

## What can you claim through a Limited Company?

Here at Bidwell Accountancy we get asked what can and can't claim through a limited company.

We thought that it would be best to put together a list of the most common business cost and expenses.

### Accountant

The company can claim tax relief for the full cost of an accountant preparing accounts for the company.

### Advertising & Marketing

The company can claim tax relief on advertising and marketing costs for the business.

### Bank interest & overdraft charges

- Business accounts

If the company has a business bank account in its own name, it can claim tax relief on the interest payments and charges.

- Personal accounts

Interest and charges on a personal bank account or credit card aren't allowable for tax and shouldn't be included in the company's accounts.

### Broadband

- Home

If you work from home as a one-person business and don't have a separate broadband contract for your business, you can claim back from the company the full cost of all of your business use of your home broadband (using an itemised bill), and a percentage of the line rental. If you pay a fixed fee for your broadband, you should claim the business percentage of your usage of broadband. To calculate the percentage that you can claim, work out how much you use it for business purposes and how much is for personal use. Make sure that the company doesn't pay your home broadband bill directly to the phone company because this is a benefit that has to be taxed with your salary. You should pay the broadband bill personally, then claim the business use of the line back from the company.

- Office

If you have a separate broadband contract for business, make sure you put the contract in the company's name. The company should pay this cost directly to the telephone company (for example, BT or Virgin). The company can claim tax relief on the full cost of the broadband line rental and the business use of the broadband.

### **Business use of home**

As the director of a limited company, you would only be able to ask the company to repay you for extra costs that you incurred as a result of working at home, such as electricity or gas. You can't claim any part of fixed costs that you'd pay whether or not you worked at home (such as your mortgage or council tax) back from the company without paying extra tax. If your business use of home cost is under £4 per week then HMRC have said they will not ask to see proof of how this was calculated, but any higher than this and you would need to be able to demonstrate to a visiting inspector how you worked out your business use of home cost.

### **Charitable donations**

A company making Gift Aid donations to charity can usually claim tax relief on the cost of these donations.

### **Childcare**

The company may be able to claim tax relief for the cost of providing childcare facilities, or for funding the cost of childcare for its employees' children.

### **Clothing**

The company can provide you with protective clothing that's necessary for you to do your job, such as a high-visibility jacket for a railway worker, or with a uniform that can only be worn at work to do your job. This includes clothing such as a jacket with the business logo on it. The company can give these clothes to you outright or make them available to you, and although the company has to report these to HMRC on form P11D there's no extra tax for you or for the company to pay. If the company provides you with other clothing, this may be a taxable benefit.

### **Computer equipment & electronics**

- For private and business use

If the company gives you computer equipment that you can use for business and also more than an "insignificant" amount of private use, it will have to pay extra National Insurance as this is considered a taxable benefit.

- Private equipment brought into a company

If you already own a computer, office chair, etc. and want to bring it into your business, the company can claim tax relief for its market value at the point you brought it into the business – check eBay for similar items and then include that cost in the company's accounts. Don't forget that if you are going to carry on using the equipment privately too, HMRC would consider this as a taxable benefit.

- Solely for business use

If the company gives you computer equipment that you use only for business and no more than an "insignificant" amount of private use, the company can claim tax relief for this cost and does not need to pay any tax or National Insurance, as HMRC do not consider this to be a taxable benefit.

- Second-hand equipment brought into a company

If the company buys a piece of equipment second-hand, it can still claim tax relief on that equipment as a capital asset at the cost it bought it for because it's new to the company. Don't forget that unless you have a VAT receipt and the company is VAT-registered, the company can't reclaim VAT on it.

### **Council Tax ( home )**

Unfortunately, HMRC says that Directors of Limited Companies can't claim tax relief for fixed costs like Council Tax, since you would pay these costs whether or not you worked from home.

### **Cycle travel**

If you travel for work on a bicycle that belongs to you personally (rather than to the company), the usual rules for whether the journey counts as for business will apply (see: 'Travel'). Assuming that your journey does qualify as a business journey, you can claim that expense from the company at a cost of 20p per mile.

### **Electricity**

- Home

If you work from home and are the company's sole staff member, you can claim back from the company a percentage of your household electricity costs, based on how much you use your home for business and how much for non-business. See 'Business use of home' for more information about working from home.

If you are not the sole staff member of the company, the costs you can claim become more complex, so you should check with an accountant about this.

- Office

The company can claim the full cost of heating and lighting your business premises for tax relief.

### **Entertaining**

- Entertaining clients

Unfortunately, the company can't claim tax relief for entertaining clients – there is no tax relief available on the cost of entertaining anyone other than bona fide payroll employees.

- Entertaining employees

When you're entertaining your employees, this may be allowable for tax relief in your business's accounts, but it could also be a benefit on which your employees have to pay some tax.

In order for the party to be what HMRC call a "qualifying event" and therefore not a taxable benefit for your staff, it must meet these three criteria:

- 1) It is an annual event (such as a Christmas party)
- 2) It is open to all staff, and
- 3) It costs less than £150 per guest present

If any of these three conditions aren't met, then the whole cost of the event becomes a taxable benefit – for example if it's a one-off meal to celebrate a new contract, or if some employees are excluded, or if the cost per head is over £150.

### Evening Dress

If you have to wear evening dress for your work and the company provides this for you (for example, if you are a waiter who has to wear a tailcoat), the company can include the cost in its accounts for tax relief, and should report this to HMRC on your form P11D.

### Farm animals

Farm animals, such as cattle, sheep or laying hens, are tax-deductible in one of two ways – either as stock or as a capital asset. The animals are considered a capital asset if they form a “production herd”.

A production herd is one that is kept for what the animals yield while they are still alive, such as wool, eggs, milk, honey, or live young – and each production herd is made up of animals of the same species used for the same purpose. So for example, a flock of sheep kept for wool is the same herd whether it's a mixture of breeds or not, but a flock of one breed kept for wool and another breed for cheese would be two separate herds. HMRC calls them herds whatever the actual collective

noun for the animals is – for example, a hive of bees kept for its honey is still referred to as a production herd.

### Flights

The company can only pay you back for flights that you've personally paid for without HMRC considering this a taxable benefit in these cases:

- 1) If the flight was between business appointments, for example you're a salesperson and you fly from one client appointment to another, or
  - 2) If you were flying to or from a temporary workplace, which is, in brief, somewhere you expect to be working for less than 40% of your time for the next 24 months.
- Flights are covered by the rules on travel (see 'Travel') so the company can't reimburse you for travel from your home to a permanent workplace.

### Food & Drink

- At your home office or other company offices

If you are the sole director and the company has no other employees, you wouldn't be able to claim the cost of food and drink you buy to eat while you're working from home or in your usual office. This is because HMRC takes the stern line that everyone must eat to live. If the company has other employees, it can provide basic food and drink (such as tea, coffee and biscuits) for them. The company can also provide free meals at a canteen without having to pay extra tax and National Insurance, so long as the food and drink provided is available to all staff.

- While travelling

If you pay for food and drink yourself when you are away from your normal place of work on a business trip, you can claim that cost back from the company. The company can also include this cost in its accounts for tax relief.

## Gas

- Home

If you work from home and are the company's sole staff member, you can claim from the company a percentage of your gas costs, based on how much you use your home for business and how much for non-business. If you are not the sole staff member of the company, the costs you can claim become more complex, so you should check with an accountant about this. See 'Business use of home' for more information about working from home.

- Office

The company can claim the full cost of heating and lighting business premises for tax relief.

## Gifts

- Gifts to employees

If the company gives a gift to an employee, it may be subject to taxable benefit rules.

If the gift is a small gift that celebrates a personal event for the employee, for example you give a bunch of flowers to an employee who's just had a baby, that is one example of what HMRC call a "trivial benefit" and you can apply to HMRC not to pay tax or National Insurance on that gift.

- Gifts to anyone else

If you give a gift to anyone who's not an employee of the company, then so long as this gift is not food, drink, tobacco or vouchers, and so long as it costs less than £50 per recipient per year and is prominently marked with the company's name (for example, a small desk diary embossed with the logo), then the company can claim tax relief on that gift.

## Hotel accommodation

The company can only pay you back for hotel accommodation that you've personally paid for without HMRC considering this a taxable benefit in these cases:

- 1) If you were staying away from home for business purposes,
- 2) If you were attending a business appointment, or
- 3) If you were at a temporary workplace, which is, in brief, somewhere you expect to be working for less than 40% of your time for the next 24 months.

Accommodation is covered by the rules on travel (see 'Travel') and travel from home to a permanent workplace doesn't count as business travel. That means that the company can't pay you back for the cost of hotel accommodation that you pay

for personally if you stay overnight near your permanent workplace. If they do, you'll need to pay tax and National Insurance on the repayment as it will be considered a taxable benefit.

## Insurance

The cost of insurance for business, such as contents insurance for an office, or employer's liability insurance, is fully allowable for tax relief. The company can buy private medical insurance for its employees but in some circumstances, this will incur extra National Insurance.

### **Medical treatment**

In some cases, a company can provide medical treatment for its employees without HMRC considering this a taxable benefit. One example is if the employer pays for eye tests that are legally required for employees who have to use a computer screen.

### **Mileage**

If you travel on a business journey for the company in your own car, the company can pay you back per business mile travelled at HMRC's approved rates. Journeys in your car are covered by the rules on travel (see 'Travel') so the company couldn't reimburse you for travel from your home to a permanent workplace.

### **Mobile phone**

The company can provide you with one mobile phone, which includes smartphones such as Androids or iPhones, without HMRC considering it a taxable benefit. Don't forget that the contract for the phone must be in the company's name.

### **Parking fines & speeding tickets**

Neither you nor the company can claim tax relief on the cost of fines or speeding tickets, even if you incurred these while travelling on business, because you incurred the cost while breaking the law!

### **Pension contributions**

When the company makes contributions to its own pension scheme for employees, it can claim tax relief on the cost of these contributions in its accounts.

### **Professional fees**

The company can claim the full cost of professional fees incurred for the business (for example, the fees a solicitor charges you) for tax relief, except in specific circumstances.

### **Stationery**

If you personally pay for stationery that you and your colleagues will use at work, the company can pay you back for this without HMRC considering this a taxable benefit.

The company can also include this cost in its accounts for tax relief.

## Telephone

- Home

If you work from home and are the company's sole staff member and don't have a separate phone line for business, you can claim from the company the full cost of all of your business use of your home phone line, and a percentage of the line rental, based on how much you use it for business purposes and how much is for personal use. Make sure that the company doesn't pay the phone bill directly to the phone company because this will count as a benefit that has to be taxed with your salary. You should pay the phone bill personally, then claim the business use of the phone back from the company.

If you are not the sole staff member of the company, the costs you can claim become more complex, so you should check with an accountant about this.

- Office

If you have a separate phone line for business, make sure it is in the company's name. The company should pay this cost directly to the telephone company (for example, BT or Virgin). The company can claim tax relief on the full cost of the line rental and the business calls.

## Tolls and car parking

If you personally pay for tolls and car parking while travelling on business, you can claim the full cost back from the company, and the company can include this cost in their accounts for tax relief. Even if you are claiming the cost per mile of journeys in your own car from the company (see: 'Mileage'), this does not stop you also claiming back from the company the costs of tolls and car parking that you personally paid.

## Train tickets

The company can only pay you back for train tickets that you've personally paid for without HMRC considering this a taxable benefit in these cases:

- 1) if the journey was between business appointments, for example you're a salesperson and you travel from one client appointment to another, or
- 2) if you were travelling to or from a temporary workplace, which is, in brief, somewhere you expect to be working for less than 40% of your time for the next 24 months.

Train journeys are covered by the rules on travel (see "Travel") so the company couldn't reimburse you for travel from your home to a permanent workplace.

## Travel

The company can only pay you back for travel expenses that you've paid for personally if the journey counts as a "business journey." To be considered a "business journey", it must fulfil these criteria:

- 1) The journey was between business appointments, for example you're a salesperson and you go from one client appointment to another, or
- 2) If you were travelling to or from a temporary workplace, which is, in brief, somewhere you expect to be working for less than 40% of your time for the next 24 months.

Travelling from your home to a permanent workplace doesn't count as business travel, so your employer can't pay you back for the cost of these journeys.

### **Training & Personal Development**

The cost of staff training is allowable for tax relief provided that you can show that the training is "wholly and exclusively" for the purpose of the company's business.

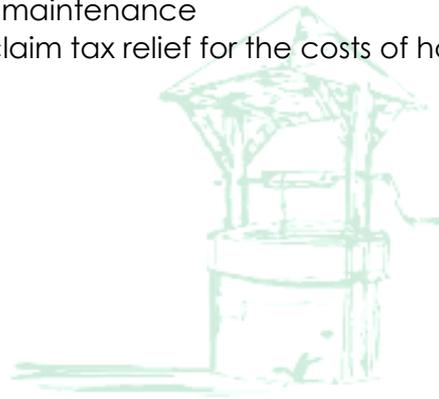
### **Website costs**

- Building a website

The company may be able to claim tax relief on the cost of building a website if you think that the website will earn the company more money than it cost to build it.

- Website hosting & maintenance

The company can claim tax relief for the costs of hosting and maintaining the website.



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