

A Performers Guide to Business Expenses and Self Assessment in the UK



Tax deductions for Actors, Musicians and Entertainers

Taxes, Actors, musicians and other performing artists tend not to be a happy mix. Taxes and administration of running yourself as a business are often the last thing on the list of concerns but could be the first thing on the worry list. An artistic temperament simply does not interface well with the exacting rule-filled world of accounting and HMRC. Many performers tend to avoid the situation and consequently leave themselves open to panic filing of tax returns, bad advice or just not filing their tax returns. Part of running yourself as a business is that you need to keep proper accounting records. These records then make up the analysis required for your tax returns. HMRC can request to inspect your records, so it is best to keep up to date with it all on an on-going basis rather than just throwing it at somebody a few days before the deadline. Proper accounting records is dealt with in an another paper.

The law states that expenses claimed are to be "wholly and exclusively incurred in the performance of the business" but it is not always so clear cut.

We have put together a general guide for actors, musicians and performing artists about which expenses should be allowable for self assessment income tax in the UK. Many items of expenditure could be claimed as wholly & exclusively, but it should be used with care and not to abuse. Overclaiming can lead to problems later on if there is any inspection by the taxman if they decide to investigate. Paperwork is key for supporting claims.

The information is a guide only as situations can vary and tax rules often change. We cannot assume legal liability for any errors or admissions this paper may contain.

Agent & Booking fees

Should you use an agent to get bookings, then they will charge a commission/fee and most likely VAT. These costs are allowable as a tax deduction. There is no standard rate that an agent charges as it is normally up to the individual and the agent to agree in advance. VAT

can be reclaimed depending on your VAT status or treated as a cost in full if you are not VAT registered. This is covered in a separate document. People often begrudge paying agent fees but without the agent, how likely are you to have got the job?



The Stage, PCR, Casting Call Pro/Singers pro subscriptions etc

These are subscriptions to trade type journals which enables the artist to keep up to date of happenings in their industry and also can assist in finding work. Often, this is the only thing people have to go on before offering an audition opportunity. If you do not have an agent, this may be the only way you can hear about auditions coming up. These costs are allowed as a tax deduction.

Trade subscriptions/memberships such as Equity, Spotlight, Musicians Union

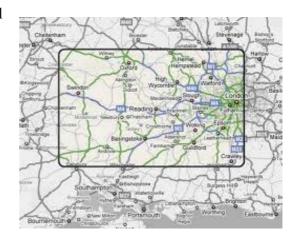
Although not compulsory to join one of these organisations, the purpose of them is to assist in the career you are in. Some organisations offer insurance which can save on your outgoings. The cost of headshots used for these organisations, especially spotlight, are a tax deduction.

Travel to and from auditions/acting work/performances

Most travelling costs incurred for acting, dancing, performing related activities should be deductible. This will include travelling from home to audition venues, rehearsals, research trips and to the performance venue.

These costs are normally train, tube, bus, taxi, as well as mileage (explained later) and reasonable subsistence costs. We'll come onto that in a bit. Oyster card costs are allowable for the cost of the journey. TFL email weekly travel reports showing each trip and that summary can be used for your accounting records.

Travel costs for overseas work (auditions or performances) can also be claimed be it air or boat fare, train etc as well as related expenses such as accommodation costs. However, there are complex rules if family accompany you or if there is a holiday



element to the trip. Specific advice needs to be sought if this is the case.

Subsistence - Food and drink

The cost of meals is not normally an allowable business expense as there is a duality of benefit – we all have to eat therefore it fails the "wholly" test. However, where travel costs have been incurred, it is normally allowed to claim reasonable expenses on food and drink if the business trip is outside the normal pattern of travel. Expenses incurred on trips to the normal base of work, for example a school where you are a tutor or an orchestral rehearsal venue, would be disallowed. Expenses incurred for one off engagements would be allowable as well as costs of being on tour or filming away from home. Generally speaking, if it is with 10 miles of your base location, then it would not be allowable. Always consider what the 'reasonable man' would expect as allowable.

It is always best to have a receipt for your meal, but this may not always be possible especially if you are in a group of people and you pay your share. A contemporary record like a diary or cashbook entry could be used to support the claim for small amounts. Just remember to keep your diary.

Some performers get paid a per diem for food & beverages whilst on tour. As part of self employment this needs to be declared as income, and then the actual costs incurred are

treated as expenses. Of course, it you don't spend all the per deim, you get a profit which becomes taxable.

Questions always arise with regards to buying your agent, a business contact, prospective clients etc, a drink or a meal and as to whether these costs are allowable for a tax deduction. The answer is NO. This is entertaining (unless the person is a paid employee) and they are specially disallowed by law. If you insist on paying, obtain two separate checks and pay for both, however, only claim your own costs. In your own accounts you can put through both costs so to recognise the cost of running your business, but you will have a difference between your own management account and tax accounts.

Hotel expenses

Performers often have to stay away from home in various types of accommodation especially if on tour, filming on location and even if they are promoting themselves in a different area of the country/world. The whole hotel bill would generally be allowable including meals, but sundry items such as the bar bill and newspapers should not be claimed.

Alcohol – this is always asked about. If your normal routine is to have a glass of wine with your evening meal when at home, then it is a reasonable to allow a glass of wine with your meal when you are travelling.

Don't forget there are complex rules if family accompanies you or if there is a holiday element to the trip. Specific advice needs to be sought if this is the case.

A P O L L

Motor expenses & mileage

Motor Expenses – This is always a minefield. Actual costs of running a car for business can be put through as business costs in a proportion of business use vs personal use. The cost of the car is not included in this calculation. Costs to be included are: car insurance, car recovery, road fund license, valet services, MOT, car servicing & repair, fuel, oil, replacement blades etc. A mileage log needs to be kept to establish how much the vehicle is used for business. The total cost for the year is divided by the business mileage for the year, and that is the allowable expense. Alternatively, a mileage allowance can be claimed.

<u>Mileage</u> - A detailed mileage log needs to be kept showing all business trips made. However, a simpler method would be to keep a diary with addresses/postcodes of where you are travelling from and to, and then at the end of the day/week/month, work out the mileage. The allowance below is then applied to the mileage. The rate used depends on the mode of transport, if there are any business passengers, and the number of business miles done in the year.

	Car /	Motor	
Rate per mile	Van	Cycle	Bicycle
Business miles up to 10,000	45p	24p	20p
Business miles over to 10,000	25p	24p	20p

An additional 5p a mile can be claimed for each business passenger.

There can be no duality of purpose for the business trip for example, you may attend a conference in Staffordshire but take the family so they can enjoy Alton Towers. The conference cost will be allowable but not the travel to get there.

It needs to be made clear that journeys to and from PAYE jobs are not business trips and therefore must not be aggregated with freelance business miles. This is classed as "ordinary commuting" and there is no tax relief for this.

Clothing & Footwear – Performance wear or costumes

Clothing is always an area that gets high attention. The rule is that clothing is not allowed unless purchased for work during film, TV or stage performance. If items of clothing and footwear are purchased for a role, then that costume can be deductable for tax purposes. It is unlikely to be used for any other purpose. Clothing for rehearsal purposes are not allowable for tax as they have a duality of benefit. Duality is when and item can be used for a non-business purpose as well as a business purpose. We need clothes to protect our modesty & give us warmth!

It is the same for musicians. If concert dress/opera gowns are purchased specifically to perform in, then they are allowable. However, if the performer wears the clothing to the venue and back home again, there is a duality so therefore it becomes non-allowable. HMRC are very hot on this area and there have been investigations into people where it shows that this type of expense is higher than expected. If you can get a photo of yourself wearing the clothing in the setting of which it was purchased for, it helps as back up should the need arise for example that new outfit for the red carpet you had to attend or the medieval costume you had to provide for a production of Romeo & Juliette.

If you are reimbursed for any costumes, then this reimbursement must be included as income.

The same rules apply to dancer. Dance shoes should be fully allowable a business expenditure as without these, you are unable to carry out your business. There is unlikely to be a duality of benefit as the shoes are highly specialised. You are not going to wear your bloc shoes to the supermarket. As per above, dancewear for auditions & rehearsals are not a tax deduction. By all means show them as a cost to the business, but it will be a difference between your own accounts and your tax accounts.



Costume cleaning

Once an items of clothing has been deemed as costume and allowable, any professional cleaning of the item can be claimed. What you will not be able to claim is the box of persil (other detergents are available) in order to wash your clothes. You will still need to keep

receipts from the dry cleaner. If you are reimbursed for any cleaning, then this reimbursement must be included as income.

Props

These are also a business expense when used in a production environment be it theatre, concert, workshop etc, provided there is no dual use of the item. An upright candelabra looks great to set a stage for a concert, but if it then returns home and is used in a personal environment, then it become a dual benefit item and is not allowable. Clothes can also be used as props or in workshops. The same applies with regards to duality. The best advise again is to keep a detailed record of what is being claimed as props and when used, and ideally photographic evidence of their use. A person running workshops purchasing size 18 clothes as props who is a size 10 can probably get away with them as props, but then it comes down to detailed records being maintained.

Strictly speaking, props tend to last longer than one year and should be treated as a capital items and there are separate rule for capital items. Generally the costs of these items are spread over their expected useful life although an annual investment allowance is given for capital costs but that amount varies each year. It is always best to seek advice.

Theatre, concert, gallery, museum tickets (Research)

A performer is often expected to research their roles or possible roles and the accepted way of doing this is by attending performances, research in galleries & museums in order to get a flavour of roles that may be auditioned. This should be used with caution as attending a "Yes" concert is not going to be accepted as research for a somebody preparing for Henry V. It may be appropriate for a lighting designer to see the use of lasers in a different environment. It all comes down to "wholly and necessary" for your business. You can also claim the travel/mileage allowance to get to the research places.



DVD's CD's, Cinema, Movie subscriptions (research)

This is also an area of expenditure that can be allowable for performers who work in the appropriate field. As with the theatre section above, it needs to be related to what you do. An opera singer will be able to buy DVD's & Cds that related to roles they may study. Again, sense prevails. It would not be deemed as business for a baritone singer to buy a Cd of soprano arias. In some cases the TV licence and satellite/cable subscription can be allowable business expenses e.g. movie actors, directors, journalists etc.

Play texts, books, biographies, scores, downloaded music & backing tracks

This is often a big area of expenditure. Provided it is used for business purposes then these costs are allowable. As per the above, a baritone purchasing a sheet music book of soprano arias would not be an appropriate cost unless he sang with a soprano as a duo, ran workshops

for singers, or needing to build a library for pupils. It relates to what would be acceptable for your business. The same is true for play texts for actors.

iPads, electronic notebooks, computers, printers, camera

These types of cost are known as capital items i.e. they would normally have a life of more than one year. These are still allowable as business costs but they are in a special category of capital and you obtain an allowance for their cost. Generally the costs of these items are spread over their expected useful life; however the government does allow an investment allowance which would normally cover the cost of these items in their first year. There may be personal use for these assets. In which case, the allowance is restricted but the amount of business use only. If you are unsure, it is best to contact an accountant for help.

Computer software, Microsoft Office, security

Always on the assumption that the computer is used for business, then any business based software can be treated as a tax deduction. This would include products such as Microsoft Office, internet security, Sibelius, notation software, publishing tools, accounting software etc. However, if the computer is for personal & business use, the costs of the software used would have to be apportioned between business and personal unless the software is entirely business specific. Details should be kept on usage and the proportion allocated each year. If personal use is incidental, it is likely that the whole cost can be taken as an allowable expense.

Ink, stationery, mailing costs

These generally are all allowable as a deduction for tax purposes if for business use. No, the birthday card & postage to Auntie Flo would not count, however thank you cards to your agent and such like would be allowable. Royal mail online do a prepaid postage account. The cost to put money in that account would not be a tax deduction, but each time you dipped into it to mail anything related to business would be acceptable, so print the confirmation email of the evidence of spend.

Marketing costs & public relations & advertising Photographer, headshots, photo repros, Actor showreel and voice showreel

Every performer needs to invest in self marketing. Some of the essential marketing costs which should be tax deductible include your Spotlight annual fee and any subscriptions to casting websites like Constant Casting, Casting Call Pro and Starnow which has been mentioned above.

The cost of hiring a photographer and getting headshots and photographs is tax deductible but usually the cost is spread over a couple of years depending on how often



you update your portfolio. The cost of creating a voiceover CD or showreel should also be tax deductible and this cost, like your headshots is generally spread over three years.

Don't forget that the cost of make-up and a haircuts which are needed specifically for a photo shoots, film premieres or promotional events should also be deductible

If you are lucky enough to have a PR manager, their costs are classed as marketing and are also allowed as a business expense.

Website and website management fees

If you design a website to promote yourself as a performer, or hire a designer to do it for you, then any fees and annual domain registrations, ongoing maintenance or monthly subscription costs are tax deductible. Upfront design costs are not immediately tax deductible as generally the design lasts more than one year and the cost should be spread over that period.

Employee costs

Should you employ somebody to work for you, then the cost of their salary and employers national insurance, plus any other benefits you give them, are an allowable expense for the business. You need to be running a recognised payroll scheme and reporting monthly to HMRC. However, the cost of a nanny is not an allowable tax deduction as it is not a business expense. They may allow you to work, but it is not a direct cost of the business.



Payments can be made to a non-earning spouse or other family member for secretarial or such like services, but the payment must be a commercial wage considered in the amount of work that they undertake and it must be work within the business. There needs to be an actual transfer of funds for it to be an allowable deduction, and to their own bank account. The spouse or family member must still be on a recognised payroll scheme.

Although we have said that entertaining is not allowable, should you have employees, you are able to spend up to £150 per employee in the year on their entertaining so long as it is wholly and exclusively for the purposes of the trade and is not merely incidental to entertainment which is provided for customers, agents, promoters etc. This must be an annual event and not on-offs. It is possible to have more than one annual event. (EIM21690). The definition of 'employee' is extended to include retired members of staff and the partners of existing and past employees. Although the expenditure is allowable, the employees themselves may have to pay tax on the entertainment received and the employer will have to report this on form P11D. It should be noted that this is an exemption and not an allowance, so if and cost of the event is £40 per employee, you can only exempt out £40 per person and not take an allowance of £150 per person.

Premises costs

If you hire space in an arts centre or have your own studio space outside the home, you can charge the business for these costs. If you have built or purchased a building for your business, you cannot claim the costs of this, but there are other rules for this. The lease of business premises normally means you are responsible for utility costs (electricity, gas), maintenance (cleaning, repairs) and the rent/lease costs. Should you work from home, there are other rules to be applied.

Many musicians teach in a school on a freelance basis and have to pay a room rent to carry out the teaching. This can also be deducted as an allowable cost.

Working from home

Most performers use their home for acting, practice and related activities including researching roles, browsing for castings, telephones & emails for agents, learning scripts and practicing their art. There is an allowance for using your home as your work place and is given if you don't have other options for working. It can be as little as a desk in the corner for paperwork to a dedicated room.

There are two options when dealing with working from home costs:

- Work out the total spend running the home. This includes mortgage interest, council tax, house insurance, gas, electricity (not water), cleaner and repairs/redecoration to the business room. Count the number of rooms in the house (excluding the kitchen & bathroom), and if the room(s) is(are) dedicated to the business, then divide the yearly cost but the number of rooms and multiply up by the number of rooms. If the room is not dedicated, then that need to be reduced down by the amount of time it is used for business.
- There is a standard amount that can be claimed and accepted by HMRC. Up to 2013/14, he amount is £4 per week. However, this has now changed and is based on amount of time spent in the business room. Evidence needs to be kept logging the number of hours and then the allowance taken. Current rates are:

Less than 25 hours per month	£0
25 - 50 hours per month	£10
51 - 100 hours per month	£18
101+ hours per month	£26

If the standard amount per month is chosen, it is irrevocable.

Recordings of own performances to use as marketing & advertising material

This is another form of marketing cost which is allowable including the cost of somebody to pull together a show reel as well as production & distribution costs. The sale of recordings is different as the correct licenses need to be obtained to be able to do this for copyright reasons and manufacturing. Once obtained, the licenses are an allowable cost, with sales treated as

taxable income and any costs incurred are allowable cost of sales. However, if any of the recordings are used for personal use, the appropriate proportion of cost must be disallowed.

Entries to networking events

Networking is often a way people get to know you and you make contacts for example the London Voiceover Network, Reading Arts Business group. It needs to be appropriate for your business. Acting is your business and needs to be treated as such. As always, it needs to be the right one(s) which help you. You should be able to claim the entry costs into the events and also the travel costs to get there. Again, consider about any duality. If you plan to travel to Cardiff to go to a networking event for welsh actors and plan to visit friends and family at the same time, then there is a duality and the travel aspect would not be an allowable tax deduction.

Hairdressing, make up, wigs (for work purposes)

Wigs & accessories for the purpose of performances are allowed as tax deductions. This is particularly useful for people who work in period dramas and as pantomime dames. Cleaning costs of wigs is also an allowable expense. As before, if there is any reimbursement for cleaning, then this reimbursement must be included as income.

Over the last few years, HMRC has taken a hard line on hairdressing and make up costs. General recurring hairdressing is not an allowable tax expense however, an allowance for specific events, performances, concerts etc could be claimed. Stage & TV makeup can be taken as a tax deduction, but day-to-day make up would be harder to justify

Training, workshops and classes, Singing & dancing lessons

It's vital that any performer continues with training and upkeep of their skills. The cost of attending regular weekly or monthly acting classes, workshops, movement or dance classes, vocal coaching, music lesions etc should be deductible. If you a musical actor and have a singing or voice tutor then the costs should also be allowable. Even the cost of attending a full-time filming or Shakespearian course should be deductible. It is all about update and enhancing skills to keep you employable and noticed. However, it is not about acquiring new skills that are unrelated to your current business for example training to be a plumber, as these are regarded as capital in nature and in effect a new business. A new skill can be close to your current profession but may be non-tax deductable e.g. circus skills for an actor which can be marketed as a new skill. However, if circus skills were needed for a role already landed, then it would be an allowable cost..



Business training and learning new skills to market your self and your business.

In order to enhance marketability and business skills, it is often appropriate to have training which is not directly part of your skills, for example an online course on how to build videos

which can be used to promote your performances, social media advertising, website building, bookkeeping courses, all of which help to build a more rounded business person, or help to highlight area where help or outsourcing could be used. After all, if you don't have some understanding of the basics, how can you instruct others to do their best for you?

Health & Gym membership

As an actor and performer, it's important to keep yourself in good shape and looking good. It may be necessary for an actor to incur specific cosmetic surgery costs solely for the purposes of their career. Your agent may advise you to have your teeth whitened or even straightened as this could be holding back your TV or film career. Such expenses can be deductible but the tax authorities are quite strict in this area, so talk to your accountant about this. Your monthly or annual gym membership cost, if you have one could in general be deductible but it is dependent on what you do.

A regular visit to the chiropractor would not be an allowable expense as the outcome of the treatment is not "wholly" for the business. It is the same for musicians, the cost of osteopathy or physiotherapy cannot be claimed even where the treatment arises specifically from the strains of playing an instrument.

Contact lenses

If you normally wear spectacles but the character you are playing doesn't wear glasses then you will have to purchase and wear contact lenses then these expenses should be deductible. However, you need to consider duality of benefit so if you wear the contact lens for any other purpose other than performing, then they will not be allowable. This includes travelling to and from engagements.

Insurance

This is normally the cost of insuring yourself / the business especially public liability insurance and professional indemnity insurance if you are involved in training & article writing that people may rely and act on. Public liability insurance is generally covered by membership to a union for example Equity or the Musicians Union.

Other insurances are available for example insurance for a pianist fingers, dancers legs, and these are all valid costs as wholly & exclusively used for the business of being a performer.



Instrument Maintenance

The cost of hiring, repairing, maintaining and insuring instruments are deductable expenses. However, if the instruments are used in a PAYE employment, then there needs to be a reduction in the amount being claimed as the costs are not wholly for your self employed

business. The PAYE code applied to the salaried work should include an allowance for these expenses, therefore this would be a double deduction which would not be allowed. If there is no allowance in the PAYE coding, then this can be changed with HMRC.

Legal & Professional fees

On the whole, these costs are not allowable. You cannot include costs in relation to the purchase of large items, settling tax disputes, fines for breaking the law and creating/filing tax returns. Speeding tickets & parking fines are not allowable costs for business & tax.



Accounting & Bookkeeping Fees

Again, on the whole, these costs are allowable. There are of course exceptions. They mainly include any fees payable to completing tax returns, and also the set up costs of forming a company. If the accountant's bill is all inclusive, request a breakdown therefore allowable costs can be included as a deduction.

As a self employed person, you have to play class 2 national insurance. This is classed as a personal cost and therefore it is not an allowable business expense.

Bank account/overdraft charges

It is always advisable to have a separate bank account for your performing business. That way any finance costs in running the account truly belong to the business and not due to general living costs being taken from earnings. The financing costs are an allowable tax deduction. Monthly charges applied to a business bank account are allowable.

If you only have one bank account, then the financing costs will not be able to be claimed as it is not possible to distinguish between interest charged on the business and personal expenditure. The same applies to bank charges.

Agent fees & commission

Commissions paid to an agent, or deducted by an agent from income, are an allowable expense.

For musicians, fees paid to other musicians are an allowable expense. However, you must declare the full income of the gig you have arranged and show the musician costs as expenses. Technically the musicians are employees of the band organiser unless the self employment rules are proven. If that is the case, musicians should invoice the organiser for their agreed fee. The invoicing musicians should state that they are responsible for their own income tax and national insurance.

Phone & internet costs

Technically, it is the actual cost of calls that can be claimed but many people who run their own business have all encompassing packages so have free calls and unmetered broadband. If there has been no increase in costs of phone packages & broadband, then no costs can be attributed to the business. However, most businesses allocate a proportion of the costs to the business. Empirical evidence needs to be maintained to justify the amount allocated.



Should you wish to have a no-obligation phone call to discuss your accounting & tax requirements as a self employed performer, then please call us on 01344 834264 to arrange an appointment.

This is called Show BUSINESS. The successful understand the business side of their business.

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