

## business expenses information

**This document contains information to help you consider and decide what expenditure is allowable or disallowable for UK tax purposes.**

Document update 03/12/2007

## business expenses information

<b>item</b>	<b>deductible against profits</b>	<b>not deductible</b>
<b>Normal business expenses generally</b>	Expenditure incurred wholly and exclusively in the course of business.	Personal expenditure and all entertaining except staff.
<b>Capital items (i.e. items expected to be used for more than 1 year)</b>	An annual capital allowance is available on most items of equipment.	Freeholds and long leaseholds of most non-industrial premises.
<b>Computer software</b>	If bought separately from hardware.	Otherwise, capital allowances available.
<b>Gifts to customers</b>	Gifts costing up to £50 and bearing the business name.	Any item of food or drink.
<b>Home expenses</b>	Reasonable proportion of home running expenses, depending on the extent of use of home for business. Be aware of the implications for capital gains tax on the sale of the property.	Domestic expenses not related to the business.
<b>Telephone bills</b>	Business proportion based on calls.	Private element and home line rental.
<b>Motor expenses</b>	Business proportion based on mileage Remember to consider the FPCS mileage rates.	Private element.
<b>Travel expenses</b>	Business travel.	Travel between home and normal place of business.
<b>Subscriptions</b>	Professional subscriptions, relevant magazines and journals.	Clubs, charities and items not associated with the business.
<b>Wages and salaries</b>	Staff (including family where duties genuinely carried out).	Proprietor's own drawings and gratuitous wages to family.

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item	deductible against profits	not deductible
<b>Bank charges &amp; interest</b>	Charges on business accounts and business related loans.	Interest for personal overdrafts and loans.
<b>Other interest</b>	Interest on business loans.	Interest on income tax paid late and interest paid to proprietors.
<b>Insurance</b>	Business related policies.	Life assurance, self-employed NI, health and sickness insurance.
<b>Bad debts</b>	Specific bad debts from unrelated parties	General provisions and debts written off voluntarily.
<b>Accountancy &amp; Tax fees</b>	Normal business related fees.	Costs of unsuccessfully defending an HMRC investigation or personal tax work such as tax return preparation.
<b>Legal fees</b>	Most business related advice	Partnership agreements, company formation, property acquisition and renewing long leases.
<b>Personal expenditure</b>	Modest subsistence expenses in certain cases when working away.	Lunches, private expenses and bills, gifts, clothing (unless a uniform).

### record keeping

Individuals (as well as trustees and partners) are required to keep all records relevant to the tax return, for 22 months following the end of the tax year.

The self-employed (i.e. sole traders and partners) and those who let property must keep records for 5 years and 10 months following the end of the tax year.

If HM Revenue & Customs (HMRC) commence an enquiry into the tax return, the records must be kept until completion of the enquiry, if later. If a claim is made other than in the tax return, any records supporting that claim must be kept until any HMRC enquiry into the claim (or amendment) is complete, or until HMRC can no longer begin an enquiry.

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A penalty of up to £3,000 can be imposed for any tax year in which there is a failure to keep the necessary records, although in practice penalties are only sought in more serious and/or persistent cases of record keeping failure.

**If you have any questions or are unsure of anything please just contact me.**

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