



Simplified Expenses for the Self-Employed

Keeping paperwork isn't everyone's strong point – and that's ok.

HMRC have realised this, and in an unusual attempt to help you claim some of the more complex expenses, they have created simplified expenses.

So, what exactly is a simplified expense?

A simplified expense is a flat rate that HMRC will allow you to offset against your self-employment income.

The goal is to save you the trouble of working out your actual business costs when preparing your self-assessment tax return.

They don't completely remove the need for record keeping, as you may still be required to show how you chose the flat rate. However, there is a reduced amount of paperwork you will need to keep throughout the year.

What expenses are covered?

HMRC have selected three expenses to simplify. These are:

- Motor expenses
- Working from home
- Living in your business premises

"Cashtrak took over a complicated, costly accounting procedure and simplified everything for us with their expertise. We have saved a vast amount of money with online, timely submissions and streamlined technology."



How can I use simplified expenses to claim my motor costs?

This is the most well known of the simplified expenses and it's the 45p per mile.

Please refer to our article "Did you know you can claim back VAT on mileage expenses?" for detailed information on all motor costs.

How can I use simplified expenses to claim my use of home costs?

If you run your business from home, whether from the dining room table or a spare bedroom, your heating and electric costs are likely to be affected.

You can work out the actual costs of this by working out the square footage and business use percentage – but that can take a lot of time and you may be no better off for doing so.

HMRC have created a flat rate for anyone who works more than 25 hours a week from home. These are:

- 25 to 50 hours – £10 per month
- 51 to 100 hours – £18 per month
- 101 hours or more – £26 per month

For most of us, these flat rates will be adequate and it is a very easy expense to forget about claiming. So, using this is an easy win as popping £120 into your expenses will save you around £35 in tax and national insurance.

If you dedicate a room purely for your business then this flat rate is not going to be high enough, so you may wish to consider calculating actual costs.



How can I use simplified expenses to claim my personal usage if I work from my business premises?

This only affects a very small group of people, but....

If you run a bed and breakfast, guest house or a small care home, there is a chance that you will live in the same building.

Because the building is mainly business use, it can be hard to work out what percentage of the costs you should add back, reducing the expenses, to reflect what you use personally.

HMRC have decided that:

- If it's just you living at the premises, then you add back £350 per month
- If there are two of you, then you add back £500 per month
- And if there are three or more, then you add back £650 per month

To use this, you would add up all the running costs of the business and then reduce this total by the figure you calculate by using the rates above.

Is it really worth me using simplified expenses?

The main goal of using this is ease. As mentioned with the use of home, it can be a quick win when it comes to reducing your tax liability.

However, it isn't always the best.

If you have a car that has high repair costs, or you use a room purely for business (say you do some kind of therapy or massage that requires the room to be heated) then £10 per month isn't going to accurately reflect what your actual business costs are.

So, if you're concerned, it may be worth investing the time into running both side by side and then picking the best. That way, you'll know going forward, whether you are getting the best deal.

If you have any queries or would like any further information please do feel free to contact us:

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January 2018

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