

Tax deductions for companies

What can you claim?

If you are trading as a limited company, you will be able to deduct certain expenses from the turnover to arrive at the profit chargeable to Corporation Tax.

Below is a list of the main expenses that are allowable for tax purposes.

Office costs

These include costs such as stationery, telephone bills, internet, photocopying, postage and subscriptions.

Staff costs

Salaries, pensions, bonuses and employers' national insurance contributions are allowable costs, as is health insurance (although there may be a benefit in kind taxable on the directors and employees).

Employer pension contributions

Contributions to a registered pension scheme are allowable expenses for the company as long as they are incurred wholly and exclusively for the purposes of the trade.

A deduction is only allowed in the period the contribution is actually paid; accruals are not allowable.

Travel expenses

Train fares, tolls, parking and motor expenses are all allowable expenses. Employers can reimburse employees 45 per mile for the first 10,000 business and 25p per mile thereafter which is tax free for the employee and a deduction for the employer.

Utilities and rent

Electricity, gas, water, rent, service charges and buildings insurance can be claimed, as well as business rates.

Marketing

These include advertising, social media, AdWords, website costs and promotional materials.

Insurance

Public liability, professional indemnity and business interruption insurance premiums are all allowable costs.

Professional fees

Allowable costs include audit and accountancy fees, consultancy costs, practising certificates and certain legal fees.

Finance costs

Bank charges, overdraft interest, loan interest, leasing charges and HP interest are all generally allowable.

Capital expenditure

If expenditure does not qualify as revenue expenditure i.e. it is for the acquisition or improvement of a fixed asset, then the company may be able to claim capital allowances on the expenditure and get tax relief that way.

Trivial benefits

The trivial benefits exemption provides for certain benefits to be exempt from tax and NIC without the need to report to HMRC on a P11D.

The conditions to be satisfied to treat it as a trivial benefit include:

- the benefit cannot be cash or a cash voucher (non-cash vouchers such as high street vouchers are fine);
- the cost of the benefit cannot exceed £50;
- the benefit must not be provided in respect of a salary sacrifice arrangement or a contractual obligation; and
- the benefit must not be provided in recognition of the employee's services in the course of their employment.

Examples of trivial benefits are:

- Seasonal gift, e.g. turkey or Easter eggs
- Birthday gift e.g. bottle of wine or chocolates
- Flowers for a special occasion
- Non-cash vouchers, e.g. gift card

There is no cap on the number of trivial benefits that can be provided to an employee in a year; however, directors of close companies will be subject to an annual exempt amount of £300 i.e. directors can benefit from 6 trivial benefits each tax year.

The company will get a deduction against the turnover for the cost of the trivial benefits.



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Annual functions

An annual event, such as a Christmas party, is an allowable expense for you as the employer and is a tax-free benefit for the employees provided:

- the total cost, including transport and any incidental accommodation is no more than £150 (including VAT) per head. If the cost is just over £150 per head, then the whole cost is subject to tax and NIC and not just the amount over £150; and
- the party is open to all staff (or all staff at a particular location).

Employees' partners can be invited to the party, but if partners are invited all staff must be entitled to bring a partner. The £150 limit per head is for all the people attending (not just the employees). It's worth noting that unless you are on the Flat Rate VAT scheme you can only reclaim VAT on the costs relating to employees and not their partners.

Long service award

These are allowable expenses for the company and provided certain conditions are met, are tax free in the hands of the employee. The conditions are as follows:

- The employee must have at least 20 years of continuous service
- The employee must not have received a long service award from you, as the employer, in the previous 10 years
- The award must not be cash or a cash voucher
- The value of the award must not exceed £50 for each year of service
- The award must be to recognise long service, not as a reward for performance