



ALLOWABLE EXPENSES

Every business has expenses. To reduce your tax liability and save money, it is important to claim relief on these expenses. Many people who file their own tax return are missing out on reliefs that will ultimately save them money and improve their financial position.

Important to Remember

The Irish tax year is from January 1st to December 31st each year. The deadline for Self-Assessment Tax Returns is 31st October after the year the return relates to. Anyone who pays and files their income tax via Revenue Online Service (ROS) has until 15th of November to file their return.

Who Must File Income Tax Returns?

You must submit an Income Tax Return in Ireland if you are:

- Self employed
- A landlord or Air BnB Host
- A company director
- A contractor or sub-contractor
- Part of an employee share scheme
- Or are a PAYE worker with other income streams such as consultancy, contracting, rental income, construction trade, investments, capital gains or have any other untaxed income from “nixers”.

Business Expenses Vs Personal Expenses

Being aware of how to classify your expenses is important. Business expenses can be used against the profit to reduce your tax liability, so knowing what is a legitimate business expense is important. The rule of thumb, is that any expense that is directly related to the operation of the business and towards producing income is usually tax deductible. Expenses that are incurred for the owner’s pleasure are not. If you are in doubt as to whether an expense is allowable you should check with your accountant for clarification.

Most Common Allowable Expenses

- Purchase of goods for resale
- Wages, rent, rates, repairs, lighting and heating etc.
- Running costs of vehicles or machinery used in the business
- Accountancy fees
- Interest paid on any monies borrowed to finance business expenses/items
- Lease payments on vehicles or machinery used in the business

What is an Allowable Expense?

For an expense to be classified as allowable for tax purposes, it must be used directly in relation to the running of the business. All of the expenses listed previously are straight forward in that regard.

Lots of people use their mobile phones, house phones or personal vehicles for business purposes and don’t claim any relief for doing so. You are entitled to claim back a percentage of these costs which relates to business use, including running costs of a vehicle such as repairs, servicing and fuel.

Remember to keep receipts for all expenses as failure to do so could result in them being disallowed.

Keeping Records of Your Expenses

Keeping good records will ultimately save you time and money whether you file your tax return yourself or employ an accountant to do so on your behalf.

You should keep copies of all bank statements, mileage receipts, purchase receipts, any Construction Industry Scheme (CIS) vouchers as well as copies of invoices and your cashbook.

You should keep copies of all receipts. If you want to keep digital copies you must ensure you have all the information and copy on both sides. It must be stored in a readable format and you should always keep a backup.



How Long Do I Have to Keep Receipts For?

Records should be kept for a period of six years. The reason being that the Revenue Commissioners may ask to see them to confirm your tax returns.

What Expenses Are Not Allowed?

People often think they can include anything as an expense however there are certain items that cannot be considered an expense. These include:

Clothes, food, accommodation and personal mileage – Simply because all of these are considered everyday necessities rather than necessary business expenses. Client entertainment is also disallowed. Surprisingly though, staff entertainment (provided the cost is reasonable) is allowed.

CONTACT US TODAY

Find out how we can help you reduce your tax liability and save you money.

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