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Sole Trader Expenses

What You Can (and Can't) Claim

As a sole trader, allowable business expenses reduce your taxable profit – meaning less Income Tax to pay.

The golden rule from HMRC is:

An expense must be **"wholly and exclusively"** for business purposes.

If there is a personal element, you can usually only claim the **business proportion**.

You must keep records (receipts, invoices, mileage logs) for **6 years**.

Common Allowable Expenses

1. Accountancy & Professional Fees

- Accountancy fees relating to your business
- Solicitors' fees (business related)
- Professional subscriptions (relevant to your trade)
- Trade bodies and chambers of commerce

2. Advertising & Marketing

- Website costs & hosting
- Social media advertising
- Google ads
- Business cards & flyers
- Branding and design work

Taking a client out for lunch counts as **entertaining** – not marketing – and is not allowable.

3. Business Use of Home

If you work from home, you can claim:

- Electricity & gas (business proportion)
- Council tax (business proportion)
- Rent (business proportion)
- Mortgage interest (not capital repayment)
- Water (if significant business use)

Two methods:

- **Simplified flat rate** (based on hours worked per month)
- **Actual cost method** (apportion based on rooms and usage)

We can calculate the most tax-efficient option for you.

4. Telephone & Broadband

- Separate business line → 100% allowable

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- Personal line → claim business proportion only
- Itemised bills recommended

5. Travel & Mileage

Using your own vehicle:

HMRC mileage rates:
- 45p per mile (first 10,000 miles)
- 25p per mile (over 10,000 miles)
- 24p per mile (motorcycles)

You must keep a mileage log.

You can also claim:
- Parking (not fines)
- Tolls
- Train tickets
- Flights (if primarily business)
- Hotel accommodation (if business trip)

You cannot claim:
- Commuting to a regular base of work
- Parking fines or speeding tickets

6. Food & Subsistence

You can claim:
- Meals when travelling for business outside your normal pattern
- Meals on overnight business trips
- Reasonable costs if your work is "itinerant" (e.g. different client sites)

You cannot claim:
- Everyday lunch at your usual place of work

7. Equipment & Capital Items
- Laptops
- Computers
- Printers
- Office furniture
- Tools
- Business equipment

If used partly for personal use, claim the business percentage only.

These usually qualify for **capital allowances** rather than being deducted as day-to-day expenses.

8. Insurance

Allowable:

- Public liability
- Professional indemnity
- Business contents insurance

Not allowable:

- Private medical insurance (normally)

9. Training

Allowable:

- Courses that update existing skills

Not allowable:

- Training to start a completely new trade

10. Bank Charges & Interest

- Business bank charges – allowable
- Business loan interest – allowable
- Personal account – business proportion only

(Cash basis users are capped at £500 interest per year.)

11. Gifts

To clients:

- Must be under £50 per person per year
- Must include business branding
- Cannot be food, drink or vouchers

Client entertaining is not allowable.

12. Pensions

Personal pension contributions:

- Not deducted as a business expense
- Tax relief claimed through your tax return instead

Common Non-Allowable Expenses

- Client entertaining
- Everyday clothing (even if for work)
- Fines and penalties
- Personal childcare
- Personal medical treatment (usually)
- Commuting to a regular workplace

Record Keeping – What HMRC Expect

You should keep:

- Receipts (paper or digital)
- Mileage log
- Bank statements
- Invoices

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- Evidence of business proportion where relevant

Digital copies are acceptable and recommended.

Thoughts

Claiming all allowable expenses correctly can significantly reduce your tax bill.

At GMS, we:

- Review your bookkeeping
- Check for missed expenses
- Add working from home allowances where applicable
- Consider mileage vs actual vehicle costs
- Ensure compliance with HMRC rules

If you are unsure whether something is allowable, please ask before assuming.

The GMS Approach

Tax planning should not be a once-a-year exercise.

At GMS, we focus on forward planning throughout the year — monitoring profit levels, reviewing thresholds and identifying opportunities before tax liabilities become fixed.

This includes:
• Managing higher rate exposure
• Timing capital expenditure strategically
• Structuring salary, dividends and pension contributions efficiently
• Reviewing profit regularly to avoid surprises

Quarterly reviews create visibility, control and informed decision-making.

Compliance is essential. Planning is where real value is created.

Disclaimer

This fact sheet is for general guidance only and does not constitute personalised tax advice. Tax legislation, thresholds and reliefs may change. The suitability of any strategy depends on your individual circumstances. Professional advice should be obtained before taking action based on the information contained within this document.