcontractors

A company may decide not to do all the work for customers themselves, but subcontract some or all of the work to others. These costs are allowable business expenses, including all expenses and materials recharged by the subcontractor.

See also 'Parts & materials', 'Staff costs'.

S Subscriptions

The company can expense the cost of any trade or business club membership. However, HMRC have a list of the only allowable personal professional membership subscriptions.

HMRC's list can be found at www.hmrc.gov.uk/list3/index.htm

See also 'Books'.

T Telephone

The company can get tax relief for all costs of telephone or similar lines to their business premises. Alternatively, the company can reimburse the costs of business calls/use of private phones or lines.

See also 'Mobile' and 'Utilities'.



T Training

Work related training provided by an employer to its employees is allowable for the company. This includes related costs such as travel to the course, course materials and exam fees.

See also '[Books](#)', '[Travel](#)' and '[Stationery and office supplies](#)'.

T Travel

The company can pay for or reimburse travel expenses for employees if the journey counts as a "business journey." To be considered a "business journey", it must either:

- be to or between business appointments, or
- travelling to or from a temporary workplace,

A temporary workplace is one that passes the 24 months rule; which is, in brief, working or expected to be working at that location for less than 40% of the time in any 24 month period.

Travelling from home to a permanent workplace does not count as business travel, and the company cannot pay back the cost of these journeys.

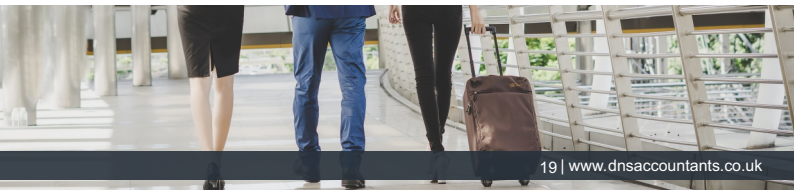
Additionally, London congestion charges and car parking charges also form part of allowable travel expenses'

See also '[Accommodation](#)', '[Meals when travelling](#)', '[Overnight allowance](#)', '[Overseas travel](#)'

T Tools & consumables

All tools required to do the job, and the related consumables, are tax allowable. Do not forget to include and claim second hand tools introduced into the business – these are tax allowable at second hand value on first business use.

See also '[Goods for resale](#)', '[Parts & materials](#)', '[Pre-trading expenses](#)' and '[Equipment](#)'.



U **Use of home as office expense**

The directors of a limited company, are allowed to claim from the company any extra costs that they incur as a result of working at home, such as electricity or gas. The expenses of fixed nature such as rent or mortgage cannot be claimed as they would have been paid whether or not the director worked at home. If the use of home as office cost is £6 per week or under then HMRC does not need a calculation, but any higher than this and the director would need to be able to demonstrate to a visiting inspector how it was worked out. The director could rent out space in their home to the company, if they wish to claim more than the tax-free allowance of £6 per week.

U **Uniform**

Cost of everyday wear is not a part of an allowable business expense; however, uniform or protective clothing can be. This can include cost or hire and laundering.

Uniform is defined as a set of clothing of a specialised nature that is recognisable as a uniform and is intended to identify its wearer as having a particular occupation.

See also '[Protective clothing](#)', '[Promotional products](#)'.

U **Utilities**

The company can claim all expenses for utilities at their business premises, including heating, lighting, internet, water, sewerage.

If an employee is required to work from home then a part of the home utilities expense may be claimed back from the company, specifically the additional costs for working at home or £6 per week.

See also '[Telephone](#)', '[Rent & rates](#)'.



V Vehicles

Costs incurred in the purchase or maintenance of company vehicles, can be classed as a valid business expense, if used in the business or supplied to employees.

These may qualify for 100% capital allowance (a deduction from taxable profits) at time of first business use. Otherwise it may qualify for just 18% or less annual allowances. Specifically cars (except electric cars) seldom qualify for immediate tax relief so do consult dns accountants to check tax relief for your purchases.

See also '[Mileage](#)', '[Cycle travel](#)' and '[Equipment](#)'.

W Water

See '[Utilities](#)'.

W Website

When developing a website for your business, you may incur build costs. The fact that this is in the cloud does not affect tax treatment. You have built an asset for the business and it can get tax relief just like a computer and software.

Maintenance and upgrade costs for this website are treated like repairs and a new website like a new computer.

See also '[Computers & computer accessories](#)', '[Pre-trading expenses](#)' and '[Repairs and maintenance](#)'.





Award winning accountants



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