



Bookkeeping and Accountancy Ltd

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Tax Deductions Every SME Owner Should Know

Maximise allowable expenses to reduce your tax bill legally and efficiently

Introduction: The Importance of Claiming Expenses

Maximising allowable expenses is one of the most effective ways to reduce your tax bill legally. Every pound you can legitimately claim as a business expense reduces your taxable profit, which in turn reduces the amount of tax you pay. Many SME owners miss out on legitimate deductions simply because they are unaware of them or fail to keep proper records. This comprehensive guide covers the key deductions available to UK businesses, helping you keep more of your hard-earned money.

Top Tip: Keep receipts and records for at least 6 years. HMRC can investigate your tax affairs going back this far, so having proper documentation is essential.

Travel and Vehicle Costs

Business travel is fully deductible, but you must be careful to distinguish between business and private journeys. Commuting from home to a permanent workplace is not deductible, but travel to client sites, temporary workplaces, and business meetings is.

Mileage Allowance

If you use your personal vehicle for business travel, you can claim mileage at HMRC approved rates. These rates cover fuel, insurance, servicing, and depreciation.

- Cars and vans: 45p per mile for first 10,000 miles, then 25p per mile
- Motorcycles: 24p per mile
- Bicycles: 20p per mile
- Passengers: additional 5p per mile per passenger for business journeys

Other Travel Expenses

Beyond mileage, you can claim various travel-related costs:

- Public transport fares for business trips (trains, buses, tubes, flights)
- Taxi fares when necessary for business purposes
- Parking charges and road tolls during business travel
- Congestion charges incurred on business journeys
- Hotel accommodation for business trips away from home
- Subsistence - reasonable meal costs during business travel

Company Vehicles

If you operate a company vehicle, you can claim the full running costs, but be aware of the benefit-in-kind tax implications for private use. Electric vehicles attract lower benefit rates and 100% first-year capital allowances.

Top Tip: Keep a mileage log with date, destination, purpose, and miles for every business journey. Apps like Tripcatcher or your accounting software can automate this.

Equipment and Technology

Capital allowances allow you to deduct the cost of business equipment from your taxable profits. The current rules are generous, particularly for smaller businesses.

Annual Investment Allowance (AIA)

Most businesses can claim 100% of the cost of qualifying equipment in the year of purchase, up to the AIA limit of £1 million. This includes:

- Computers, laptops, tablets, and monitors
- Office furniture and fittings
- Machinery and tools
- Vehicles (excluding cars, which have separate rules)
- Security systems and CCTV

Software and Subscriptions

Software costs are generally treated as revenue expenses and fully deductible in the year incurred:

- Accounting software (Xero, QuickBooks, FreeAgent)
- Industry-specific software and applications

- Microsoft 365 or Google Workspace subscriptions
- Website hosting and domain fees
- Antivirus and security software
- Project management and CRM tools

Phones and Communications

Communication costs are essential business expenses:

- Mobile phone contracts (business portion if mixed use)
- Business landlines
- Broadband for business premises
- Video conferencing subscriptions (Zoom, Teams)

Top Tip: Timing matters - if you purchase equipment near your year-end, you get the full deduction despite only owning it briefly. Consider accelerating purchases into the current tax year.

Professional Services and Training

Fees paid for professional help and development are valuable deductions that many business owners overlook.

Professional Fees

Expert advice is a legitimate business expense when it relates to your trade:

- Accountancy and bookkeeping fees
- Legal fees related to business matters
- Business consultancy and coaching fees
- Debt collection agency fees
- Architect and surveyor fees for business property
- Health and safety consultancy

Training and Development

Training costs are deductible when they update or maintain existing skills relevant to your trade:

- Professional development courses
- Industry certifications and qualifications
- Conferences and seminars
- Trade publications and journals

- Online learning subscriptions
- First aid and health and safety training

Professional Memberships

Subscriptions to professional bodies are allowable:

- Trade association memberships
- Professional body subscriptions (ICAEW, ACCA, etc.)
- Chamber of Commerce membership
- Industry-specific associations

Marketing and Business Development

Costs incurred to promote your business and win new customers are fully deductible:

- Website design, development, and maintenance
- Advertising costs (online, print, radio, outdoor)
- Business cards and promotional materials
- Trade show and exhibition costs
- Photography and videography for marketing
- SEO and digital marketing services
- Social media advertising
- Public relations and press releases
- Branded merchandise and giveaways
- Customer hospitality (with some restrictions)

Top Tip: Entertainment of UK customers and suppliers is not tax deductible, but staff entertainment (including Christmas parties up to £150 per head) is.

Insurance and Financial Costs

Protecting your business through insurance and accessing finance both generate deductible expenses:

Business Insurance

All insurance premiums for business protection are allowable:

- Professional indemnity insurance
- Public liability insurance
- Employers liability insurance (compulsory if you have staff)
- Business premises insurance
- Stock and equipment insurance
- Business interruption insurance
- Key person insurance
- Directors and officers insurance

Financial Costs

The cost of accessing and managing business finance is deductible:

- Bank charges and transaction fees
- Interest on business loans and overdrafts
- Credit card fees (business cards)
- Hire purchase interest
- Finance arrangement fees
- Foreign exchange losses (trading businesses)

Staff Costs

If you employ staff, the full cost of employment is deductible, including many additional benefits:

- Gross salaries and wages
- Employer National Insurance contributions
- Employer pension contributions (no limit on deductibility)
- Staff training and development
- Recruitment costs (agency fees, job adverts)
- Staff welfare (refreshments, reasonable Christmas gifts)
- Protective clothing and uniforms
- Tools and equipment provided to employees
- Reasonable travel and subsistence for staff
- Employer-provided childcare vouchers or workplace nurseries

Top Tip: Consider salary sacrifice arrangements for pension contributions - both you and your employees save National Insurance.

Bad Debts and Write-offs

When customers fail to pay, you can claim relief for bad debts. The debt must be genuinely irrecoverable, and you should be able to demonstrate the steps taken to collect it. You can claim for the net amount of the invoice (excluding VAT, which you can reclaim separately if VAT registered). Keep documentation of your attempts to collect the debt, as HMRC may ask for evidence.

Top Tip: Review your aged debtor list regularly and write off genuinely bad debts before your year-end to maximise tax relief.

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