

SIMPLER INCOME TAX - SIMPLIFIED EXPENSES

Expenses are business costs which can be deducted from your income to calculate your taxable profits. With simplified expenses you can use flat rates instead of working out your actual business expenses.

This method can be used from 6 April 2013.



Who can use simplified expenses?

Businesses that can use this system are:

- Sole Traders
- Business partnerships and limited liability partnerships that have no companies as partners.

And those that can not are:

- Limited companies
- Business partnerships and limited liability partnerships that have 1 or more companies as partners.

What type of expenses qualify for the flat rate scheme?

The flat rate can only be used for 3 types of expenses; all other expenses must be calculated in the normal way. You can use the flat rate for any or all of these expenses:

- Business costs for vehicles
- Business use of your home
- Private use of business premises as a home.

How to use simplified expenses:

1. Record your business miles for your vehicles; hours you work at home and/or how many people live at your business premises over the year.
2. At the end of the tax year calculate the allowable expenses for vehicles, business use of your home, and private use of your business premises.
3. Include these amounts in the total of your expenses in your Tax return.

Using simplified expenses – Vehicles

You will calculate your vehicle expenses using a flat rate for mileage instead of the actual costs you paid for buying and maintaining your vehicle.

| Vehicle | 2013/14 flat rate per mile with simplified expenses | What you can claim if you don't use simplified expenses |
|--|---|--|
| Cars & goods vehicles – first 10,000 miles | 45p | Capital Allowances and running costs (for cars) or purchase costs (goods vehicles) |
| Cars & goods vehicles – after 10,000 miles | 25p | Capital allowances and running costs (for cars) purchase costs (for goods vehicles) |
| Motorcycles | 24p | Full purchase cost and running costs |

You'll need to keep a record of the number of miles you travelled for your business rather than details of your vehicle running and repair costs.

You will still be able to claim other travelling expenses (e.g. parking, bus journeys) in the usual way.

The flat rate does not have to be used for all vehicles, but if you choose this method, you must keep using it for as long as you use that vehicle for business use.

Using simplified expenses – Business use of your home

You can claim business use of your home if you are:

- Providing the goods and/or services you supply from your home
- Maintaining your business records, or
- Marketing and spending time getting new business from your home

You can only use the simplified expenses for business use of your home if you work 25 hours or more from your home each month.

You calculate your allowable expenses using a flat rate as outlined in the table below. This is based on the number of hours you work from home each month.

| Hours of business use each month | 2013/14 flat rate per month |
|---|------------------------------------|
| 25 to 50 | £10 |
| 51 to 100 | £18 |
| 101 and more | £26 |

Using simplified expenses – Private use of business premises

There are a small number of businesses that use their business property as their home, e.g. B&B/guesthouse or small care home. In these cases some of the business premises expenses will be for personal use.

With simplified expenses you deduct a monthly flat rate for private use from your total expenses, e.g. utility bills, food, non-alcoholic drinks, household goods etc. The flat rate depends on how many people use the business premises each month as a private home.

| Number of People | 2013/14 flat rate per month |
|-------------------------|------------------------------------|
| 1 | £350 |
| 2 | £500 |
| 3+ | £650 |

The flat rate doesn't cover mortgage interest, rent or rates. The business proportion of these will still need to be calculated as normal.