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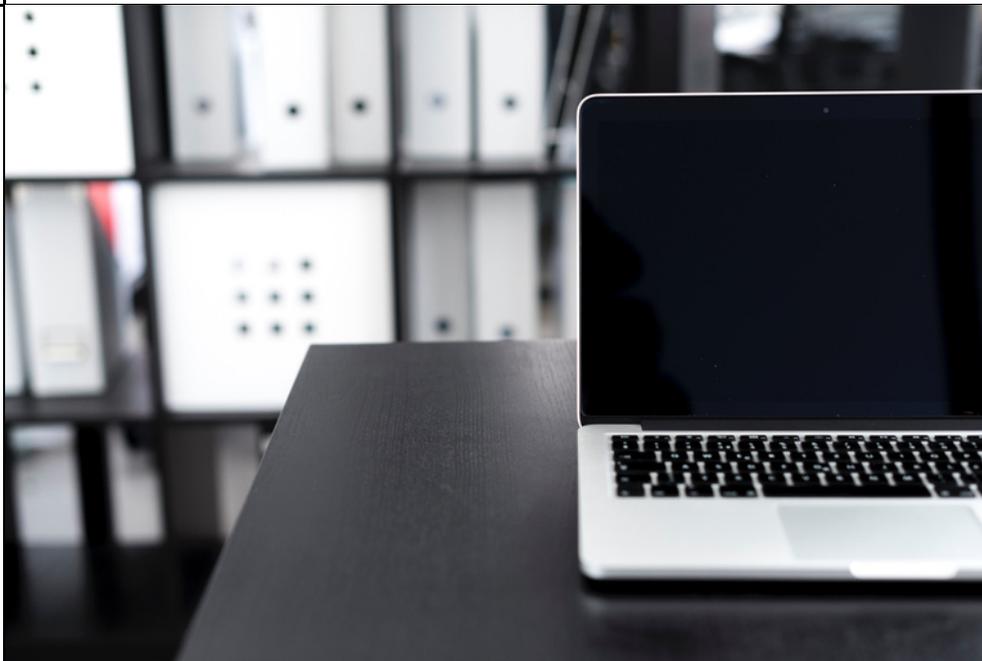
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# Limited Company Expenses Guide

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## INTRODUCTION

We are delighted that you have chosen MyAccountant to look after your limited company, and we look forward to supporting and guiding you through your contracting career.

At MyAccountant we pride ourselves on supplying a simple, professional accounting service, designed to be as flexible as possible to suit your needs. Our service is tailored to minimise your administrative requirements and maximise your retention of earnings, leaving you free to concentrate on your role.

This handbook is an in-depth guide to the most common limited company expenses and how to claim them.

Should you have any further queries, your dedicated Accounts Manager will be more than happy to assist you.

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# THE ROLE OF EXPENSES

A limited company is charged corporation tax on profit it generates, which is calculated as being:

+ Income	X
- Less Allowable expenses	(X)
<u>= Taxable profit</u>	X

\*Allowable expenses lower company profits and the amount of Corporation Tax payable.

This is an example of a standard profit & loss account:

## ABC Limited

Profit & Loss Account		
	£	£
Turnover		
Sales invoiced		50,000
Expenditure		
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	
		(17,500)
<b>Taxable Profit</b>		<b>32,500</b>
<b>Corporation Tax (19%)</b>		<b>(6,175)</b>
<b>Available Profit</b>		<b>26,325</b>

## "ALLOWABLE" EXPENSES

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	Additional Note
Accountancy Fees	✓		
Directors' Salary	✓		
Employer's NI	✓		
Subsistence	✓		Note 1
Computer Equipment	✓		
Business Travel	✓		
Petrol Costs		✓	Note 2
Motor Costs		✓	Note 2
Business Telephone	✓		Note 3
Business Broadband	✓		Note 3
Business Insurance	✓		Note 4
Home Expenses	✓		Note 5

## ADDITIONAL NOTES

### 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 the HMRC approved rate (45p per mile 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 the date of the trip, the reason for the trip and postcodes for each location you are travelling to and from. VAT on your mileage will also be automatically calculated but you must ensure you keep all fuel receipts in order to substantiate the claim.

## 3. BUSINESS BROADBAND AND TELEPHONE

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

## 4. BUSINESS INSURANCE

Insurance can be claimed as a business expense where you can show that the cover is required purely for business purposes. This typically includes public liability, employer’s liability, professional indemnity, legal expenses, tax investigation, equipment and health insurances. Be aware that where there is a personal benefit, such as with health insurance, there will be a taxable benefit in kind. Please contact your accounts manager for more information.

## 5. USE OF HOME ALLOWANCE - WORKING FROM HOME

Where you work from home on a regular basis, you can claim an expense deduction of £6 per week or £26 per month in respect of additional costs - such as gas or electricity charges - incurred as a result of working at home. You are not required to keep evidence to substantiate the claim.

If you wish to claim more than this amount, you must keep receipts and show how the figure has been calculated. It is important to note that fixed costs such as council tax, unmetered water, etc. are not allowable as homeworking would not increase these costs in any way.

## 24 MONTH RULE - TRAVEL & SUBSISTENCE

Any individual 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.

## IR35 (TRAVEL & SUBSISTENCE)

As of 6th April 2016, the introduction of new legislation has meant that where a contractor is caught by IR35, they are automatically deemed to be under supervision, direction and control (SDC) over the manner in which the work is provided and as such cannot claim travel and subsistence associated with their commute between the home and office (and vice versa).

## SUBMITTING YOUR EXPENSES

### EXPENSES IN FREEAGENT

Expenses paid via the bank should be explained in the banking section of your FreeAgent account.

Expenses paid personally should be entered in the “Expenses” section under “Out of Pocket expenses”. Please enter figures exactly as they appear on the receipt.

Mileage claims are also entered through the expenses section in your FreeAgent account.

### KEEPING YOUR RECEIPTS

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

The receipts should ideally be scanned and uploaded to your FreeAgent account at the time of recording the transaction.

### WHO TO CONTACT WITH EXPENSES QUERIES?

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