zmartly

SOLE TRADERS & SMALL COMPANIES

ZMARTLY FACTSHEET SERIES

Business Expenses Tracker 2026/27

A keep-and-print tracker for every category of business cost, with the flat rates, the £1,000 trading allowance and a 12-month fill-in grid. Track all year, not in a panic at year-end, and claim everything you are owed.

Tax year **2026/27** · Prepared by **Harvey Dhillon** · Last reviewed **21 August 2026** · Sources: gov.uk

MILEAGE (CAR)	TRADING ALLOWANCE	MTD QUALIFYING INCOME	LATE FILING PENALTY
55p / 25p per mile	**£1,000**	**£50,000 (2024/25)**	**£100**

01 Why track all year, not at year-end

Every business cost you record reduces your taxable profit, so the tax you pay. Leaving expenses to year-end means forgotten receipts, missed claims and a stressful January. A few minutes a week keeps your figures complete and your bill as low as it should be. There is one rule behind every claim: a cost is allowable only if it is incurred wholly and exclusively for your business.

GOOD TO KNOW
No receipt, no claim. Log a cost when you spend it and the records look after themselves.

02 The categories to track all year

Set up a column or folder for each of the main cost types and drop every expense into one of them as it happens. The categories that cover almost every small business are:

- Office and admin: stationery, postage, printing, software, phone and internet (business share)
- Premises: rent, business rates, water, heat, light, power, property insurance
- Travel and motoring: fuel or mileage, parking, train, bus, taxi and air fares, insurance, repairs
- Stock and materials: goods for resale, raw materials, direct production costs
- Marketing: advertising, website, mailshots, samples, directory listings
- Staff and subcontractors: wages, employer NI, pensions, agency fees, subcontractors
- Professional fees: accountant, solicitor, surveyor, professional indemnity insurance
- Finance: bank, overdraft and card charges, interest on business loans, leasing
- Equipment: tools, computers and machinery, claimed via capital allowances

GOOD TO KNOW
Client entertaining, ordinary commuting and everyday clothing are never allowable, so keep them out.

03 The flat-rate shortcuts that save time

Instead of totting up actual costs, you can claim a flat rate for vehicles and for working from home. They are often quicker, and sometimes give a bigger deduction:

- Mileage: 55p a mile for the first 10,000 business miles in cars and goods vehicles, then 25p, and 24p a mile for motorcycles
- Use of home: £10 a month for 25 to 50 hours worked from home, £18 for 51 to 100 hours, £26 for 101 or more hours

- Phone and broadband are claimed on top of the use-of-home flat rate, on the business share

GOOD TO KNOW
Once you use the mileage method for a vehicle, you keep using it for that vehicle.

04 Equipment versus running costs

Day-to-day running costs, like stock, fuel and software, are deducted in full as expenses. Equipment that lasts, like tools, computers and machinery, is instead claimed as a capital allowance. The Annual Investment Allowance gives 100% relief on up to £1 million of qualifying plant and machinery in the year you buy it. Cars are excluded from the AIA, but a car bought new and unused with zero CO2 emissions qualifies for a 100% first-year allowance if bought before April 2027, meaning 5 April 2027 for income tax and 31 March 2027 for corporation tax. Every other car is claimed through writing-down allowances.

GOOD TO KNOW
For most small businesses the £1m allowance means equipment is effectively relieved in full, in year one.

05 The £1,000 trading allowance, in one line

If your total business income is no more than £1,000 it is tax free and you need not report it. If income is higher but your costs are low, you can deduct the flat £1,000 allowance instead of your actual expenses. It is one or the other, so use whichever gives the bigger deduction.

GOOD TO KNOW
Compare the £1,000 allowance against your real costs each year, then claim the larger figure.

06 Records HMRC accept, and how long to keep them

Keep bank and card statements, receipts, invoices, mileage logs and a record of money taken out. Digital copies count, and photographing receipts as you go beats a shoebox in April. You must keep everything for at least five years after the 31 January filing deadline for the relevant tax year. Good digital records also make the move to Making Tax Digital for Income Tax far smoother. It started in April 2026 for sole traders and landlords whose qualifying income for 2024/25 was over £50,000, extends to those with 2025/26 qualifying income over £30,000 from April 2027, and to those with 2026/27 qualifying income over £20,000 from April 2028. The test is always on your qualifying income two tax years back.

GOOD TO KNOW
Late filing of a Self Assessment return triggers an automatic £100 penalty, even if no tax is due.

Common questions

What expenses can I claim as a sole trader or small business?

You can claim any cost incurred wholly and exclusively for the business: office and admin, premises, travel and motoring, stock and materials, marketing, staff and subcontractors, professional fees, finance charges and equipment. Where a cost is part business and part private, you claim only the business share. Client entertaining, ordinary commuting and everyday clothing are not allowable.

Should I use the mileage flat rate or my actual vehicle costs?

Either is allowed, but once you use the flat rate for a vehicle you must keep using it for that vehicle. The flat rate is 55p a mile for the first 10,000 business miles, then 25p, and 24p for motorcycles. It is simpler and often gives a bigger deduction for lower-mileage drivers, but if you run an expensive or high-mileage vehicle, totting up actual running costs can win. Work out both before you decide.

What is the £1,000 trading allowance?

It is a flat tax-free amount. If your total business income is £1,000 or less, it is tax free and you do not need to report it. If your income is higher but your costs are low, you can deduct the flat £1,000 instead of your actual expenses. You cannot claim both, so use whichever gives the larger deduction.

How long do I need to keep my business records?

At least five years after the 31 January filing deadline for the relevant tax year. Digital copies are accepted, so photographing receipts and keeping statements electronically is fine and far easier to manage than paper.

Do I really need to track expenses every month?

It is not a legal requirement to total monthly, but doing so means nothing is forgotten, you spot cash-flow patterns early, and your figures are ready when you file. It also prepares you for Making Tax Digital for Income Tax, which since April 2026 has required sole traders and landlords whose 2024/25 qualifying income was over £50,000 to keep digital records and update HMRC quarterly, with the threshold falling to £30,000 from April 2027 and £20,000 from April 2028.

KEEPABLE WORKBOOK

Print this part and work through it

Everything below is built to keep. Print it, fill it in, and take it to any conversation, including ours.

12-month expenses tracker checklist

Print this and work through it each month, then sweep your full year before you file. Tick each item off as you go.

- [ ] Set up a column or folder for each category: office, premises, travel, stock, marketing, staff, professional fees, finance, equipment
- [ ] Log every business cost under a category as it happens, and file the receipt straight away
- [ ] Claim only the business share of any mixed cost, such as phone or broadband, and note how you split it
- [ ] Keep a mileage log of business journeys with dates and reasons if you drive for work
- [ ] Decide use of home: the flat rate (£10, £18 or £26 a month by hours) or a fair share of your bills
- [ ] Record equipment purchases separately, for capital allowances and the £1m Annual Investment Allowance
- [ ] Total each category at the end of every month and carry the figure into your year grid
- [ ] Exclude client entertaining, ordinary commuting and everyday clothing
- [ ] Compare the £1,000 trading allowance against your actual costs, and claim the larger
- [ ] At year-end, scroll your full year of bank and card statements line by line to catch anything missed
- [ ] Keep all records, digital or paper, for at least five years after the 31 January deadline

Figures verified against GOV.UK for the 2026/27 tax year. Mileage rates rose to 55p for the first 10,000 miles from 6 April 2026. General information, not advice for your circumstances.

NEXT STEP

Get expert eyes on your tax

Book a free 30-minute Tax Health Check — we review your situation, sense-check the figures and show you where you could save.

Scan to book a free call

For guidance only — this factsheet does not constitute professional advice and is not a substitute for advice based on your specific circumstances. Whilst every care has been taken in its preparation, it may contain errors for which we cannot be responsible. Figures are for the 2026/27 UK tax year (England, Wales & Northern Ireland) and may change. Scottish taxpayers face different income tax rates; dividend rates are UK-wide. Last reviewed 21 August 2026.

Zmartly Ltd · 12 Hammersmith Grove, London W6 7AP · CIMA-regulated · ACMA, CGMA, ACCA, FCCA

020 8175 5145 · info@zmartly.co.uk · zmartly.co.uk