



# 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?

For a temporary period until 31<sup>st</sup> December 2015 there is an Annual Investment Allowance (AIA) of £500,000.

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**