

Ltd Companies - Allowable Expenses

Limited companies in the UK are entitled to claim a variety of expenses against their taxable income, reducing their overall tax liability. Here is a list of typical expenses that small businesses can claim, along with a description of each:

1. Salaries and Wages

- Companies can claim the cost of paying salaries, wages, bonuses, and other payments to employees, including directors. This includes NICs and pension contributions made on behalf of employees.

2. Office Rent and Utilities

- If the business rents office space, the rent and associated costs (such as heating, electricity, water, and other utilities) are deductible. If working from home, a proportion of the home costs may be claimed as business expenses.

3. Office Supplies

- Any stationery, printer ink, paper, and other office supplies used for business purposes are allowable expenses.

4. Travel and Mileage

- Business-related travel expenses, such as train fares, flights, taxis, hotel accommodation, and meals while away from home, can be claimed. If using a personal vehicle for business, you can claim mileage at HMRC's approved rates (currently 45p per mile for the first 10,000 miles and 25p thereafter).

5. Business Insurance

- Costs of insurance policies that cover the business, including public liability, employer's liability, professional indemnity, and office contents insurance, are allowable expenses.

6. Equipment and Tools

- Purchases of necessary equipment for running the business, such as computers, machinery, furniture, and tools, can be claimed. If the cost is above the annual capital allowance threshold, the company may claim capital allowances (a form of tax relief) to offset the cost.

7. Training and Development

- Training courses, professional development, and seminars that directly benefit the business and improve employees' skills can be claimed. This also applies to courses undertaken by directors for their business.

8. Advertising and Marketing

- Expenses for marketing materials, website development, online advertising, social media promotion, and other marketing efforts are deductible. This includes business cards, brochures, and sponsorship costs.

9. Professional Fees

- Fees paid to accountants, solicitors, consultants, and other professional advisers can be claimed as business expenses. This includes legal costs and other advisory services directly related to running the business.

10. Bank Charges and Interest

- Charges for business bank accounts, including monthly account fees, credit card charges, and interest on business loans or overdrafts, are deductible.

11. Telephone and Internet

- Business-related phone and internet costs, including landline, mobile phones, and broadband, can be deducted. If these services are used for both personal and business purposes, only the business portion can be claimed.

12. Business Vehicle Costs

- If the business owns a vehicle used for business purposes, fuel, repairs, insurance, and depreciation are eligible expenses. Alternatively, the company can claim a fixed amount per mile (as mentioned above for personal vehicles).

13. Subscriptions and Memberships

- Costs for memberships to professional organisations or subscriptions to trade magazines, journals, and software that are relevant to the business can be claimed.

14. Depreciation/Capital Allowances

- For long-term assets like machinery, office furniture, or vehicles, companies can claim capital allowances. This allows for tax relief on the cost of the asset over several years. Depreciation on assets is not deductible, but capital allowances can provide similar relief.

15. Research and Development (R&D) Costs

- Small companies involved in research and development can claim R&D tax credits or deductions for qualifying expenses. This may include salaries for staff involved in R&D, materials, and utilities used in the R&D process.

16. Bad Debts

- If the company has outstanding invoices that are unlikely to be paid, these can be written off as bad debts, reducing taxable profit.

17. Pension Contributions

- Employer contributions to employees' pension schemes are a deductible expense for the company. If the company operates a pension scheme for directors or employees, it may claim tax relief on contributions.

18. Client Entertainment

- Some costs related to client entertainment (such as meals or hospitality) may be deductible, but they are subject to strict rules. Generally, only 50% of the cost of meals and entertainment with clients is allowable.

19. Software and Licences

- Subscriptions or purchases of software, licences, or digital tools essential for the business (like accounting software, design tools, etc.) can be claimed.

20. Foreign Currency Exchange and Fees

- If the business deals with foreign currencies, exchange rate losses or transaction fees from foreign payments and money transfers are allowable expenses.

21. Charitable Donations

- Charitable donations made by the company can be claimed as tax-deductible expenses, provided they meet the qualifying criteria.

22. Legal and Administrative Costs

- Fees related to the formation of the company, legal advice on contracts, and other administrative expenses (such as registering with regulatory bodies) are allowable.

To ensure proper tax compliance, it's important for limited companies to maintain detailed records of all business-related expenses. Additionally, it is always a good idea to consult an accountant for advice on the tax treatment of specific expenses, as HMRC may require detailed documentation or receipts to substantiate claims.