

What business expenses can I claim?

A general rule of thumb for identifying which costs can be claimed as business expenses: *The higher your expenses, the lower your profits. And that means less tax to pay. If an expense is related to the generation of revenue, it can be claimed.* The nature of your business is also a factor. For example, an advertising agency will be able to claim Netflix subscriptions as expenses (they are critical for research), but a construction business won't. With that broad understanding, we outline what's claimable and what isn't:

Typically claimable

- Anything you purchase to sell to clients and/or customers
- Accounting fees
- Accident Compensation levies
- Advertising
- Bank fees and credit card charges
- Commission paid to others to sell your products/services
- Computer / software / internet expenses
- Consultancy fees
- Contractors and subcontractors
- Depreciation on business assets
- Freight
- Health and safety costs
- Insurance on business assets
- Interest on loans and overdrafts
- Legal fees – if less than \$10,000 and business-related
- Licenses, registrations, and subscriptions
- Office expenses
 - ✓ Light, heat, and power
 - ✓ Milk, tea, coffee, biscuits for staff
 - ✓ Cleaning and toiletries
 - ✓ Telephone
- Postage
- Printing and stationery
- Protective clothing
- Rent and lease of assets
- Salaries and wages
- Training and courses
- Travel (national and international)

Entertainment

- Gifts (and vouchers) of food and drink – 50%
- Social events – 50%
- Office shouts – 50%
- Sports or cultural events – 50%
- Light meals for meetings – 100%
- Food and drink provided at a conference or similar event – 100%

Repairs and maintenance

- Repairing an asset to return to its original state
- Maintaining an asset to ensure its continued operation
- Rectifying general wear and tear
- Cleaning, rubbish disposal

If the transaction increases the asset's value beyond the initial purchase price, it cannot be claimed as an expense. It's instead considered to be part of the asset and depreciated.

Assets used in the business

Assets costing less than \$1,000 can be deducted immediately from income. Items above this threshold must be capitalised in your fixed asset schedule, and depreciated (written off over several years).

Use of (your home as an office

If you can show there is part of your home used primarily for your business, you can claim a portion of your house-related expenses. *The amount you can claim is dependent on the floor area dedicated to business.* These can include

- Rent
- Mortgage interest
- Electricity
- Rates
- Insurance (home and contents)
- Telecommunication bills
- Repairs and maintenance work on the areas designated for business
- Mobile phone bill, if it's used mainly for business

Motor vehicle expenses

- Fuel, servicing, WOF, road user charges (RUC), and insurance can all be recorded as business expenses. That said, you must make an adjustment if the vehicle is available for personal use or being used privately
- If an employee uses their own vehicle for business, you can reimburse them based on the number of business kilometres travelled, or on actual costs incurred.

Legal fees

- If less than \$10,000 and for business purposes – deductible
- Advice on property leases and registration fees – deductible, even if above \$10k
- Tax advice, calculations, and litigation costs – deductible, even if above \$10k

International travel

You can claim any business expense that's linked to the production of your business income. However, you won't be eligible for GST deductions on any part of an overseas trip. The Inland

Revenue will require proof that your trip was for business purposes, and you will need to record the following:

- the reasons for the trip
- the date of the trip
- your itinerary
- the cost of car hire, and air, bus and taxi fares
- the cost of accommodation, meals and incidentals
- the time spent on business and non-business activities.

As with any business expense, you should retain copies of invoices or tickets. If a trip is part business, part pleasure, you simply need to claim the relevant percentage or direct costs of the business part of the trip.

There's an easy way to claim what you're owed

It's as simple as keeping a record of your costs. Save your invoices and bank statements to Dropbox or other online storage keep a spreadsheet and your BDS accountant will review them when it's time to prepare your financial statements. From there, we'll work out what can and can't be claimed and you can be sure to claim the maximum!

Many people believe some of the expenses below are business related. They aren't!

- Drawings
- Doctor and medical bills
- School fees and childcare costs
- Shoes and clothing if they are suitable for general wear
- Gym subscriptions
- Personal travel and accommodation
- Parking and motor vehicle fines
- Any other fines or penalties

If unsure please check with your BDS advisor, Penalties can be costly!