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07



FREE GUIDE · 2026/27 · UPDATED OCTOBER 2026

Allowable Expenses for Sole Traders

What you can and can't claim to reduce your tax bill, with a handy checklist

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Claiming every expense you're entitled to is one of the simplest ways to reduce your tax bill. But claiming things you're not allowed to can lead to penalties. This guide explains the rules, the most common allowable expenses, the grey areas, and the simplified options that can save you time.

> *"I started Zen to make finance feel calm and clear for business owners. I hope this guide answers your questions, and if anything doesn't quite fit your situation, I'm always happy to talk it through with you."*
>
> **Ann Williams**
> Founder, Zen Bookkeeping & Advisory

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01 The basic rule

An expense is usually allowable if it's incurred **wholly and exclusively** for the purposes of your business. If something is used for both business and personal purposes, you can normally claim the business part only.

£1,000
trading allowance: an alternative to claiming actual expenses

20–45%
the tax you save on each £1 of expenses, plus National Insurance

5 years
after the 31 January filing deadline to keep your records

Instead of claiming actual expenses, you can claim the **£1,000 trading allowance**. It's usually only worth it if your real expenses are lower than £1,000.

02 Common allowable expenses

Category	Examples
Office and running costs	Stationery, postage, phone and broadband (business share), software subscriptions, printer ink
Travel	Fuel and running costs for business journeys (business share), train fares, parking, hotels on business trips
Premises	Rent, business rates, utilities, insurance and repairs for business premises
Stock and materials	Goods for resale and raw materials
Staff	Wages, employer's National Insurance, pension contributions, subcontractor costs
Professional fees	Accountancy, legal fees for business matters, professional body subscriptions
Marketing	Website costs, advertising, business cards, social media advertising
Financial costs	Bank charges, business loan interest, card fees
Clothing	Uniforms with your logo, and protective clothing needed for the job
Training	Courses that update or maintain skills you already use in your business

03 What you can't claim

Not allowed	Why
Everyday clothing, even if worn for work	It has a personal benefit
Client entertaining and gifts over £50 per person	Specifically disallowed (except gifts carrying your business advertising, up to £50)
Travel between home and a permanent workplace	Treated as ordinary commuting
Fines and penalties	Including parking fines and HMRC penalties
Your own wages or drawings	Profit is taxed as your income instead
Personal portion of shared costs	Only the business share can be claimed
Training for a brand-new skill or business	Not linked to your existing trade

! Keep the evidence

Keep receipts, invoices and bank records for every expense. If HMRC asks and you can't show the expense was for your business, it can be disallowed and penalties may apply.

04 Simplified expenses

Simplified expenses let you use flat rates instead of working out actual costs for some items:

Working from home

Hours worked at home each month	Flat rate per month
25 to 50	£10
51 to 100	£18
101 or more	£26

This covers heating and electricity; you can still claim the business share of your phone and broadband separately.

Vehicles

Instead of claiming a share of your actual car or van costs, you can use a mileage rate for business journeys. Once you choose this method for a vehicle, you must stick with it for as long as you use that vehicle in your business. Ask us for the current rates.

Living at your business premises

If you live at your business premises, such as a guest house or care home, you can deduct a flat amount for personal use instead of splitting costs.

05 Equipment and capital allowances

Equipment you keep and use in your business, such as computers, tools, machinery and vans, is usually claimed through **capital allowances**. Most small businesses can claim the full cost in the year of purchase using the **Annual Investment Allowance** (£1 million a year). New zero-emission cars can qualify for a 100% first-year allowance if bought before 1 April 2027; other cars are claimed over several years.

Most sole traders now use the **cash basis**, which records income and expenses when money comes in and goes out, and under which most equipment purchases can simply be deducted as expenses.

06 Your expenses checklist

- [ ] I have a separate business bank account.
- [ ] I keep receipts and invoices, ideally snapped into my accounting app.
- [ ] I record business mileage as I go, with dates and purposes.
- [ ] I've worked out the business share of my phone, broadband and vehicle.
- [ ] I claim working from home costs, if I qualify.
- [ ] I've checked whether the trading allowance would give a better result.
- [ ] I don't claim entertaining, fines or everyday clothing.

✦ Zen tip

Many sole traders miss out on legitimate expenses simply because they lose the receipts. Cloud software with receipt capture makes it easy, and we'll check you're claiming everything you should.

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How Zen can help

We make sure you claim everything you're entitled to, and nothing you're not, so you pay the right amount of tax.

- Sole trader accounts
- Self Assessment tax returns
- Bookkeeping and receipt capture
- Making Tax Digital set-up
- Capital allowances claims
- Tax planning

Book a free, no-obligation call

Tell us about your business and we'll explain how we can help, with a tailored fixed-fee quote for just the services you need.

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