



July
2026

Tax Deductible Expenses for Limited Companies

Tax-Deductible Expenses

Tax-deductible expenses must be **wholly** and **exclusively** for business purposes.

This document contains some examples of tax-deductible expenses in the following categories:

Office and administration	2
Advertising and marketing	3
Gifts and entertaining.....	4
Travel and subsistence	5
Staff related costs.....	6
Non Tax-Deductible Expenses.....	8
Dual Purpose Expenses	9
Notes	10

Office and administration

- Printing, postage and stationery
- Broadband and telephone costs
- Computer software and other IT costs
- Furniture wholly used for work purposes, i.e. desks, chairs, etc.

If the company has an office outside the director's home, the following can be claimed:

- Rent and rates
- Utilities and water
- Cleaning and maintenance

If a director works from home or has a garden office they can claim either:

- HMRC's flat rate of £6 per week per director, or
- A proportion of household running costs (rent/mortgage interest, utilities, etc.) based on the number of rooms used for work and time spent working from home, HMRC call this a "just and reasonable apportionment"

Advertising and marketing

All activities undertaken wholly and exclusively for advertising the business are deductible.

Special rules apply to conferences and events:

- Tax-deductible: the cost of organising, i.e. room hire, staff, flyers, etc.
- Not deductible: Food and drink provided at the event (see below for more information on the tax treatment of entertaining expenses)

Sponsorship is tax-deductible unless:

- It includes an element of hospitality that can't be separated from the advertising cost
- There is a benefit to a director, friend or family member arising from the sponsorship

Gifts and entertaining

Gifts are only tax-deductible if:

- It is an item which it is customarily given away in the trade to advertise to the public, i.e. free samples
- It is branded and
 - Less than £50 in value, and
 - Not food, drink or tobacco
- Gifts to employees if not provided to others (these gifts will be a taxable benefit if they are not considered 'trivial benefits')
- Charitable donations as long as no benefit obtained in return

Business entertainment is a business expense but it is not tax-deductible. This includes:

- The provision of free or subsidised food or drink to others (including the proportion provided to employees if provided at an event/meal where entertaining third parties)
- Any expenses incidental to entertainment costs such travel to events and hotel accommodation

Staff entertainment is tax-deductible if not incidental to customer entertaining, however this may create a taxable benefit (see 'staff parties' below).

Travel and subsistence

Meals are tax-deductible only when:

- Connected to an overnight stay
- Work involves travelling between clients or temporary workplaces
- A one-off journey which is not part of your normal business activities, such as attending a conference

Travel is tax-deductible if wholly and exclusively for business purposes and not commuting to and from a regular workplace, travel expenses include:

- Public transport
- Parking
- Parking fines only when an employer reimburses an employee's parking fine
- Hotel rooms
- Motor expenses (see below)

If the company owns the car you can claim:

- Leased cars: 100% of lease costs if emissions are <50g/km, 85% of lease costs if emissions are > 50g/km
- Non -leased cars: A writing down allowance of 14% or 6% per annum depending on emissions
- A 100% first year allowance for vans and new electric cars
- Fuel used for business purposes
- Repair and maintenance expenses
- Electric car charging provided at work
- Installation of an electric charging point at an employee's home
- Provision of an electric charge card for public charging points

Note that the provision of company cars creates a taxable benefit for the employee and advice should be sought before purchasing a car.

If an employee uses their personal car for business purposes:

- 45p per mile for the first 10,000 miles, 25p per mile thereafter

Staff related costs

The following are tax-deductible:

- Salaries, national insurance and pension contributions
- Certain taxable benefits, i.e. health insurance, company cars, etc. are corporation tax-deductible but are subject to 15% National Insurance
- Mobile phones and other necessary work equipment provided
- Professional subscriptions and training provided if related to the trade
- Meals in staff canteen, hot drinks and water at work
- Workplace parking
- Trivial benefits, being items which meet all the following conditions:
 - Cost less than £50 to provide
 - Not cash or cash vouchers
 - Not contractual or a reward for work or performance
 - No annual limit for staff, limited to £300 per annum for directors of close companies
- Incentive awards where they are:
 - Under a contractual obligation
 - Reasonable in relation to the task performed
 - A genuine scheme for business purposes
 - Note these may still be taxable for the employee
- Rewards for successful suggestions, if:
 - Part of an all-staff suggestion scheme
 - Reasonable in relation to the suggestion
 - Note these may still be taxable for the employee
- Staff parties are tax-deductible and not a taxable benefit if:
 - They are annual events such as a Christmas or summer party
 - Open to all employees (they can bring guests)
 - Cost less than £150 per head (combined total of all events in one year) including VAT

Other expenses

Other tax-deductible expenses include:

- Interest (not capital repayments) on finance taken for the business
- Costs of goods sold and all associated costs such as delivery fees
- Repairs to business assets
- Professional fees such as consultancy costs
- Legal fees if not related to a capital transaction
- Subcontractors and other self-employed workers
- Business insurance
- Branded uniforms
- Protective safety clothing and equipment
- Pre-trading expenses, any costs incurred to set up the business are deductible once the business starts trading
- Eye tests
- Prescription glasses and contact lenses if only used for screen-based work as part of employment
- Childcare if provided through certain approved schemes

Non Tax-Deductible Expenses

All expenses that are **not considered wholly and exclusively for business purposes** are **not deductible for corporation tax**, several of these have been highlighted already in this document such as entertaining and commuting costs, other examples include:

- Most fines and penalties
- Most types of HMRC late payment interest
- Personal living costs and home renovations
- Depreciation on fixed assets
- Capital expenses for purchasing assets and property (these may be eligible for capital allowances instead depending on the nature of the asset)
- Legal fees for capital transactions such as the purchase and sale of assets
- Any personal or private use of company property
- Gym membership, spas, medical procedures and other wellness and health expenses, even if partly for business purposes
- Subscriptions such as Netflix, Spotify, Sky TV, etc.
- Hair and beauty expenses
- Clothing you can wear outside of work (even if you choose not to)
- Care of children or pets whilst working or travelling

Dual Purpose Expenses

What if an expense is both business and personal?

If the business element can be separately identified, then the business proportion of the expense is allowable and the personal proportion is disallowed. For instance if you travel overseas for work for 4 days, 2 days for client meetings and add on 2 days for a holiday, you could claim 2 out of the 4 days of hotel accommodation.

If you can't separate the personal element of the expense, for instance you may have pain related to work for which you have a massage, this also benefits you personally and there is no way of separating the personal and business costs so the full expense is not tax-deductible.

As long as the expenditure is wholly and exclusively for business purposes there can be a personal benefit as long as it's incidental. For instance you may be travelling solely for business purposes but this does not prevent you from staying in a nice hotel and having a nice meal, as long as the sole reason for the expense is business travel.

Notes

All references to 'tax-deductible' 'deductible expenses', 'expense claims' or similar in this document refer to the corporation tax position for the company. The tax treatment for VAT and other taxes may not be in line with the treatment for corporation tax.

Reference to employees in this document also covers company directors, unless there is a difference in treatment which has been specified in this document.

Some tax-deductible expenses will create taxable benefits and an income tax charge for employees.

Evidence needs to be kept for all expenses for at least 6 years from the end of the accounting period.

The above list is not exhaustive, if you are unsure whether an expense is tax-deductible please do not hesitate to ask us.