The Self-Employed Expenses Guide

Plus What You Need to Know About MTD

Make smarter decisions about your business expenses and get prepped for MTD without the panic.

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Welcome

Whether you're just getting started as self-employed or you've been winging it with a notebook and a drawer of receipts for a while, it can be hard to know what you're actually allowed to claim as a business expense.

This guide was created to help you feel more confident about what counts and just as importantly, what doesn't, so you can make smarter decisions, reduce your tax bill, and avoid last-minute surprises at year-end.

I've kept it plain-English, practical, and designed for real business owners juggling real life. Even if you have an accountant or bookkeeper (or plan to), it helps to understand the rules yourself so you're not left frustrated, confused, or caught out.

Inside you'll find:

- Common expense categories and examples
- Tips to help you avoid HMRC red flags
- A few things that often trip people up
- Bonus advice on pensions and charitable donations to lower your tax
- MTD information and who it affects

Let's make the money side of your business feel just a little less scary.

You've got this!
Polina
Best-Assistant Accounting

Jargon-free walkthrough of what you can and can't claim

Being self-employed means juggling a lot and that includes working out what you can (and can't) claim as a business expense.

HMRC's rule is that expenses must be "wholly and exclusively" for your business. That's their way of saying ***"If you only bought it because of your business, it's probably claimable."***

Even if you work with a bookkeeper or accountant, it's still useful to understand how expenses work. That way, you're less likely to be surprised by a higher tax bill or frustrated if something you assumed was claimable gets disallowed.

This guide will walk you through common categories of claimable expenses, give you a few examples, flag the tricky stuff, and throw in a few tax-saving tips along the way.

Top tips

- Keep receipts and notes on how you worked things out
- Use software to track income and expenses
- Don't leave it all to year-end – spot issues early
- Not sure about something? Ask a pro or get an accounts health check

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01 Stock & Supplies

These are the things you buy to create or sell your products whether you're baking cakes, printing T-shirts, or running an online shop. That includes raw materials, items you resell, packaging, and postage costs. If it's part of what you're selling or needed to get it to the customer, it likely counts.

Materials or ingredients used to create your product

Goods bought for resale

Packaging, posting and delivery costs

Printing for products or labels

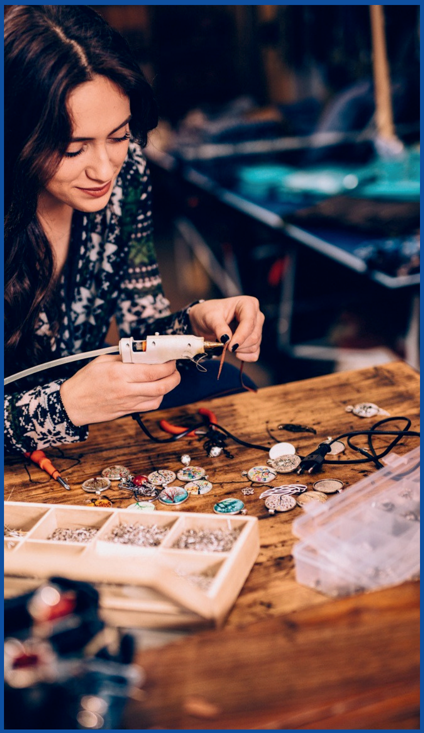
Service based business?

You might still have claimable supplies, such as:

- Digital resources or templates you buy and personalise for clients
- Welcome packs or printed handouts you send to clients
- Subscriptions or tools you pay for on a client's behalf
- Any physical or digital items you provide as part of your service

02 Workspace Costs

Whether you rent a shop, run a mobile business, or work from the kitchen table, you can claim certain costs for your workspace. If you have a work premises then 100% is expensed. If you work from home at least 25 hours a month, you can claim a portion of your household costs too or use HMRC's simplified allowances.



Work from home?

You can claim a share of household bills, such as:

- Electricity, gas and water
- Broadband and phone
- Rent or mortgage interest
- Council tax and home insurance
- Cleaning costs for your workspace

💡 Or use HMRC's simplified home office rate:

- £10/month (25–50 hours)
- £18/month (51–100 hours)
- £26/month (101+ hours)

*If you use part of your home ***exclusively for business***, it could affect your Capital Gains Tax (CGT) if/ when you sell the property.

💼 For example:

Claiming a room or outbuilding that's 100% business use (like a dedicated studio or workshop) might reduce your Private Residence Relief, meaning a portion of the sale could be taxed.

✅ To avoid this:

- Use shared/mixed-use spaces (like a dining table or spare room)
- Or claim using HMRC's simplified flat rate, which won't affect your CGT

03 People You Pay

This includes anyone you hire to help you run your business from regular staff to occasional support.
For example: If you pay a virtual assistant to help with admin, or outsource your social media, those costs are allowable.

You can claim:

- Employee wages and salaries
- Employer National Insurance contributions
- Payments to subcontractors or freelancers
- Work-related training (e.g. CPD, courses directly related to your business)
- Payroll software or outsourced payroll services

Drawings and paying yourself

The money you take out to pay yourself is known as ***Drawings*** and this is part of your profits when you're self-employed

04 Tools, Tech & Transport

Whether you're on-site, at your desk or on the move, you'll likely need equipment, software or travel to run your business day to day.
Some of these items can be claimed as regular expenses, while bigger, longer-lasting purchases (like a van or a new laptop) may need to be claimed a different way through capital allowances. Don't worry, we'll explain the difference below.

You can claim:

- Tools, machinery, and specialist equipment
- Business phones, tablets or laptops
- Software subscriptions (e.g. accounting software, Canva, Office 365)
- Printer ink, stationery and office supplies
- Protective clothing or uniforms (if necessary for your work)
- Business vehicle costs: insurance, road tax, servicing and repairs
- Mileage for using your personal vehicle (45p/mile up to 10,000 miles, then 25p)

Regular vs Capital Expenses — What's the Difference?

- Regular expenses are everyday running costs; think ink cartridges, monthly software, or repairs. These are usually claimed in full in the year you spend the money.
- Capital expenses are bigger purchases that last a long time; like a van, computer, or heavy-duty equipment. These are in a different section of the self-assessment and either claimed in full in the first year or spread over the 'useful life' of the item.

05 Marketing, Admin & Staying Legal

Getting your name out there and keeping your business compliant also comes with a few claimable costs. Even if you do everything yourself, you can still claim the costs of the tools or services you use to keep things running behind the scenes.

- Website hosting, domain names and template fees
- Online ads (Google, Instagram, Facebook, etc.)
- Networking event costs (including mileage, food and drink!)
- Business cards, flyers, signage or printed materials
- Design or branding help (like logos or templates)
- Accountant or bookkeeper fees
- Legal advice related to your business (e.g. contracts, terms)
- Professional memberships, trade bodies or required licences

The *“it depends”* section

Not every expense is black and white — some fall into grey areas that can catch you out if you’re not careful. Because someone you know claims something it doesn’t mean you can too. It depends on the type of business you have.

Mixed-Use Items

If you use something for both work and personal life (like your phone, broadband, or home printed), you can only claim the business portion. Keep a rough calculation or log to show how you worked it out.

Example: If your mobile is used 70% for work and 30% personal, you can only claim 70% of the bill.

Personal Spending Disguised as Business

If it’s mainly for you (even if it helps your workday), it’s not claimable.

- Personal Spotify or Netflix
- Phone plans for your family
- That new iPad you mostly scroll on at night
- Zara blazer you feel boss in (but isn’t a uniform or PPE)

The Coffee Machine Dilemma

✓ If you run a salon and offer drinks to clients = likely claimable

✗ If you work alone at home = not claimable, even if it keeps you functioning

✓ **BUT** If you work from home and have customers/clients visit your home or have staff who also work with you then it can be seen as hospitality = allowable, and Staff welfare = allowable

It all comes back to the rule: “Would you have bought this if it weren’t for your business?” — and can you prove it?

Costs you can't claim

Some things just aren't allowed by HMRC, no matter how useful or business-related they feel.

- Fines and penalties (even if they happened while working)
- Clothing or footwear that isn't a uniform, branded, or protective gear
- Client entertainment or hospitality (meals, drinks, gifts)
- Your own wages or personal drawings from the business
- Daily lunches or coffee out — unless it's part of travel away from your usual base

But I paid for it with my business account!?

Doesn't matter — it's still classed as personal if it doesn't meet HMRC's criteria. It'll just be treated as a personal expense and added back to your profit for tax.

What If I Claim Something That Isn't Allowed?

It's not the end of the world but HMRC will ***add it back*** to your profit when calculating tax, which means you'll owe more than you expected.

Example:
John earns £28,000 and expects to pay around £4,012 in tax and NI.
He had paid £850 for chiropractor appointments through his business account after hurting his back while working.
Even though it feels business-related, HMRC says it's not "wholly and exclusively" for business (he needs his body to live too!). So the £850 gets disallowed and added back to his profits.

- His new profit: £28,850
- His updated tax bill: £4,234 (that's an extra £222 he needs to find.)

💡 **Tip: Keep personal costs separate where you can. it makes things clearer for you and your bookkeeper.**

Bonus: Pension contributions & Charity giving

These two are often overlooked, but they can make a big difference to your tax bill especially if you're near or over the higher-rate threshold (£50,270 for 2024/25) and the additional rate threshold (£125,140).

Pension Contributions

Paying into a pension not only helps your future self, it can also reduce your current tax bill. When you make personal contributions into a registered pension scheme, your basic-rate band gets extended. That means more of your income is taxed at 20% instead of 40%. (and 40% instead of 45%)

For example, You earn £55,000 as a sole trader and you personally contribute £5,000 into a pension.
Your basic-rate threshold is now extended to £55,270 so none of your income is taxed at 40%. saving you £1892 in tax plus you have £5k sat growing in your pension pot!

Gift - Aid Donations

If you're a higher-rate taxpayer and donate to UK Gift aid registered charities, those donations can also extend your basic-rate tax band. You can claim the additional 20% relief through your Self Assessment return

📝 Keep track of any donations you make throughout the year, you'll need the dates and amounts when filing your return.
You can claim up to 4 years back!

Getting Ready for Making Tax Digital

Now that you've got a better handle on what you can claim, the next step is keeping track of it all, because ***HMRC is changing how self-employed income is reported.***

MTD is short for Making Tax Digital, and it's a big shift for many business owners. Instead of one tax return at the end of the year, you'll need to:

- Keep digital records of income and expenses
- Submit **quarterly** updates to HMRC using approved software

Who needs to follow MTD (and when)

When	if your income is over..
April 2026	£50,000
April 2027	£30,000
April 2028	£20,000

Income = Turnover

that's your **total sales** before any expenses are taken off

- Sole traders and landlords will be the first affected
- The income reported on your 2025 tax return will decide your start date

PAYE income (e.g. from a part-time job) **doesn't count towards your income total**

Only your self-employed income and property income count toward the thresholds.

Getting Support & What to do next

Get your self assessment filed as soon as you can. Check your business turnover (your total sales before expenses) Get set up on accounting software which is MTD ready. Snap photos of your receipts as you go and upload them to your software. Download/email purchase invoices to your accounts software as they come in. Set a reminder for quarterly updates so you can make sure your accounts are
up to date.

Tax is still due by 31st January, filing early doesn't change that.

Here's how I can support you:

- I can set up everything for you, including free or budget-friendly software if you don't have any yet.
- If you do have accounts software set up, I can do a 'health check' to make sure everything is set up right for your business and things are being saved in the right places.
- If you hate the numbers work or are simply too busy growing your business I can take care of your bookkeeping from start to finish.
- Or, if you like doing the day-to-day, I can handle the quarterly and final submissions and keep you compliant.

If you have any questions or would like my support, you can use the contact form on the website or email me directly. ***No question is too silly***, you're not meant to know it all, and you're not meant to do it all alone.

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