

Costs

This factsheet is designed to explain how computer costs are accounted for and the allowances your company will receive.

A laptop and/or desktop computer can be purchased by your company, which can be made available to you for business usage as long as any personal usage is insignificant (otherwise this may be classed as a benefit in kind, which would incur additional tax for the company and yourself, see below).

If you are on the Flat Rate VAT Scheme (as we generally recommend) then you will only be able to reclaim any VAT if the total cost is in excess of £2,000 gross on a single invoice.

Computer Costs under £500

If the cost of the computer is under £500 it will generally be classed as a revenue expense in the year it was purchased.

Example

Company A invoices for £12,000 annually and also purchases a laptop costing £250.

Income	£12,000.00
Laptop	(£250.00)
Pre-Tax Profit	£11,750.00
Corporation Tax @20%	£2,350.00
Profit after Tax	£9,400.00

Computer Costs over £500

If the cost of the computer is over £500 then it will be 'capitalised' in the accounts and your company will receive Capital Allowances against this, which for the 2012/13 tax year is 100% of the cost in the first year (upto £25,000 per annum).

Example

Company B invoices for £12,000 annually and also purchases a laptop costing £750.

Income	£12,000.00
Pre-Tax Profit	£12,000.00
Capital Allowances	(£750.00)
Taxable profits	£11,250.00
Corporation Tax @20%	£2,250.00
Profit after Tax	£9,000.00

Computer Software

Computer software would usually be written off in the year of purchase as an expense unless it was expensive (say over £500) and had a useful life in excess of two years.

Benefit in Kind

If the personal usage of the laptop/desktop computer is significant then a benefit in kind would arise, where the benefit would be calculated at 20% of the market value at the first instance that this became available. The company would then pay Class 1a NIC at 13.8% of this and you would be taxed personally at either 20/40/50% dependant on your personal circumstances.

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