

Tax: deductible expenses

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It's important to know what expenses you can claim as an author; it may be more than you think, especially if you use your home as your office. The below is not an exhaustive list, but highlights some areas where you may be able to benefit by making a claim.

Home office

Most authors work from home and so can claim a proportion of home expenses.

Where a room is furnished as an office, i.e. it contains a computer, desk, lamp, professional records etc., expenses relating to the room can be claimed for 365 days a year. These include:

- Mortgage interest or rent
- Council tax
- Buildings insurance
- Contents insurance
- Service charges
- Ground rent
- Lighting and heating (calculated according to the number of hours the room is used)
- Repairs and decorating

It's worth bearing in mind that if HMRC is notified that the room is set aside for exclusive business use, it will expect to raise a capital gains tax assessment when the author's property is disposed of. This can be avoided by ensuring that the room is not exclusively set aside; as long as there are private items in the room – for example, a wardrobe, spare bed or children's toys – no capital gains tax assessment can be raised.

Where there is no separate room, it is still possible to make a claim based on the amount of time spent at home, the amount of time working, and the amount of space generally devoted to the author's business use. As long as there is a reasonable rationale for the claim, HMRC will accept it.

The rules are stricter where the author is an employee, for example of their own company, but it is still possible to obtain tax relief if structured correctly.

Fees payable

Authors with agents will receive their income after the deduction of their agent's commission. The income should be shown gross, before deductions, and the agent's costs claimed as an expense. While this makes no difference to the tax payable, it ensures the tax return reports figures are in line with HMRC's expectations, reducing the risk of an enquiry.

Fees payable to others, such as researchers and secretaries, can also be claimed.

Professional subscriptions

Most subscriptions that relate to authorship activities are allowable, for example, the Society of Authors, London Library, Writers' Guild etc.

Telephone, mobile and broadband

Most authors use broadband as a research tool and this can be claimed as an expense, although if there is also private use of the broadband only a reasonable apportionment of the cost should be claimed.

An author who has a business mobile and stays within the tariff can claim 100% of the costs. Where this is not the case and there is mixed use, the costs need to be apportioned to exclude private use. Landline costs also need to be apportioned in the same way.

Again, the rules are different where a company is used, so more detailed advice is needed in those cases.

Travelling, accommodation and subsistence

Business travelling is an allowable cost, but there are rules that must be observed.

Where an overseas trip is undertaken to carry out book research and then a few days' holiday are enjoyed at the end of the trip, the travelling cost is allowable in full, but the accommodation costs need to be apportioned to exclude the private element.

Where a trip is taken as a holiday and book ideas and book research crop up, no part of the travelling and accommodation expenditure can be claimed, except for incidental local costs incurred on the book project.

Subsistence represents the cost of individual meals taken away from home either in the UK or overseas. The cost has to be reasonable and cannot include entertaining expenses.

Driving expenses

There are two ways of calculating driving expenses. Firstly, the actual running costs can be calculated to include fuel, repairs, servicing, insurance, road tax, financing or leasing costs, and these can then be apportioned according to the business mileage as a percentage of the total mileage. A claim can be added for items such as parking, road tolls and depreciation (capital allowances).

Secondly, it is possible to claim a mileage allowance. Business mileage needs to be logged and then claimed at 45p per mile for the first 10,000 miles and 25p thereafter. It is also possible to claim

finance charges, parking and road tolls.

Use of the mileage allowance is not available to those whose turnover exceeds the VAT registration limit in the year the car is purchased. Having selected the method to be used, this must be used each year until the car is changed.

Upkeep of appearance for specific events

Not a great deal can be claimed under this heading, particularly as clothes are generally not allowable, except for unusual items such as uniforms, protective clothing etc. However, claims for make-up and hairdressing for television appearances etc are generally acceptable.

Routine expenses

Other expenses that will normally be acceptable include:

- Postage
- Stationery
- Computer expenses
- Theatre and cinema tickets (if relevant to the author's genre)
- Reference books, CDs, journals, newspapers (again, if relevant)
- Courses and conferences
- Repairs and maintenance
- Accountancy and other professional fees

Capital allowances

Authors may make claims for capital items used in connection with their work, for example, car, computer, office equipment and

furniture, reference library. These costs are normally allowed in full, but if they are later sold or given away to friends or family some of that tax relief may be repayable to HMRC at that time. HMRC asks that records are kept of all expenses. Receipts are not a legal requirement, but it is advisable to keep as many as possible. Annotated bank statements and credit card statements are acceptable. It is also helpful to keep a diary as a non-financial confirmation of professional activities during the year; this is often particularly useful in supporting expenses being queried in HMRC enquiries.

A member asked how to claim the expense of a new laptop.

The author can claim up to 100% of the costs of the laptop under the heading of "annual investment allowance". There is a box on the tax return for this.

An alternative is to claim 18% of the cost and of the reducing balance, year by year. Once the written down value has reduced to £1,000, the balance can be claimed in full.

Generally, people claim 100% but this is not always appropriate, particularly where income is too low for full relief to be obtained.

There is a section on capital allowances in H W Fisher's *Authors and Freelance Journalists Tax Guide* in 'Guides' in the members' section of the SoA website and at www.hwfisher.co.uk.

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