

CLARITY ACCOUNTING

SIMPLIFIED EXPENSES IF YOU'RE SELF EMPLOYED

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INTRODUCTION

A simplified expense is a flat rate that HMRC will allow you to offset against your self employment income, instead of using your actual business costs.

Using the simplified expense method is the easy way for you to claim tax back without keeping receipts. The scheme is available on the following types of expenses only;

- Business mileage when you use your personal vehicle;
- Home office if you work from home;
- Living in your business premises.

You must calculate all other expenses by working out the actual costs.

WHO CAN USE SIMPLIFIED EXPENSES?

Simplified expenses can be used by;

- Sole traders, self employed and freelancers;
- Business partnerships that have no companies as partners.

Simplified expenses cannot be used by limited companies or business partnerships involving a limited company.

How to use simplified expenses

Record - Make sure that you record your business miles as you go along, there are lots of apps that can do this for you. Contact us and we will advise on some great ones. You will need to record the number of hours that you work at home, and how many people live at your business premises over the year.

Calculate - At the end of the tax year you can now apply the current flat rate to the information that you've recorded.

Self Assessment - When completing your annual self assessment tax return be sure to include these figures in your expenses.

BUSINESS MILEAGE

If you use your personal vehicle for work reasons, then you can use simplified expenses to claim for the cost of travel, whether you use a car, van or motorcycle.

The flat rate makes it easier to claim as you do not have to calculate the individual costs in running your vehicle. Included within the flat rate are the following costs;

- Insurance;
- Repairs;
- Servicing;
- Fuel

You cannot claim simplified expenses for a vehicle that you have already claimed capital allowances for., or you've included as a business expense when working out your annual profits.

The simplified expenses mileage rates for the 2020/21 tax year are;

- Cars and goods vehicles, first 10,000 miles 45 pence (25 pence over 10,000 miles);
- Motorcycles 24 pence per mile;
- Bicycles 20 pence per mile.

For further information visit [HMRC](#)

WORKING FROM HOME

If you are working from home as a sole trader, self employed or freelancer then your household bills are likely to be higher, as you're running your business from home. HMRC allow you to claim a flat rate for these expenses, based on the number of hours you work at home per month.

This means that you do not have to spend time working out the actual proportion of personal and business use for your home, provided you work from home at least 25 hours per month.

The working from home flat rates for 2020/21 tax year are;

- 25-50 hours of business use per month, £10 (flat rate per month);
- 51-100 hours of business use per month, £18 (flat rate per month);
- 101 and more hours of business use per month, £26 (flat rate per month).

Simplified expenses do not cover telephone and internet, so make sure that you claim those separately. Contact us for further help and advice when completing your self-assessment tax return.

LIVING AT YOUR BUSINESS PREMISES

This is going to effect a small number of self employed people. If you use your business premises as your home e.g a guesthouse, bed and breakfast or small care home. You are able to use simplified expenses which is easier than working out the actual split of costs, between private and business use.

HMRC will allow you to use the simplified expense rate, based on number of occupants;

- 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 of you, then add back £650 per month.

If someone lives at your premises for part of the year, you can deduct only the relevant flat rate for the months that they live there.