

RECORDS & SYSTEMS

Expenses, Receipts and Mileage: Records HMRC Accepts

How to record business costs so that you can claim them with confidence, including receipts, mileage, working from home and mixed-use costs.

FOR: SOLE TRADERS, DIRECTORS AND STAFF WHO CLAIM COSTS • ANY EXPERIENCE

A cost you cannot prove is a cost you may lose

HMRC allows you to deduct costs that are incurred wholly and exclusively for business purposes. But the claim is only as good as your record of it. If you are asked to support an expense and you cannot, it may be disallowed, and you may pay tax and a penalty on top. Good habits, built early, make claims easy and defensible.

Receipts and invoices

- **Keep evidence for every cost**, whether a supplier invoice, a till receipt or a card statement with an explanation.
- **Capture it at once**. A photograph on your phone, saved to your accounting software or expense app, is better than a crumpled receipt in a bag.
- **Add a note**. Who, what, why. A restaurant receipt is not much use unless you say who you were meeting.
- **Match to the payment**. Link each receipt to the bank transaction so the trail is complete.
- **Keep VAT invoices** if you are VAT-registered and want to reclaim VAT. A simple till receipt may not be enough for larger amounts.

What you can generally claim

Costs that are part of running the business, such as materials, stock, software, premises, insurance, professional fees, marketing, equipment (often through capital allowances rather than as an expense), business travel, and wages. Our guide on business expenses explains the rules in more detail.

What you cannot generally claim

- Client entertainment, which is not normally deductible.
- Fines and penalties.
- Private costs, even if paid from the business account.
- Costs not incurred for the business, or where the business purpose is only secondary.

Who this is for

- Sole traders and directors claiming costs
- Staff who claim from the company
- Anyone who loses receipts

Key points

- Every claim needs evidence and a reason.
- Capture receipts on the day.
- Keep a mileage log, not a guess.
- Mixed-use costs need a sensible, recorded split.
- Ask before claiming anything unusual.

Mileage

If you use your own car or motorcycle for business, you can claim a mileage allowance, and HMRC publishes approved rates that you can use without needing receipts for fuel. Check the current rates on GOV.UK. Keep a log with the date, start and end points, purpose and miles. Travel between home and a permanent workplace is not business travel, and the rules for where a workplace is can be subtle, so ask if your pattern is unusual.

If the vehicle belongs to your company, different rules apply, and private use may be a taxable benefit. Our guide on employee benefits explains.

Working from home

You can claim a share of the extra costs of working at home. HMRC offers a simple flat-rate method based on hours worked, or you can work out the actual share of heating, power and other costs. Whichever you choose, be consistent and keep a note of how you worked it out. Claiming part of your mortgage interest or rent, or the whole of your household bills, is much riskier and can have capital gains tax consequences.

Mixed-use costs

Phones, internet, cars and similar items often have business and private use. Claim only the business share, work it out on a reasonable basis (for example, a log of calls or miles), and keep the workings.

Company expenses

If you pay for a business cost personally, claim it back from the company with a receipt and a note, instead of leaving it unrecorded. If the company pays for something personal, record it as a loan to you, or as pay, depending on advice.

A tidy system

Use an expenses app or your accounting software to capture and approve claims. Review monthly, and ask your accountant about anything you are unsure of before you incur it.

Related guides

If this is useful, you may also want:

- What you can claim
- Maintaining records
- Benefits and expenses

Expense checklist

- Business reason
- Receipt or invoice
- Note of who and why
- VAT invoice if reclaiming
- Business share if mixed
- Mileage logged
- Claimed in the right period

How King Street can help

0161 835 2080
client@mtmlp.co.uk

We set up expense capture and mileage tracking in your cloud software, review your claims so they stand up to scrutiny, and advise on home-working, vehicles and mixed-use costs. If HMRC asks questions about expenses, we help you respond.

Manchester: 3rd Floor, 82 King Street, M2 4WQ · Wilmslow: Cresta House, 42 Water Lane, SK9 5AL