

What Qualifies As A Business Expense?





Hello there!

What qualifies as a business expense is one of the questions we get asked about most, often closely followed by **will HMRC ask for proof of expenses?**

Running a business means keeping on top of your numbers and understanding what qualifies as a business expense is key to keeping your tax bill as low as legally possible.

But what exactly can you claim? And where do HMRC draw the line?

In the following guide we will try to keep it super simple, but there are of course exceptions to every rule, so please do get in touch if you have any questions...

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So What Is A Business Expense?

A business expense is any cost that is “wholly and exclusively” for the purpose of running your business.

That’s HMRC’s golden rule.

If you wouldn’t have spent the money if it weren’t for your business, chances are it qualifies.

BUT, there’s a big caveat – case law shows that “duality of purpose” is almost as important a rule.

The easiest example to give would refer to clothing. If you buy a suit for work, that’s not allowable as you can wear it for other purposes (even if you wouldn’t!). Steel capped boots, branded apparel or your wig (if you’re a judge) on the other hand – allowable.



Think of it this way: if your expense supports your business to operate, deliver services, or generate income – it’s probably deductible.

What are some common examples of allowable business expenses?

Here are the main categories most UK sole traders and limited companies will recognise:



Office Costs

Stationery, postage, printer ink, and even your computer or software subscriptions.



Travel expenses

Mileage, parking, train fares, and accommodation when travelling for business (but not if you are commuting!).



Communications

Business phone contracts, broadband, and domain names.



Staff costs

Salaries, bonuses, pensions, and employers' NI.



Premises costs

Rent, utilities, council tax (for business premises).



Training

Courses directly related to your current business operations.



Marketing & advertising

Website costs, business cards, networking and online ads for example.



Professional fees

Accountants, solicitors, consultants, and subscriptions to professional bodies

And yes, you can also claim part of your home running costs if you work from home, using simplified expenses or actual costs. We break that down in more detail in our [Home Office Expenses Explained post](#)

What Doesn't Count As A Business Expense?

Ah, the tricky bit! Here's where many get caught out:

01

PERSONAL EXPENSES

like buying clothes (unless it's a uniform – see above), gym memberships, or everyday meals.

02

CLIENT ENTERTAINMENT

taking a client out for lunch? Lovely gesture, but not tax deductible.

03

FINES AND PENALTIES

parking fines or late payment charges are never allowable.

04

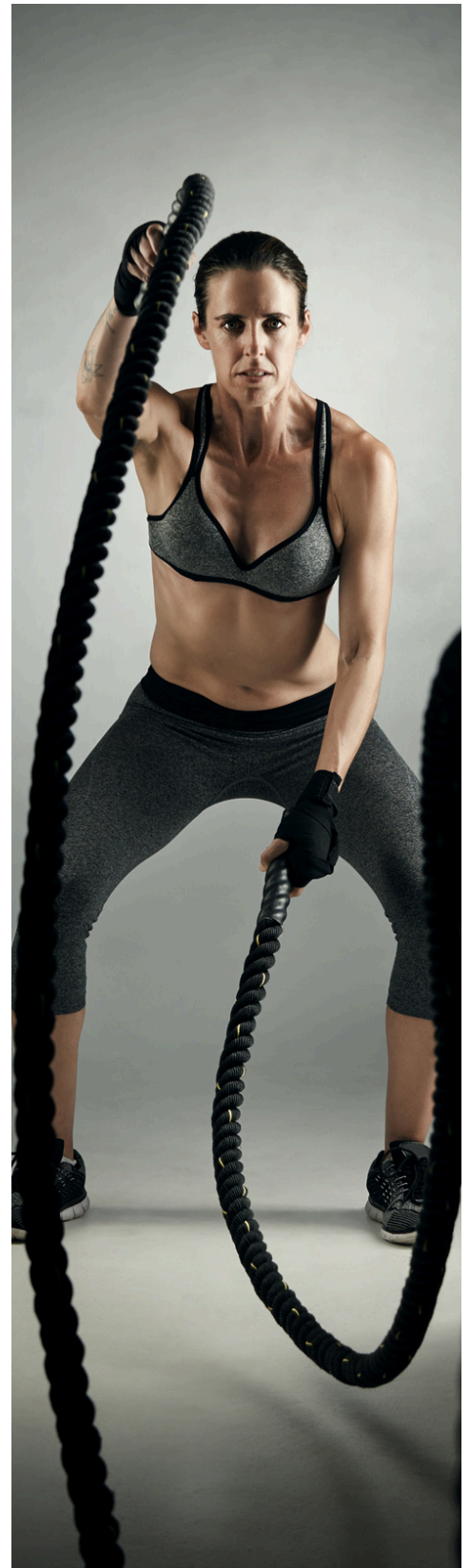
ASSET PURCHASES OVER £1,000

these usually need to be treated as capital allowances, not regular expenses.

05


TRAINING

if it's in something completely new to you...



Remember: blurring the lines between personal and business spending can raise red flags with HMRC, so keep things separate and squeaky clean 🙄

What are the funniest things we've been asked about claiming?



? I'm a barber and I've booked a hair transplant – is that tax deductible?

My new business comes primarily from networking, and mainly from a walking group I'm part of... can I claim for a new pair of walking boots as tax deductible?

?

? Can I sponsor my daughter's football team and claim that as a tax-deductible business expense??

If I bid on (and win) an expensive item at a charity auction, can I claim gift aid on the entire amount?

?

? I've got a new hi-tech prosthetic leg for work – can I claim for this through my limited company?

Is a hearing aid tax deductible as I need to be able to hear people in meetings?

?

? Can I put my daughter's wedding through as a business expense because I am inviting clients

Yep, you've guessed it – the only thing they have in common is that the answer is primarily a resounding **no!**

(Small print applies in exceptional circumstances – always check with your accountant or tax advisor when considering claiming for something unusual.)

Do You Need To Keep Receipts?

Yes, yes, yes!

HMRC expects you to keep records for at least 5 years after the 31 January submission deadline of the relevant tax year if you're self-employed, or for six years from the end of the last company financial year they relate to if you operate through a limited company. This includes:

- Receipts
- Invoices
- Bank statements
- Mileage logs

Digital copies are fine (and often easier to manage). Accounting software like Xero or QuickBooks, or receipt capturing software such as Dext, Apron or Hubdoc can help you stay organised and ready for any unexpected enquiries!

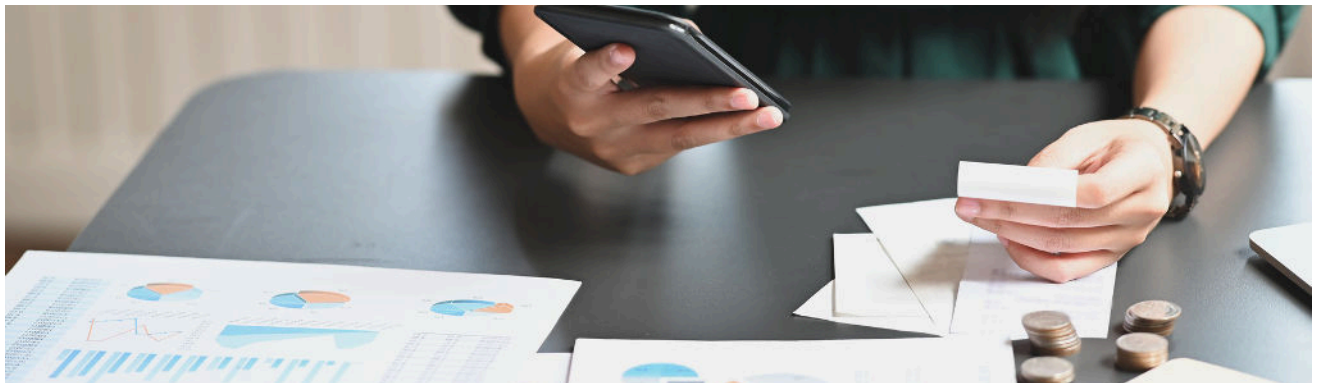


How does claiming expenses affect your tax?

Claiming legitimate business expenses reduces your profit, and because tax is calculated on your profit, this can significantly lower your tax bill.

Let's say you earn **£40,000** in income and spend **£10,000** on qualifying expenses. You'll only be taxed on the remaining **£30,000**. That's real money saved 💰

If you're VAT registered, you can also usually reclaim VAT on eligible purchases.



Final Thoughts

Getting your expenses right isn't just about paying less tax – it's about running a healthy, sustainable business. If in doubt, always check **HMRC's official expenses guidance** or speak to a trusted accountant.

Got more questions or want help reviewing your expenses? We'd love to help. At **IN Accountancy**, we offer straightforward advice that makes sense and saves you money.

Need support keeping track of expenses? Check out our blog on **the best accounting software for UK small businesses** 



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