



## Small Business Accounts

### Simplified Expenses

From 6 April 2013, qualifying businesses have been able to use a simplified method of claiming certain business expenses using flat rates, instead of the actual expenditure incurred. This is restricted to expenses relating to business use of a vehicle, using your main home for business purposes and for private use of business premises. It is not available for any other type of expense.

#### Who can use simplified expenses?

The simplified expenses option is available to all sole traders and (providing there are no corporate partners) to partnerships and limited liability partnerships. It is not available to limited companies.

There is no business income limit, so it is available irrespective of the level of turnover and you do not need to be using the cash basis accounting method in order to use the simplified expenses option.

#### Is it beneficial to use simplified expenses?

Using simplified expenses can make record keeping easier - without this option it is necessary to keep detailed records of all expenses and then calculate the exact business use proportion.

It will not always be beneficial to apply the simplified expenses - this will depend on your personal circumstances, including the amount of business mileage travelled, actual running costs of your vehicle(s) and number of hours worked from home.

#### Simplified expenses - vehicles

If you use a vehicle for business journeys, instead of recording all purchase and running costs of the vehicle (fuel, insurance, repairs and maintenance etc), you can record the number of business miles you travel in the vehicle and claim a flat rate of expense. The rates you can claim are:-

- Cars and goods vehicles - first 10,000 business miles at 45p per mile, 25p per mile thereafter
- Motorcycles - 24p per mile for all business miles

If you have previously claimed capital allowances on a vehicle, you cannot change to claim flat rate mileage on that vehicle, but you can use this rate when you buy a new vehicle. Likewise once you start to claim the flat rate on a particular vehicle, you must continue to do so until it is no longer used in your business.

If you have more than one vehicle you use in your business, you do not have to apply the mileage rate to all vehicles.

#### Simplified expenses – business use of your home

To be eligible for the flat expense rate for business use of home, you must work from home for at least 25 hours each month. Working from home includes maintaining your business records, marketing and trying to win new business. If you qualify, you can claim a flat expense rate based on

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the number of hours worked from home, instead of keeping detailed records of all household running costs and then calculating the actual amount relating to your business.

The flat rates give an allowance for the business use of heat, light, power, telephone and internet costs and the rates are:-

- 25 to 50 hours worked from home each month - £10 per month
- 51 to 100 hours worked from home each month - £18 per month
- 101 hours or more worked from home each month - £26 per month

NB You may also be eligible for a separate deduction for fixed household expenses such as council tax, insurance and mortgage interest paid.

#### **Simplified expenses – private use of business premises**

If your business premises are also used as your main home (eg pubs, B&Bs, hotels, nursing homes) the simplified expense method allows you to use a flat monthly rate for private use of household goods and services including utilities, food and non-alcoholic drinks. It does not cover any adjustments required for mortgage interest, business rates or council tax.

The rate to be used depends on the number of occupants, including non-paying guests and children, for each relevant month and those rates are:-

- Single occupant - £350 per month
- Two occupants - £500 per month
- Three or more occupants - £650 per month

#### **Need help?**

Waveney Tax Solutions can help you to work out if any of the simplified expenses options available are beneficial for your business. We can also provide you with an easy to use bookkeeping system to help you record your income and expenses in the right way.

If you would like us to assist you, please call us on 01502 370620 or 07919 924273, or alternatively you can email us at [nina@waveneytaxsolutions.co.uk](mailto:nina@waveneytaxsolutions.co.uk).