

SOLE TRADER TAX SERIES

TAX YEAR 2026/27

SOLE TRADERS · ALLOWABLE EXPENSES

The Allowable Expenses Master List

Every category of cost a sole trader can and cannot claim against tax, with the flat rates, the £1,000 trading allowance and a worked example. Each figure checked against current GOV.UK guidance.

MILEAGE, FIRST 10K

55p

TRADING ALLOWANCE

£1k

ANNUAL INV. ALLOW.

£1m

• [START HERE](#)

How to use this list, and the numbers that matter


Every allowable expense reduces your taxable profit, so the tax you pay. Work through the categories that apply to you, claim what you are entitled to, and keep the records to back it up. The figures below are current for the 2026/27 tax year.


At a glance, the rates that drive most claims




<p>MILEAGE, CARS</p> <p>55p</p> <p>First 10k miles, then 25p</p>	<p>TRADING ALLOWANCE</p> <p>£1k</p> <p>Instead of actual costs</p>	<p>USE OF HOME</p> <p>£10+</p> <p>Flat rate, from 25 hrs/mo</p>	<p>ANNUAL INV. ALLOW.</p> <p>£1m</p> <p>Equipment, full relief</p>
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 **HOW TO USE THIS**
Keep a receipt or record for everything you claim. **No receipt, no claim.** Where a cost is part business and part private, you can only claim the business share, so split it fairly and note how you worked it out.

 **What you'll need** **ABOUT 15 MINUTES**

-  **Your business bank statements** and card statements for the year
-  **Receipts and invoices**, plus a mileage log if you drive for work
-  **Your home bills** if you work from home, and phone and broadband bills

01 THE CORE RULE

Wholly and exclusively for the trade

A cost is only an allowable expense if it is incurred wholly and exclusively for the purposes of your business. Get this principle right and the rest of the list follows.

If a cost is purely for your business, you can usually claim all of it. If it is part business and part private, you claim only the **business proportion** and split it on a fair and reasonable basis. If it has no business purpose at all, you claim nothing.

TYPE OF COST	WHAT YOU CAN CLAIM	EXAMPLE
Wholly business	The full amount, 100%	Trade stock
Mixed use	The business share only (apportioned)	Home phone
Wholly private	Nothing, not allowable	A family holiday

Source: GOV.UK, Expenses if you are self-employed. Mixed costs must be split on a fair and reasonable basis, with only the business share claimed.



SPLIT MIXED COSTS, DO NOT GUESS

For a phone used 70% for work, claim 70% of the bill, not the lot. HMRC can disallow a claim that bundles in private use. Keep a short note of **how** you arrived at each split, in case your return is checked.



TWO WAYS TO CLAIM, YOUR CHOICE

For many costs you can claim the **actual amount** with receipts, or use HMRC **simplified expenses** flat rates for vehicles and working from home (see Section 03). You can mix and match: pick whichever is higher for each category, but be consistent within a category for the year.



PRE-TRADING COSTS STILL COUNT

Costs you incurred wholly and exclusively for the business in the **seven years** before you started trading are usually treated as incurred on your first day of trading, so dig out those early receipts.

02 CATEGORY BY CATEGORY

The categorised master list

The main categories of cost a sole trader meets, with what is allowable, what is not, and where a flat-rate shortcut exists. Tick along to your own bank statement.

CATEGORY	ALLOWABLE	NOT ALLOWABLE
Office & admin	Stationery, postage, printing and ink, business software, phone, mobile and internet (business share)	Private calls and personal subscriptions
Premises	Rent, business rates, water rates, heating, lighting, power, property insurance, security	Costs of buying premises (capital), private living costs
Travel	Fuel, vehicle insurance, repairs, servicing, road tax, parking, hire charges, train, bus, taxi and air fares	Home-to-work commuting, non-business journeys, parking and speeding fines
Subsistence	Meals on overnight business trips and reasonable accommodation	Everyday lunches at your normal base
Staff	Wages, salaries, bonuses, pensions, benefits, employer NI, agency fees, subcontractors	Your own drawings or wages
Stock & materials	Goods for resale, raw materials, direct production costs	Goods taken for personal use
Marketing	Advertising, website costs, mailshots, free samples, directory listings	Entertaining clients or customers
Professional fees	Accountants, solicitors, surveyors and architects for business reasons, professional indemnity insurance	Legal costs of buying property or kit (capital), fines for breaking the law
Finance	Bank, overdraft and credit-card charges, interest on business loans, hire purchase interest, leasing payments	Repayment of the loan capital itself
Clothing	Uniforms, protective clothing, actors' and entertainers' costumes	Everyday clothing, even if you only wear it for work
Training	Courses that update or keep current the skills you already use in the business	Training to start a new trade or enter an unrelated area
Equipment	Tools, computers, machinery via capital allowances, often fully relieved (see Section 03)	Cars via AIA, claim writing-down allowances instead

03 FLAT RATES & ALLOWANCES

The flat-rate shortcuts that save you time

HMRC simplified expenses let you claim a flat rate for vehicles and working from home, instead of totting up actual costs. And if your costs are tiny, the trading allowance can replace them entirely.

Mileage, the simple way

Instead of working out the running cost of your vehicle, claim a flat rate per business mile. Once you use this method for a vehicle you must keep using it for that vehicle.

Use of home, the simple way

Work 25 or more hours a month from home and you can claim a flat monthly rate, with no need to split utility bills. Phone and broadband are claimed on top, on the business share.

FLAT RATE	APPLIES TO	RATE
Cars and goods vehicles	First 10,000 business miles in the year	55p / mile
Cars and goods vehicles	Each business mile above 10,000	25p / mile
Motorcycles	Every business mile	24p / mile
Use of home	25 to 50 hours worked at home a month	£10 / month
Use of home	51 to 100 hours a month	£18 / month
Use of home	101 or more hours a month	£26 / month

Source: GOV.UK, Simplified expenses if you are self-employed (vehicles and working from home). Car mileage rose to 55p for the first 10,000 miles from 6 April 2026.



THE £1,000 TRADING ALLOWANCE

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** trading allowance instead of your actual expenses. It is one or the other: if you claim the allowance you cannot also claim expenses, so use whichever gives the bigger deduction.



Worked example · a part-time sole trader

Self-employed income for the year	£9,000
Actual allowable expenses	£640
Option A, deduct actual expenses	- £640
Option B, deduct the trading allowance instead	- £1,000

04 TICK IT OFF

The year-end expenses checklist

Print this page. Work through it before you file your Self Assessment to make sure you claim everything you are entitled to and keep the records to support it.

Running costs

- Total up **office costs**: stationery, postage, printing, software
- Claim the **business share** of phone, mobile and broadband APPORTION
- Add **premises** costs: rent, rates, heat, light, power, insurance
- Include **stock, materials** and direct production costs
- Claim **marketing**: advertising, website, samples, listings
- Add **staff** costs: wages, employer NI, pensions, subcontractors

Travel & home

- Choose **mileage at 55p / 25p** or actual vehicle running costs HIGH VALUE
- Keep a **mileage log** of business journeys with dates and reasons
- Claim **use of home**: flat rate or a fair share of bills
- Include **train, bus, taxi and air** fares for business trips
- Add **meals and hotels** on genuine overnight business trips

Fees, finance & kit

- Claim **professional fees**: accountant, solicitor, PI insurance
- Add **bank and finance** charges and business loan interest
- Claim **equipment** via capital allowances, often the full cost HIGH VALUE
- Use the **£1m AIA** on qualifying plant and machinery
- Include **uniforms, protective clothing** and qualifying training

Decisions & records

- If income is low, compare the **£1,000 trading allowance** with actual costs HIGH VALUE
- Add back the **private share** of every mixed cost
- Exclude **client entertaining, commuting** and everyday clothing
- File **receipts and invoices** for every claim, digitally if you can
- Note **how you split** each mixed cost, ready for any check
- Keep records for at least **5 years** after the filing deadline



ONE LAST SWEEP

Scroll your full year of bank and card statements line by line. Every legitimate business cost you find and claim cuts your taxable profit, and most people miss a few first time round.



— FREE 30-MINUTE TAX HEALTH CHECK

Claim every expense your business is owed

Book a free, no-obligation review and a CIMA-qualified accountant will go through your figures, find the allowable costs you are missing, and tell you in plain English what it could be worth.

- ✓ A category-by-category review of your costs against the master list
- ✓ A clear answer on mileage versus actual costs, and the trading allowance
- ✓ A plain-English steer on records and what to keep, no jargon, no charge
- ✓ Reviewed by a **CIMA-qualified** accountant (ACMA, CGMA)

★★★★★ 4.9 on Google · 56 reviews



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About this guide. Reviewed by Harvey Dhillon, ACMA CGMA. Figures verified against GOV.UK for the 2026/27 tax year. This guide is general information, not advice for your specific circumstances; rates and thresholds can change. Always confirm your position with a qualified accountant before acting. © Zmartly 2026.