

SELF EMPLOYMENT: SIMPLIFIED EXPENSES FOR SOLE TRADERS & PARTNERSHIPS

Businesses usually record expenses according to normal accounting practice. From 6 April 2013 sole traders and partnership businesses can instead use flat rates instead of working out actual business expenses which can require more complex calculations.

The flat rates can be used for the three categories of expenses below. All other expenses are calculated using the traditional accruals basis of accounting.

Vehicles

You need to keep a record of your business miles and apply the rates below to calculate the amount to deduct through your tax return at the end of the tax year.

Vehicle	2015/16 flat rate per mile with simplified expenses	What you can claim if you don't use simplified expenses
Cars and goods vehicles first 10,000 miles	45p	Capital allowances and running costs (for cars) or purchase costs (goods vehicles)
Cars and goods vehicles after 10,000 miles	25p	Capital allowances and running costs (for cars) or purchase costs (goods vehicles)
Motorcycles	24p	Full purchase cost and running costs

The flat rate:-

- is used instead of the actual costs of buying, running and maintaining your vehicle,
- does not have to be applied to every vehicle used in the business but once you apply the flat rate to a vehicle you must continue with this for as long as the vehicle is used in the business.

If you have already claimed capital allowances for a vehicle you can't use simplified expenses.

Business use of your home

You use your home for business if, for example, you supply goods or services from your home, maintain business records at home or carry out marketing and spend time getting new business at home. You can only use simplified expenses if you work for 25 hours or more a month from home

If you do, calculate the number of hours for each month and apply the relevant flat rate. The total for all months worked from home is the amount to deduct through your tax return.

Hours of business use per month	2015/16 flat rate per month
25 to 50	£10
51 to 100	£18
101 and more	£26

The flat rates are claimed instead of the actual expenses incurred for the business use of your home, such as the business proportion of utilities, telephone and internet use.

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Private use of business premises

A small number of businesses use their business premises also as their home, such as B&Bs.

In these cases some of the business premises expenses will be for personal use. Normally, this private proportion of costs such as utilities and food would need to be calculated separately and deducted from the total cost for the year when calculating your taxable income.

With simplified expenses a monthly flat rate based on the number of people living at the property is used instead. The rate is calculated for the number of people living in the property for each month. The total for all months is the amount to deduct from the business expenses claimed through your tax return.

Number of people	2015/16 flat rate per month
1	£350
2	£500
3+	£650

The flat rate does not cover mortgage interest, rent, council tax or rates. You still need to work out the private proportion of these separately.