



A Therapists Guide to Business Expenses and Self Assessment in the UK



Tax deductions for Complementary & Holistic Therapists

Taxes, therapists and others in the caring professions tend not to be a happy mix. Taxes and administration of running yourself as a business are often the last thing on the list of concerns but could be the first thing on the worry list. A carer's temperament simply does not interface well with the exacting rule-filled world of accounting and HMRC. Many therapists tend to avoid the situation and consequently leave themselves open to panic filing of tax returns, bad advice or just not filing their tax returns. Part of running yourself as a business is that you need to keep proper accounting records. These records then make up the analysis required for your tax returns. HMRC can request to inspect your records, so it is best to keep up to date with it all on an on-going basis rather than just throwing it at somebody a few days before the deadline. Proper accounting records are dealt with in another paper.

The law states that expenses claimed are to be "wholly and exclusively incurred in the performance of the business" but it is not always so clear cut.

We have put together a general guide for therapists about which expenses should be allowable for self assessment income tax in the UK. Many items of expenditure could be claimed as wholly & exclusively, but it should be used with care and not to abuse. Over-claiming can lead to problems later on if there is any inspection by the taxman if they decide to investigate. Paperwork is key for supporting claims.

The information is a guide only as situations can vary and tax rules often change. We cannot assume legal liability for any errors or admissions this paper may contain.

Embody magazine and other similar learned materials

These are subscriptions to trade type journals which enable the therapist to keep up to date of happenings in their industry and also can assist in finding training courses and possible work. Similar journals & publications that can be included are Choice Health & Today's Therapist. Books obtained in the course of learning and research fall into this category of spend. These costs are allowed as a tax deduction as the only reason in buying them is in the course of the business.



Professional membership organisations

Although it may not be compulsory to join one of these organisations, the purpose of them is to assist in the career you are in. Some organisations offer insurance which can save on your outgoings as well as cheaper training courses, products & services that you may need. These costs are a tax deduction and membership to the CThA is allowable.



Travel to and from clients, clinics and other job related areas

Most travelling costs incurred for the business activities should be deductible. This will include travelling from home to client's premises, training venues, trade shows, suppliers and other such business activities like visiting your accountant or the bank. However, if you are based and a clinic outside your home as your normal place of work, then travel costs for this journey to and from the clinic are not a tax allowable deduction.

These costs are normally train, tube, bus, taxi, as well as mileage (explained later) and reasonable subsistence costs. We'll come onto that in a bit. Oyster card costs are allowable for the cost of the journey. TFL email weekly travel reports showing each trip and that summary can be used for your accounting records.



Travel costs for overseas work can also be claimed be it air or boat fare, train etc as well as related expenses such as accommodation costs. However, there are complex rules if family accompany you or if there is a holiday element to the trip. Specific advice needs to be sought if this is the case.

Subsistence - Food and drink

The cost of meals is not normally an allowable business expense as there is a duality of benefit – we all have to eat therefore it fails the “wholly” test. However, where travel costs have been incurred, it is normally allowed to claim reasonable expenses on food and drink if the business trip is outside the normal pattern of travel. Expenses incurred on trips to the normal base of work, for example a clinic where you are based, would be disallowed. Expenses incurred for one off engagements such as attending a training course far from home, would be allowable. Generally speaking, if it is with 10 miles of your base location, then it would not be allowable. Always consider what the ‘reasonable man’ would expect as allowable.

It is always best to have a receipt for your meal, but this may not always be possible especially if you are in a group of people and you pay your share. A contemporary record like a diary or cashbook entry could be used to support the claim for small amounts. Just remember to keep your diary.



Questions always arise with regards to buying a business contact, prospective clients etc, a drink or a meal and as to whether these costs are allowable for a tax deduction. The answer is NO. This is entertaining (unless the person is a paid employee) and they are specially disallowed by law. If you insist on paying, obtain two separate checks and pay for both, however, only claim your own costs. In your own accounts you can put through both costs so to recognise



the cost of running your business, but you will have a difference between your own management account and tax accounts.

Hotel expenses

Some therapists have to stay away from home depending on the clients needs or if indeed attending a business related conference or training. The whole hotel bill would generally be allowable including meals, but sundry items such as the bar bill and newspapers should not be claimed.



Alcohol – this is always asked about. If your normal routine is to have a glass of wine with your evening meal when at home, then it is a reasonable to allow a glass of wine with your meal when you are travelling.

Don't forget there are complex rules if family accompanies you or if there is a holiday element to the trip. Specific advice needs to be sought if this is the case.

Motor expenses & mileage

Motor Expenses – This is always a minefield. Actual costs of running a car for business can be put through as business costs in a proportion of business use vs personal use. The cost of the car is not included in this calculation. Costs to be included are: car insurance, car recovery, road fund license, valet services, MOT, car servicing & repair, fuel, oil, replacement blades etc. A mileage log needs to be kept to establish how much the vehicle is used for business. The total cost for the year is divided by the business mileage for the year, and that is the allowable expense. Alternatively, a mileage allowance can be claimed.

Mileage - A detailed mileage log needs to be kept showing all business trips made. However, a simpler method would be to keep a diary with addresses/postcodes of where you are travelling from and to, and then at the end of the day/week/month, work out the mileage. The allowance below is then applied to the mileage. The rate used depends on the mode of transport, if there are any business passengers, and the number of business miles done in the year.

	Car / Van	Motor Cycle	Bicycle
Rate per mile			
Business miles up to 10,000	45p	24p	20p
Business miles over to 10,000	25p	24p	20p

An additional 5p a mile can be claimed for each business passenger.

There can be no duality of purpose for the business trip for example, you may attend a conference in Staffordshire but take the family so they can enjoy Alton Towers. The conference cost will be allowable but not the travel to get there.



It needs to be made clear that journeys to and from PAYE jobs are not business trips and therefore must not be aggregated with freelance business miles. This is classed as “ordinary commuting” and there is no tax relief for this.

Clothing & Footwear – Uniform & protective clothing

Clothing is always an area that gets high attention. The rule is that clothing is not allowed unless purchased for work and you are expected to wear a uniform. The reason is that there is a duality of benefit. Duality is when an item can be used for a non-business purpose as well as a business purpose. We need clothes to protect our modesty & give us warmth! Uniforms should always be removed after the work performed otherwise there is a duality of modesty when going back home. Always ensure that your uniform has your logo and branding on it and then it has a dual purpose of uniform for the job and also advertising.



Protective clothing can always be claimed as a business cost for example if you happen to work in a laboratory for some reason. If you are reimbursed for any item of clothing & uniform, then this reimbursement must be included as income.

Uniform cleaning

Once an item of clothing has been deemed as uniform and allowable, any professional cleaning of the item can be claimed. What you will not be able to claim is the box of Persil (other detergents are available) in order to wash your clothes. You will still need to keep receipts from the dry cleaner. If you are reimbursed for any cleaning, then this reimbursement must be included as income.

Items used in the business

These are also a business expense as they are used to carry out the business. It can be oils for massage therapy, paper rolls for the massage bench, stones & crystals to help create balance, waxes, as well as calming CDs used in the background with a client. These types of costs help make the sale and are classed as cost of sale or direct costs in your accounts and tax return.

The stone heater used to deliver hot stones would be classed as a separate item of spend as these are capital purchases. There are different allowances for these types of costs.

iPads, electronic notebooks, computers, printers, massage table etc

These types of cost are known as capital items i.e. they would normally have a life of more than one year. These are still allowable as business costs but they are in a special category of capital and you obtain an allowance for their cost. Generally the costs of these items are spread over their expected useful life; however the government does allow an investment



allowance which would normally cover the cost of these items in their first year. There may be personal use for these assets. In which case, the allowance is restricted but the amount of business use only. If you are unsure, it is best to contact an accountant for help.

Computer software, Microsoft Office, security

Always on the assumption that the computer is used for business, then any business based software can be treated as a tax deduction. This would include a client booking system, accounting software etc. However, if the computer is for personal & business use, the costs of the software used would have to be apportioned between business and personal unless the software is entirely business specific. Details should be kept on usage and the proportion allocated each year. If personal use is incidental, it is likely that the whole cost can be taken as an allowable expense.

Ink, stationery, mailing costs

These generally are all allowable as a deduction for tax purposes if for business use. No, the birthday card & postage to Auntie Flo would not count, however thank you cards to your clients and such like would be allowable. Royal mail online have a prepaid postage account. The cost to put money in that account would not be a tax deduction, but each time you dipped into it to mail anything related to business would be acceptable, so print the confirmation email of the evidence of spend.

Marketing costs & public relations & advertising

Every business person needs to invest in self marketing. Some of the essential marketing costs which should be tax deductible include your website, advertisements, editorials, PR agency, flyers, online web-listings, yellow pages, Google adwords etc. Costs of journals have been mentioned above.



The cost of hiring a photographer, graphic designer, copywriter and web designer to do this is tax deductible but usually the cost is spread over a couple of years depending on how often you update your portfolio.

If you have a PR agency on board, then their costs are classed as marketing and are also allowed as a business expense.

Website and website management fees

If you design a website to promote yourself as a therapist, or hire a designer to do it for you, then any fees and annual domain registrations, ongoing maintenance or monthly subscription costs are tax deductible. Upfront design costs are not immediately tax deductible as generally the design lasts more than one year and the cost should be spread over that period.



Employee costs

Should you employ somebody to work for you, then the cost of their salary and employers national insurance, plus any other benefits you give them, are an allowable expense for the business. You need to be running a recognised payroll scheme and reporting monthly to HMRC. However, the cost of a nanny is not an allowable tax deduction as it is not a business expense. They may allow you to work, but it is not a direct cost of the business.

Payments can be made to a non-earning spouse or other family member for secretarial or such like services, but the payment must be a commercial wage considered in the amount of work that they undertake and it must be work within the business. There needs to be an actual transfer of funds for it to be an allowable deduction, and to their own bank account. The spouse or family member must still be on a recognised payroll scheme.

Although we have said that entertaining is not allowable, should you have employees, you are able to spend up to £150 per employee in the year on their entertaining so long as it is wholly



and exclusively for the purposes of the trade and is not merely incidental to entertainment which is provided for clients, suppliers, fellow therapists, service providers etc. This must be an annual event and not on-offs. It is possible to have more than one annual event. (EIM21690). The definition of 'employee' is extended to include retired members of staff and the partners of existing and past

employees. Although the expenditure is allowable, the employees themselves may have to pay tax on the entertainment received and the employer will have to report this on form P11D. It should be noted that this is an exemption and not an allowance, so if and cost of the event is £40 per employee, you can only exempt out £40 per person and not take an allowance of £150 per person.

Premises costs

If you hire space in a clinic or have your own studio space outside the home, you can charge the business for these costs. If you have built or purchased a building for your business, you cannot claim the costs of this, but there are other rules for this. The lease of business premises normally means you are responsible for utility costs (electricity, gas), maintenance (cleaning, repairs) and the rent/lease costs. Should you work from home, there are other rules to be applied.

Some therapists operate in joint serviced clinics on a freelance basis and have to pay a room rent to carry out the therapy. This can also be deducted as an allowable cost.

Working from home

Most therapist use their home for carrying out their business and seeing clients, as well are doing all the paperwork that goes with running a business, telephone calls & emails, online research as well as learning about happenings in the industry. There is an allowance for using your home as your work place and is given if you don't have other options for working. It can



be as little as a desk in the corner for paperwork to a semi-dedicated room. Some people apply a 10% cost rule to their home costs of working. In the past it was acceptable by HMRC so potentially this could still be used, however, be prepared to justify it.

There are two options currently acceptable options when dealing with working from home costs:

- Work out the total spend running the home. This includes mortgage interest, council tax, house insurance, gas, electricity (not water), cleaner and repairs/re-decoration to the business room. Count the number of rooms in the house (excluding the kitchen & bathroom), and if the room(s) is(are) dedicated to the business, then divide the yearly cost but the number of rooms and multiply up by the number of rooms. As the room will not be dedicated to the business 100%, the result needs to be reduced down by the amount of time it is used for business.
- There is a standard amount that can be claimed and accepted by HMRC. Up to 2012/13, the amount is £4 per week. However, this has now changed and is based on amount of time spent in the business room. Evidence needs to be kept logging the number of hours and then the allowance taken. Current rates are:

Less than 25 hours per month	£0
25 - 50 hours per month	£10
51 - 100 hours per month	£18
101+ hours per month	£26

If the standard amount per month is chosen, it is irrevocable.

Entries to networking events

Networking is often a way people get to know you and you make contacts for example BNI, 4Networking, Business Biscotti, Ladies who latte etc It needs to be appropriate for your business. Complementary Therapy is your business and needs to be treated as such. As always, it needs to be the right one(s) which help you. You should be able to claim the entry costs into the events and also the travel costs to get there.

Again, consider about any duality. If you plan to travel to Cardiff to go to a networking event for welsh speaking therapists, and plan to visit friends and family at the same time, then there is a duality and the travel aspect would not be an allowable tax deduction.



Training, workshops and classes

It's vital for any business that training and upkeep of skills happen. The cost of attending training, CThA meetings and workshops should be deductible. However, it is not about acquiring new skills that are unrelated to your current business for example training to be a



dental nurse, as these are regarded as capital in nature and in effect a new business. If you are a massage therapist, learning a new massage technique is an allowable cost as it is in the area of where you work. Should you take treatments as part of this education process, then those treatments are allowed. Treatments and medical bills for any other purpose are not an allowable deduction.

Business training and learning new skills to market your self and your business.

In order to enhance marketability and business skills, it is often appropriate to have training which is not directly part of your skills, for example an online course on how to build videos which can be used to promote your performances, social media advertising, website building, bookkeeping courses, all of which help to build a more rounded business person, or help to highlight area where help or outsourcing could be used. After all, if you don't have some understanding of the basics, how can you instruct others to do their best for you?



Insurance

This is normally the cost of insuring yourself / the business especially public liability insurance and professional indemnity insurance if you are involved in training & article writing that people may rely and act on. Public liability insurance may be covered by membership of a regulated body. Always check with the body first and to what it covers.

Other insurances may be available depending on what you need for your business. PLI is the minimum you need.

Legal & Professional fees

On the whole, these costs are not allowable. You cannot include costs in relation to the purchase of large items, settling tax disputes, fines for breaking the law and creating/filing tax returns. Speeding tickets & parking fines are not allowable costs for business & tax.



Accounting & Bookkeeping Fees

Again, on the whole, these costs are allowable. There are of course exceptions. They mainly include any fees payable to completing tax returns, and also the set up costs of forming a company. If the accountant's bill is all inclusive, request a breakdown therefore allowable costs can be included as a deduction.

As a self employed person, you have to pay class 2 national insurance. This is classed as a personal cost and therefore it is not an allowable business expense.



Bank account/overdraft charges

It is always advisable to have a separate bank account for your performing business. That way any finance costs in running the account truly belong to the business and not due to general living costs being taken from earnings. The financing costs are an allowable tax deduction. Monthly charges applied to a business bank account are allowable.

If you only have one bank account, then the financing costs will not be able to be claimed as it is not possible to distinguish between interest charged on the business and personal expenditure. The same applies to bank charges.

Phone & internet costs

Technically, it is the actual cost of calls that can be claimed but many people who run their own business have all encompassing packages so have free calls and unmetered broadband. If there has been no increase in costs of phone packages & broadband, then no costs can be attributed to the business. However, most businesses allocate a proportion of the costs to the business. Empirical evidence needs to be maintained to justify the amount allocated.

Should you wish to have a no-obligation phone call to discuss your accounting & tax requirements as a self employed therapist, then please call us on 01344 669084 to arrange an appointment.

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