Small Business Tax Savings: A Practical Guide to Keeping More of Your Money

Introduction

Running a small business comes with its fair share of challenges, and navigating the complexities of tax can often feel overwhelming. The good news? There are plenty of legitimate ways to **reduce your tax bill** and keep more of your hard-earned money where it belongs — in your business. In this eBook, we'll walk you through **practical tax-saving strategies** that every small business owner should know, with actionable tips you can apply right away.

Understanding the Basics

Before diving into specific strategies, it's important to understand the key taxes that affect small businesses in the UK:

- **Corporation Tax:**
  Paid on your company's profits, currently set at 19% for taxable profits up to £50,000 which covers most small businesses.

- **VAT (Value Added Tax):**
  Applicable if your turnover exceeds £90,000 in a 12-month period.

- **Self-Assessment:**
  Relevant for sole traders or company directors reporting personal income.

- **Making tax digital for income tax.**
  Relevant to sole traders and landlords with an annual turnover of over £50000 from April 2026 and £30000 from April 2027.

Understanding these basics will help you identify where you can legally reduce liabilities and stay compliant.

Top Tax-Saving Strategies

Let's get to the good stuff — how to trim that tax bill! Here are some practical ways to save:

1 Claim Allowable Expenses

Everyday business costs can often be claimed as expenses, reducing your taxable profit. Common allowable expenses include:

Home Office Costs:
If you work from home, claim a portion of utilities, rent, and broadband.

Travel:
Public transport, mileage for business trips, and accommodation.

Professional Fees:
Accountancy, legal fees, and professional memberships.

2 Maximise Capital Allowances

When you purchase assets for your business — like equipment, machinery, or even certain vehicles — you can claim capital allowances to offset the cost against your taxable profits.

3 Make the Most of Tax-Free Trivial Benefits

Small perks, like a surprise coffee or a birthday gift under £50, are tax-free under HMRC's 'trivial benefits' rule. Directors of small companies can claim up to £300 per year in trivial benefits. It's a win-win: happy team, lower tax bill.

4 Utilise the Annual Investment Allowance (AIA)

The AIA lets you deduct the full value of qualifying items (like machinery or office equipment) from your profits before tax, up to £1 million per year.

5 Leverage Research & Development (R&D) Tax Credits

If your business works on innovative projects, you might be eligible for R&D tax credits. This is a generous relief that could see up to 33% of qualifying R&D expenditure refunded.

Proactive Tax Planning

Saving tax isn't just about what you claim — it's about planning ahead. Here are some proactive steps you can take:

Keep Good Records: Track expenses throughout the year to avoid scrambling at tax time.

Set Up a Tax Reserve Account: Putting money aside regularly for tax bills prevents surprises.

Consult with an Accountant: Regular check-ins with a professional help you stay ahead of changes in tax law and maximise savings.

Case Study: Payroll Outsourcing and Cost Efficiency

In John's article, *Should I Outsource My Payroll Systems and Processes?,* he highlights the hidden costs of managing payroll in-house and how outsourcing can lead to cost savings and improved efficiency. Not only does this free up your time, but it can also ensure you're making the most of tax-efficient payroll practices, like claiming Employment Allowance or using salary sacrifice schemes.

Want to dive deeper into this?

We've broken it down further with real-life examples in our latest blog post. Click below to read more and see how it applies to your business.

Read the Full Blog Post

Conclusion

Tax planning doesn't have to be daunting. By understanding the rules and applying some smart strategies, you can legitimately reduce your tax liabilities and reinvest the savings into growing your business. Remember, a little planning goes a long way — and having a trusted accountant by your side can make all the difference.

Want personalised advice on how to optimise your business for tax savings? Book a call with me **today** and let's explore the best strategies for your business.

GUIDA ACCOUNTANCY