BeniRatio Finances

BUSINESS FINANCE AND ACCOUNTING

FREQUENTLY ASKED QUESTIONS (FAQS)

Contact Us

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CONTENT

HOW DO I KNOW IF I SHOULD REGISTER MY BUSINESS?

If you are able to answer YES to any of the points below then it's time to register your business.

01

You have earned or plan to earn more than £1,000?

Note: You are able to earn up to **£1,000** without registering/notifying HMRC.

02

You are regularly engaged in sales for the sake of profit.

If you are in the business of making **purely profit** you should be registered.

03

You are providing services or earning a commission for promoting someone else's products or services.

04

You need to be able to prove to banks and other institutions how you make your income. For example, if you want to obtain a business loan, or get a mortgage, you need to show the lender how you make your money.

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WHICH COMPANY REGISTRATION IS BEST FOR ME?

Self-employed/Sole trader:

WHAT IS IT?

An individual working for themselves entitled to all the profits and income of the company.

ADVANTAGES	DISADVANTAGES
The individual is entitled to ALL the profits of the business after expenses and tax.	The Companies finances and liabilities are NOT separate from the owner.
There is only one organisation to report to - HMRC for self-assessment and tax.	You can/will be personally affected if your company issued/taken to court or there are any negative penalties/verdicts.
Generally cheaper to run/manage from an administrative perspective.	You **CANNOT** be an employee in your company or take a "salary" therefore it cannot be an expense.

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WHICH COMPANY REGISTRATION IS BEST FOR ME?

Limited company:

WHAT IS IT?

A company owned and managed by one or more Directors, who each hold/own one or more shares in the company.

ADVANTAGES	DISADVANTAGES
The Companies finances and liabilities are separate from the owners.	Higher cost and administrative burden reporting to HMRC & Companies House.
The company can have one or more directors to share the responsibilities.	The profits of the company are subject to tax AS WELL as individual Director earnings.
Can be eligible for VAT Exemptions	Generally more expensive to manage due professionals and systems needed.
Can appear more professional and more widely accepted for things such as grants, loans and other funding.	The money/profits of the business belong to the company not any individual, therefore must be formally "withdrawn" if owners are to spend from it.
Can allow you to pass on assets to family members via shares.	

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WHEN DOES YOUR BUSINESS NEED AN ACCOUNTANT?

Your business needs an ACCOUNTANT if:

01 If you **DO NOT** know how to register your business.

02 You are **UNABLE** to calculate the business's income & expenses and create financial reports.

03 You are **unfamiliar with the HMRC** tax return submission system.

04 You are **UNABLE to or DON'T** understand how to complete your tax returns.

05 You are ready to **DELEGATE** and need to give yourself more time.

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WHEN DOES YOUR BUSINESS NEED AN ACCOUNTANT? (CONT.)

Your business needs an ACCOUNTANT if:

06

You need to complete your **business's year-end financial reports** (Income statement & Balance sheet) for submission to Companies House.

07

To help you with other (non-legal) **financial calculations and submissions.** For example, if you need to produce a financial history or forecast report as part of your business plan, or to apply for funding.

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DO I NEED TO REGISTER AND OR COMPLETE A SELF-ASSESSMENT?

Those required to register for Self-Assessment include:

01 You were self-employed as a '**sole trader**' and earned more than **£1,000** (before any eligible business expenses).

02 You were a partner in a business partnership.

03 You have **Capital Gains Tax** to pay as a result of selling or disposing an asset that increased in value.

04 You received foreign income.

05 You received tips or commission.

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DO I NEED TO REGISTER AND OR COMPLETE A SELF-ASSESSMENT? (CONT.)

Those required to register for Self-Assessment include:

06 You are a Director in a company and you receive a **Dividend** through your company.

07 You need to pay the High Income Child Benefit Charge, and do not pay it through PAYE

08 You're earning an income from renting land or property in the UK.

09 You received income from **savings, investments, or dividends.**

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CLAIMABLE EXPENSES FOR THE SELF-EMPLOYED

If you are self-employed, you can claim the following business expenses:

01 Accountancy Fees

02 Accommodation expenses whilst on business travel

03 Bank charges, credit card costs and financial charges

04 Business Insurance policies

05 Employee expenses (but not your salary as the company owner)

06 Business mileage

07 Travel and subsistence

08 Legal and other professional fees

09 Marketing, advertising and public relations

10 Professional fees and subscriptions

11 Telephone, mobile & broadband expenses

12 The use of your home office.

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CLAIMABLE EXPENSES FOR THE SELF-EMPLOYED

If you are self-employed, you can claim the following business expenses:

13	Business rent, rates and security
14	Eyesight tests
15	Fixed assets - e.g. equipment and office furnishings
16	General office costs and business purchases
17	Life Insurance
18	Training expenses (must be directly related to the income which is currently being generated by your business)
19	Work uniform and/or protective clothing

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Business LOSSES from previous years.

You can bring forward losses from the previous financial years* which will offset against your profits for the current financial year.

This could potentially decrease the tax you may need to pay in a year. Please disclose this to your accountant as part of the information you provide in your self-assessment.

Please note: *Receipts and evidence of payments from previous years will need to be retained.*

PLEASE NOTE

Don't Forget!

Please note: in the case of all business expenses, they must be incurred **wholly and exclusively.**

If any of the expenses have a personal and business element (dual purpose) you can only claim for the **%/£** amount that equates to how much of it was used for the need of the business. In such a case there would need to be clear evidence of this.

If you do not have receipts and/or accurate records you may be able to claim standard flat rates for some of these expenses via the **Simplified Expenses** system set up by the HMRC

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WHAT CAN I CLAIM VIA MY LIMITED COMPANY BUSINESS?

In the case of all of these expenses, they must be incurred 'WHOLLY & EXCLUSIVELY' for the cause of your business with relevant records kept were necessary.

01	Accountancy Fees
02	Accommodation expenses whilst on business travel
03	Bank charges, credit card costs and financial charges
04	Advertising, marketing and PR expenses
05	Business Insurance
06	Business rent, rates and security
07	Fees and expenses of forming your limited company
08	Fixed assets; purchase and disposal
09	Other office costs and purchases
10	Legal and other professional fees.
11	Mobile phone, landline and broadband expenses

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WHAT CAN I CLAIM VIA MY LIMITED COMPANY BUSINESS?

In the case of all of these expenses, they must be incurred 'WHOLLY & EXCLUSIVELY' for the cause of your business with relevant records kept were necessary.

12	Charitable Donations
13	Annual staff event - (£150 per head)
14	Employee salary costs & expenses
15	Equipment expenses
16	Travel and subsistence
17	Professional fees and subscriptions
18	Pensions (annual limit of £60,000 applies)
19	Use of your home as an office - (£6p/w or £312per year)
20	Training costs - that improve on existing skills not for MBA's or courses that offer new skills and knowledge

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WHAT CAN I CLAIM VIA MY LIMITED COMPANY BUSINESS CONT.

You can claim the following expenses via your limited company:

21

Business mileage, Car, Van and Travel expenses - for getting to a temporary place of work not for 'ordinary commuting'.

These will include:
a) vehicle insurance
b) repairs and servicing
c) fuel
d) parking
e) hire charges
f) vehicle license fees
g) breakdown cover
h) train, bus, air and taxi fares
I) hotel rooms
j) meals on overnight business trips

22

Gifts and trivial benefits - That meet the following criteria

a) cost less than £50
b) is not cash or a cash voucher
c) is not a reward for work/performance
d) is not included in their contract.

23

Annual healthcare check-ups and Eye tests

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WHAT CAN I NOT CLAIM VIA MY LIMITED COMPANY BUSINESS?

You CANNOT claim the following expenses via your limited company:

01	Childcare costs and expenses (there are other government schemes for this)
02	Entertainment expenses
03	Business losses from the previous years

ANY PREVIOUS YEAR'S LOSSES WILL AUTOMATICALLY BE BROUGHT FORWARD AS PART OF YOUR COMPANY ACCOUNTS PRODUCTION.

YOU DO NOT NEED TO TAKE ANY FURTHER ACTION.

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HOW DO I TAKE OUT MONEY FROM MY COMPANY LEGALLY?

There are primarily 3 ways you as a Company Director can pay yourself through your limited company.

01

DIRECTOR'S SALARY

This is a fixed monthly salary paid to a director and kept below the Lower Earnings Limit **(£6,500 per year for 2025/26).**

Below £5,000 per year:

- PAYE **may not be required** if there are no other employees or taxable benefits.
- No Employee or Employer National Insurance is due.
- Salary does not count toward State Pension or National Insurance benefits.

Above £5,000 per year:

- PAYE registration **is required**.
- Employer National Insurance may apply depending on the exact salary.

**Many directors choose around £5,000 per year to minimise National Insurance while still benefiting from tax efficiency.*

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HOW DO I TAKE OUT MONEY FROM MY COMPANY LEGALLY?

There are primarily 3 ways you as a Company Director can pay yourself through your limited company.

02

STANDARD SALARY

This is a fixed salary paid to a director that sits between the Lower Earnings Limit and the Primary Earnings Threshold.

Secondary Earnings Threshold for Employer National Insurance: **£5,000 per annum**

Primary Earnings Threshold for Employee National Insurance: **£12,570 per annum**

Salary **above £6,500** (Lower Earnings Limit) but **below £12,570** (Primary Threshold):

- Employee National Insurance may apply once the salary exceeds the Primary Threshold
- Employer National Insurance may apply once the salary exceeds the Secondary Threshold
- Pay As You Earn (PAYE) **registration is required**
- Salary counts toward State Pension and other National Insurance benefits

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HOW DO I TAKE OUT MONEY FROM MY COMPANY LEGALLY?

There are primarily 3 ways you as a Company Director can pay yourself through your limited company.

03

DIVIDENDS

Dividends are payments made to directors and shareholders from the company's profits after expenses and corporation tax have been deducted.

Dividend allowance for 2025/26 and 2026/27 is **£500 tax-free**

Dividend tax rates **2025/26**:

- 8.75% – Basic rate taxpayers
- 33.75% – Higher rate taxpayers
- 39.35% - Additional rate taxpayers

Dividend tax rates **2026/27:**

- 10.75% – Basic rate taxpayers
- 35.75% – Higher rate taxpayers
- 39.35% - Additional rate taxpayers

** Dividends can only be paid from post-tax profits and do not generate National Insurance credits.*

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EXAMPLES - HOW DO I TAKE OUT MONEY FROM MY COMPANY LEGALLY?

DIRECTOR'S SALARY (BELOW THE THRESHOLD)

Jessica is the Director of Jessica Consultants Ltd

This is her first year in business, and she wants to pay herself a director's salary (below the threshold). She has decided to pay herself £500/month, which is below the £758.33/month threshold

WHAT DOES THIS MEAN?

This means she will NOT have to pay taxes on her salary and contribute to her national insurance.

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EXAMPLES - HOW DO I TAKE OUT MONEY FROM MY COMPANY LEGALLY?

STANDARD SALARY

David is the Director of Landscaping & Co:

The landscaping business has been doing well, and David's company has secured a couple of long-term contracts. Based on his business's performance and his personal needs he has decided to pay himself £40,000/year.

WHAT DOES THIS MEAN?

This means he has to pay 20% taxes on the £27,430 and contribute 13.25% to his national insurance.

WHAT DOES THIS MEAN? (CONT.)

£27,430 - is the amount above the £12,570 personal tax allowance, assuming he has no other job or income that takes him into a higher rate tax band.

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EXAMPLES - HOW DO I TAKE OUT MONEY FROM MY COMPANY LEGALLY?

THE CALCULATION

Part 1 (Tax calculation): £40,000 - £12,570 (Personal Tax allowance)
= £27,430 x 20%
= £5,486

Part 2 (NI Calculation): £40,000 - £25,000 (Freeport upper secondary threshold)
= £15,000 x 13,25%
= £1,987.50

Furthermore, Landscaping & Co will need to contribute **15.05%** toward David's national insurance, which will be **£6,020.**

Therefore, David will pay **£7,473.50** to HMRC via his **self-assessment** to cover his personal tax liability and employee National Insurance contributions.

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EXAMPLES - HOW DO I TAKE OUT MONEY FROM MY COMPANY LEGALLY?

DIVIDENDS

Helen is the Director of Lux Nails Ltd:

She is the only shareholder of her business and decides she wants to pay herself a dividend of £25,000.

WHAT DOES THIS MEAN?

This means that Helen will receive £500 tax-free and pay £2,143,75 tax on the remaining £24,500 of the dividend income he receives (The dividend tax percentage applied is 8.75%)

THE CALCULATION

£25,000 - £500 (Dividend Allowance)
= £24,500 x 8.75%
= £2,143.75

EXAMPLES - HOW DO I TAKE OUT MONEY FROM MY COMPANY LEGALLY?

DIRECTOR'S SALARY AND DIVIDENDS

John is the Director of BarberX Ltd:

He wanted to pay himself using the most tax-efficient methods and decided to pay himself via a salary of £6,000 for the year (below the threshold) and a dividend of £2,000.

WHAT DOES THIS MEAN?

This means John won't be paying any income tax or dividend tax because his total income is below the personal threshold of £12,570.

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WHAT EXPENSES CAN I CLAIM FROM MY HOME OFFICE?

Deductibles From Your Home Office

It is possible to calculate and claim a specific portion of your household expenses for your business, provided you can provide evidence and a reasonable method for your calculation.

As you make these payments through your personal rather than business account, these expenses must be recorded on a **Business Income & Expenses spreadsheet.**

One reasonable method for calculating the portion of home expenses is to base it on the number of rooms in your house. In addition to the allowable expenses, you will need to confirm how many rooms your home has and whether you have a room that is a dedicated home office.

Alternatively, we can apply the standard work-from-home allowance of **£6 per week × 52 weeks = £312**.

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WHAT EXPENSES CAN I CLAIM FROM MY HOME OFFICE?

Allowable expenses include:

01 A proportion of your mortgage interest or rent.

02 A proportion of your utility bills (gas, electricity, water).

03 A proportion of your Council Tax.

04 Cleaning costs for your workspace.

05 The business-specific portion of phone and broadband bills.

06 A proportion of your home insurance.

07 Repairs and maintenance related directly to your workspace.

Please note that in most cases, using the room-based method typically results in a similar figure to the standard allowance of **£312**

This applies to both the LTD and Self-Employed.

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FREQUENTLY ASKED QUESTIONS

LIFE INSURANCE

CAN I CLAIM LIFE INSURANCE THROUGH MY LIMITED COMPANY?

YES. Directors' life insurance can be claimed as a business expense through your corporation tax, but your Limited Company must be the named policyholder and payments toward the insurance should be made through your business account

WHAT TYPE OF LIFE INSURANCE SHOULD I GET?

We recommend obtaining **Directors' Life Insurance** and speaking with a broker about the best options to qualify for full Corporation Tax relief.

WHO SHOULD BE THE POLICYHOLDER?

Your **Limited Company** must be the named policyholder, and payments towards the insurance should be made directly from your business bank account.

WHERE CAN I GET DIRECTORS' LIFE INSURANCE?

We recommend speaking with a broker. **Caspian Insurance** is a broker we have personally used and recommend.

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FREQUENTLY ASKED QUESTIONS

CAR REPAIRS

CAN I PAY FOR CAR REPAIRS THROUGH MY BUSINESS?

NO, unless the car is in the company's name. Repairs and maintenance for a personal vehicle cannot be paid for using your company account/business finances.

WHAT IF I USE MY PERSONAL CAR FOR BUSINESS?

You can claim a **mileage allowance** for specific business journeys made using your personal car.

DOES THE MILEAGE ALLOWANCE COVER CAR MAINTENANCE?

NO. The mileage allowance can be calculated for business trips, but this does not allow you to claim your personal car repairs or maintenance through the company.

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FREQUENTLY ASKED QUESTIONS

TRIVIAL BENEFITS & BENEFITS IN KIND

HOW MUCH CAN I CLAIM IN TRIVIAL BENEFITS?

For the **2025/26 financial year,** a Director can claim up to **£300** in total in tax-deductible trivial benefits through their Limited Company.

WHAT QUALIFIES AS A TRIVIAL BENEFIT?

For a benefit to be considered "trivial", it must cost **£50 or less.**

ARE TRIVIAL BENEFITS TAXABLE?

NO. Qualifying trivial benefits are considered **tax-free Benefits in Kind.**

WHAT ARE BENEFITS IN KIND?

Benefits in Kind are **non-cash goods or services** provided to employees or directors.

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Examples of Benefits in Kind are taxable and not taxable

TAXABLE BENEFITS IN KIND

01
02
03

- Company cars and fuel
- Interest-free or low-interest loans
- Employer-provided accommodation
- Cash gift vouchers

NON-TAXABLE BENEFITS IN KIND

01
02
03

- Employer pension contributions
- One mobile phone per employee
- Workplace parking
- Workplace sports facilities
- Annual staff parties

YOU MADE IT THIS FAR!

I do hope you found this document useful in helping to answer your questions and provide clarity regarding your business finance and accounting needs.

Are you ready to work with Benedicta and the BeniRatio Finance Team?

Click the button below

SCHEDULE A CALL!