

KEEPING PROPER BUSINESS RECORDS

We have provided you with a template in order that you can keep detailed records of both business income and expenses.

It is a requirement of HM Revenue & Customs ("HMRC") that every self-employed person keeps proper business records to support the entries on their Tax Returns.

You must therefore keep:

- all receipts and invoices for all business expenses
- business bank statements, chequebook stubs, and confirmations of online payments
- sales invoices, bonus notifications, paying in slips, and confirmations of online receipts
- all other records relating to the business

The records you should keep must be sufficient to support each of the entries within the monthly template we have provided you with.

If any expense has been incurred:

- partly for the business; and
- partly for private purposes

you should keep a record (and evidence) of how you have split the expense between the two. An example would be a telephone bill or monthly mobile payment.

Further guidance from HMRC can be found at:

<https://www.gov.uk/self-employed-records>

If you are unsure as to the records you should keep please contact us.

To ensure compliance HMRC do undertake Business Record Checks:

<https://www.gov.uk/record-keeping-checks-on-your-business>

If records are found to be inadequate this may lead to a penalty.

You are legally required to keep all of your business records for at least 5 years after the 31 January Tax Return filing deadline of the relevant tax year.

For example, all supporting records in relation to 2013/14 Tax Return, which was required to be filed with HMRC by 31 January 2015, must be kept until 31 January 2020.

BUSINESS EXPENSES YOU CAN CLAIM (AND THOSE THAT YOU CAN'T!)

	Allowable Expenses	Disallowable Expenses
Cost of sales	The cost of the goods used. For Distributors this is: Purchases plus opening stock <i>minus</i> closing stock.	The cost of the goods you use yourself.
Other direct costs	Expenses deducted to arrive at gross profit, for example, discounts allowed, commissions payable, transportation costs.	Any costs relating to the goods you use yourself.
Employee costs	Salaries, wages, bonuses, pensions, benefits, employer's NIC's etc, for permanent, temporary and casual employees, and other staff-related costs such as canteen expenses and recruitment agency fees etc. Any other subcontractor labour costs, including locum fees.	Employment costs that are not paid within nine months of the end of the period of account, or any payments made for non-business work. If you are self-employed or a partnership or a limited liability partnership (LLP) your own "employment" costs (for example, your own "wages", drawings, pension payments or National Insurance Contributions) should not be included.
Premises costs	<p>For <u>household running costs</u> such as heat light, power, telephone and internet/broadband costs <u>the simplified expenses rule</u> enables a fixed flat rate deduction of £10, £18 or £26 month to be claimed depending on the number of hours worked in your home and provided they exceed 25 hours per month.</p> <p>More details can be found at: www.hmrc.gov.uk/manuals/bimmanual/bim75010.htm</p> <p>Details are then only required <u>of the number of hours spent each month on core business duties.</u></p> <p>Use of <u>the simplified expenses rules</u> for heat, light, power, telephone and internet/broadband does not prohibit a separate deduction <u>for fixed costs</u> such as insurance, council tax (or domestic rates in Northern Ireland) and mortgage interest, where an identifiable proportion can be attributed to business use.</p>	<p>Costs of any part of premises not used for business.</p> <p>Costs of acquiring premises.</p>

	Alternatively, a business proportion of all <u>actual</u> property expenses may be claimed.	
Repairs	Repairs and renewals, general maintenance of business premises and machinery.	Costs of any non-business part of repairs, renewals and general maintenance of premises and machinery used partly for business. Costs of alteration, improvements or replacement to premises and machinery.
General administrative expenses	Telephone, fax, internet connection costs, postage, stationery and printing costs, courier services, together with general office expenses, the costs of trade or professional journals and subscriptions etc., costs of insurance not included elsewhere and other similar recurring costs which arise in running the business.	Any non-business part of these costs e.g. private telephone calls. You will need to keep a record of how you have arrived at a business:non-business split. Payments to political parties. Most payments to clubs, charities or churches.
Motor expenses	Insurance, servicing, repairs, Vehicle Licence, petrol or diesel, hire and leasing charges, parking charges, AA/RAC membership.	Non-business motoring. Travel between home and business. Costs of buying vehicles (but capital allowances can be claimed). Parking and other fines.
Travel & subsistence	All travel costs other than those included in motor expenses, such as rail, air and taxi fares, together with hotel accommodation costs and subsistence or similar costs.	Meals (except the reasonable cost of meals on overnight business trips).
Advertising, promotion and entertainment	The ordinary day-to-day costs of advertising and promoting the business goods or services, such as newspaper advertisements, mail-shots and the distribution of free samples of the goods dealt in.	Entertaining and hospitality, (except gifts of up to £50 a person a year that advertise your business and are neither food nor drink, and the costs of entertaining staff).
Legal and professional costs	Accountant's, solicitor's, surveyor's, architect's, stocktaker's and other similar costs, together with professional indemnity insurance premiums and the like.	Costs of settling tax disputes, legal costs of buying fixed assets (these are treated as part of the cost of the fixed asset). Costs and fines for breaking the law.
Bad debts	The amount of money included in turnover but remaining unpaid at the accounting date that you consider will never be recovered and have decided to write-off. If, unexpectedly, you do recover the amount, in a later year, this must be included in that later year's Tax Return.	General bad debts reserve where, for example, you <u>estimate a certain %</u> of debts may not be recovered. Debts that were not taxed when they arose, for example, because they relate to a sale of a fixed asset.

Interest and alternative finance payments	Interest payments on bank and other loans (including overdrafts) taken out <u>for business purposes only</u> .	Interest on loans to fund <u>personal expenditure</u> . Repayments of capital.
Other finance charges	Bank charges, credit card charges, hire purchase interest, and leasing payments, and similar costs.	Costs in relation to <u>personal expenditure</u> .
Depreciation and loss/ (profit) on sale	Depreciation (where included in your accounts) is an accounting concept and not allowable for tax purposes. Where certain assets (those other than such as vehicles, equipment, fixtures and fittings etc.) are sold at a profit, you should consider whether you need to enter a gain in the Capital Gains Pages of your tax return. An example might be the sale of business premises.	Depreciation and losses on assets are not allowable for tax, and profits on assets are not taxable receipts.
Other expenses	All other business related expenses not referred to above.	The non-business part of business related expenses Ordinary, everyday clothing even if bought especially for business use is not allowable.

If you are unsure whether an expense is a business expenses or not, **please ask**.

Should non-business expenses be included on your Tax Return, you will be claiming tax relief to which you are not entitled resulting in the payment of tax, interest and (possibly) penalties as a result.