



Self Employed

Tax Allowances

Basically when you are self-employed you spend money on 3 types of expense:

1. Capital Expenditure – Equipment & Vehicles
2. Business Expenditure – stock, wages, premises
3. Private Expenditure – day to day living expenses – mostly not allowed but some types of cost may still count as business expenses

In general its types 1 and 3 where sole traders and partnerships miss out on tax allowances.

Cars are a key example as most sole traders will own a car that they use for business.

Example: If you are a sole trader, you pay Income Tax and your accounts are drawn up for the year to 5 April 2013 and you spent £20,000 on a car that you use 100 per cent for your business that has CO2 emissions of 165g/km, the calculation is as follows:

Cost of car = £20,000
Writing Down Allow. Deducted ($£20,000 \times 8\%$) = £1,600
Value to carry forward = £18,400
Capital allowance you can claim = £1,600

If you have some private use, say 15%, then you would reduce the capital allowance by 15%.



What about other equipment?

There is an Annual Investment Allowance (AIA) of £200,000.

Which means when you buy equipment other than Cars you can claim 100% of the value and use it to reduce your taxable profit.

Working for Home Expenses?

From 2012-13 onwards, for payments of up to £4.00 per week, you don't need to provide any records of the household expenses you're claiming relief for. For amounts above £4.00 you will need supporting evidence to show that the amount you are claiming is no more than the additional household expenses you have actually incurred.

Pre Trading Expenses?

If you incurred expenses for the purpose of your trade prior to starting your business you can claim the expenses for up to 7 years prior to starting your business.

Seek advice before you submit your Tax Return it could significantly reduce your tax bill

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