



## FAQ resource

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# Frequently asked questions

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We have given simplified answers to some of our FAQs. If you still have any doubts or need advice, have a conversation with your accountant for a more detailed explanation.

Please don't hesitate to contact our team on **02076 809337**

## 1. CAN I CLAIM FOR UNIFORM?

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**Yes, it can only be claimed if it is a uniform that is specifically required to do your job. For example, protective clothing such as steel toe cap boots, high vis jackets, a hard hat or overalls for beauticians.**

Uniform can only be a tax-deductible expense when the need is the predominant purpose of the business. The uniform must be identifiable as a uniform, it must show its wearer as having a particular occupation.

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## 2. CAN I LEASE OR FINANCE A CAR UNDER MY BUSINESS?

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**Yes, it can only be claimed if the car is solely for business use and has no personal use at all amongst a few other factors.** What this means is if you have a company car and have any kind of private use to it including commuting to and from work then you will be liable to pay benefit-in-kind. If you then plan to claim for mileage you will pay tax on this too.

You have a "pool car" which is a company vehicle that's readily available for use by one or more employees in the company and there is no benefit-in-kind tax on this. A pool car must be kept on the business premises overnight and be available to all employees. Failing this means the car becomes a company car and you would be liable to pay benefit in kind tax.

VAT registered businesses can usually reclaim 50% of the VAT they pay on a leased car. Generally we would advise against it as it just doesn't seem to be worth it anymore unless you are looking at a ULEV (Ultra Low Emission Vehicle). The greener the car the better.

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### 3. IN WHAT CIRCUMSTANCES WOULD I NEED TO PAY TAX?

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Tax is charged on profits and usually with most start-up companies you will have many expenses in the first year of setting up so you may not have any profit in the first year, at times you may even be at a loss in the first year.

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### 4. WHAT HAPPENS IF I HIRE SOMEONE FROM OUTSIDE THE UK?

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If you hire someone from outside the UK to work for your company, this will be treated as an expense for the company.

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### 5. CAN I RUN MY SIDE BUSINESS THROUGH MY PROPERTY COMPANY?

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The general clause as per the standard articles states a director of the company can run any company they feel makes a profit.

However, in the case of an SPV (Special Purpose Vehicle) generally used for property companies – the mortgage company or lender can have issues with trading through an SPV other than that related to property and this can have an effect.

It is not advisable for many reasons, but also most banks would not approve of it either.

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## 6. HOW DO I PAY MYSELF TAX EFFICIENTLY?

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**The funds the company makes is the company's money - not yours, the tax you pay will depend on how you take the money out of the company.**

It's best to seek an accountant's advice on this matter, as we would generally advise our clients to take a small salary out of the company keeping you at certain thresholds so there is no tax to pay and maybe sometimes a little bit of national insurance contributions, expenses and higher dividends. However, this differs from company to company depending on the size of the business and the circumstances hence why it's best to seek professional advice.

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## 7. WHAT CAN I CLAIM FOR WORKING FROM HOME?

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**As a business you will tend to use your home as an office often, working from home means you can claim a proportion of your household costs for tax purposes.**

The amount you claim should be based on the proportionate use of your property for the purpose of the company. There are a variety of ways of working this out but generally we suggest a certain percentage of your monthly costs, as the idea is you work from home only a small percentage of the time and don't use your residential property as a commercial property.

However, given the pandemic we all find ourselves in right now this percentage can go slightly higher as we have all been confined into our own 4 walls having to master the art of virtual meetings now.

### **BY WAY OF AN EXAMPLE OF THE ABOVE:**

Tommy designs gaming software and uses one room in the house as his office. The house has 3 bedrooms, a living room, one bathroom and kitchen. Taking out the bathroom and kitchen there are 4 rooms in the house which means Tommy can claim one fourth of the household costs in this example as his use of home expenses. So, if his costs were £2000 a month he would be able to claim a deduction of £500.

## 8. TAKING A PERSONAL LOAN FROM THE COMPANY (DIRECTOR'S LOAN) - WHAT ARE THE TAX IMPLICATIONS?

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If you have lent your company some funds to help get the business started or just covering a shortfall, the tax implications are nominal. Once the company starts to make some profit you can take these funds back out the company without having to pay tax (as it's an amount you have already paid tax on).

Now, if you flip this the other way and take out a director's loan from the company for your own personal use, providing you pay back the loan to the company within 9 months and one day of the company year-end, you won't owe any tax. If the amount isn't paid back by 9 months and one day in the company year-end then there may be personal tax implications of 32.5% on the loan amount.

Eg. ABC Ltd has a taxable profit of £8,000 with a corporation tax bill of £1,520 (£8000 x 19%), a Directors loan was taken out of £10,000 and wasn't paid back by the 9 months and one day period.

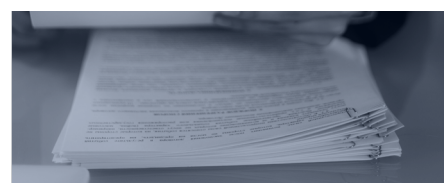
**A COUPLE OF IMPLICATIONS WOULD OCCUR HERE:**



Additional Corporation  
Tax of **£4,770**



**£3,250**  
(£10,000 x 32.5%)



**£1,520**  
(£8000 x 19%)

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## 9. SHOULD I BE VAT REGISTERED?

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It is mandatory to register for VAT once your turnover reaches £85,000 in the last 12 month period. You must register by the end of the following month.

Although it is not mandatory to be registered for VAT until you hit the threshold, it is still sometimes beneficial to register for VAT beforehand, in the first year of your business you can also register for something called the Flat Rate Scheme which gives you the opportunity to pay back HMRC at a lower discount rate to what you would charge your clients.

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## 10. SHOULD I BE PREPARED IN CASE HMRC WANTS TO INVESTIGATE MY ACCOUNTING RECORDS?

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HMRC could choose to investigate any business at random at any point. You should always keep proof of all expenses claimed and ensure your accounts are being done correctly.

## 11. WHAT ARE THE DEADLINES FOR PERSONAL TAX / SELF-ASSESSMENT RETURN FILING?

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The deadline for self assessment filing is 31st January following the end of the tax year, however the return can be filed anytime after 6th April.

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## 12. WHAT IMPACT DOES THE DIVIDEND ALLOWANCE OF £2,000 HAVE?

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The first £2,000 of dividends is tax free, after this point and taking into account your personal allowance (£12,570) the taxable rates on dividends are as below.

**DIVIDENDS ALLOWANCE 2021/2022:**

✓ **£2,000** – Tax Free

✓ Up to **£12,570** – 0%

✓ **£50,270** – 7.5%

✓ **£50,271 – £150,000** – 32.5%

✓ **£150,000 +** – 38.1%

## 13. HOW LONG DO I HAVE TO FILE MY COMPANY ACCOUNTS?

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Companies House allows 9 months after the company year-end for accounts to be filed, i.e. if your company year-end is Jan 21 then you will have until Oct 21 to file your accounts. You also have 9 months and one day to pay your tax.

HMRC allows 12 months after the company year-end for accounts to be filed.

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## 14. WHAT IS BOOKKEEPING?

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**Bookkeeping is the recording and managing of the company's finances. This includes recording financial transactions related to the business on a day-to-day basis and reconciling your accounts with your bank account to make sure everything matches up.**

It's ensuring you record the financial transactions, expenses etc. are accurately recorded and you have your accounts up to date. All businesses need to keep a track of their income and expenses, keep up to date with the company cash flow and make sure everything is recorded correctly and efficiently. Failing to do so can lead to taxing complications.

We advise that you record all monetary matters concerning your business on a monthly or quarterly basis. Having good bookkeeping also keeps you up to date with your taxes and what needs to be paid.

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## 15. DO I NEED TO INCLUDE SEISS ON MY SELF-ASSESSMENT?

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Yes, any SEISS grants taken should be reported in your self-assessment in the tax year they were received. i.e. the first 3 grants in 2020 should be reported in your 20/21 self-assessment.

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## 16. DO I NEED TO OPEN A BUSINESS ACCOUNT FOR MY LTD COMPANY?

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**As a director of the company are responsible for taking care of the company. A limited company is a separate entity so should always have a separate business account.**

The banks can freeze/block/close your personal account if they believe it is being used as a business account as it breaches their terms and conditions. From an accounting perspective you will increase your time of bookkeeping and make things a lot more complicated.

To be able to claim some expenses from the company you will also need to have a business account opened or these expenses cannot be claimed against the business as the payments need to be going out from your business account.

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## 17. DO I NEED TO KEEP MY RECEIPTS FOR EVERYTHING?

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**Yes, you need to keep all receipts for your own records for up to 6 years, HMRC can at any point ask you to provide proof of expenses that have been claimed through the company.**

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If you have any questions on the above or would like a more detailed answer to your question, get in touch with our team today.

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# Contact us **today**

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