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Claiming expenses

To help reduce your tax bill, you can offset many of your business expenses against your business income. You'll need to keep good records and hold on to your receipts.

Getting a tax agent or accountant to complete your return may end up saving you money.

They know all the things you can claim for.

What are expenses?

Expenses are the costs you incur in the day-to-day running of your business. At tax time, your total profit (the amount you need to pay tax on) is your taxable income minus the expenses you can claim — so the more you can claim, the less tax you have to pay.

[Business expenses](#) — Inland Revenue

Business expenses are:

- Day-to-day revenue expenses for running your business, eg advertising or wages.
- Assets you buy, eg machinery, computers or tools, which are called capital expenses. Note: items that cost $1000 or more must usually be depreciated.

Generally, you claim your revenue expenses in the year you incur them, and you depreciate capital expenses over time.

GST

If you're registered for GST, your income tax return will exclude GST on your income and expenses — GST is accounted for in your GST return.

If you're not registered for GST, your income tax return will include GST on your expenses only.

[Depreciation: How to spread the cost of your assets](/tax-and-accounting/business-finance-basics/depreciation-how-to-spread-the-cost-of-your-assets)
(/tax-and-accounting/business-finance-basics/depreciation-how-to-spread-the-cost-of-your-assets)

All self-employed people, including contractors and sole traders, can claim expenses against their income.

What you can claim for

Business expenses can include:

- vehicle expenses, transport costs and travel for business purposes
- rent paid on business premises
- depreciation on items like computers and office furniture
- interest on borrowing money for the business
- some insurance premiums
- work-related journals and magazines
- membership of professional associations
- home office expenses
- work-related mobile phones and phone bills
- stationery
- work uniforms
- tax agent’s fees.

It's a good idea to use Inland Revenue's vehicle logbook template — download this spreadsheet from the Tool for Business website.

Tool for Business downloads: Vehicle logbook template — Inland Revenue

If you own an investment property, expenses you can claim for include:

- repairs and maintenance (but not renovations that substantially improve the value of the property)
- professional services fees, like accountants, lawyers or property managers
- rates and insurance
- mortgage repayment insurance
- vehicle and travel expenses when you travel to inspect your property or do repairs
- depreciation on capital expenses, like whiteware, appliances or heat pumps
- legal fees involved in buying a rental property, as long as the expense is $10,000 or less.

Rental property expenses — Inland Revenue

How much can you claim?

You can't claim the whole cost of all items, even those only for business use. Some things you can only claim half for, eg some entertainment expenses. You can only claim 100% of the cost for an expense that's entirely for business use.

If you have an expense that's partly for your business and partly for your private use, you can claim the proportion that relates to your business.

Example:
If you spend half the time driving a vehicle to deliver goods and the other half for your own reasons, you can claim 50% of the travel costs for your business.

For some expenses, like business entertainment, eg client meals and staff functions, you can only claim half.

Entertainment expenses — Inland Revenue

Working from home

If you use an area of your home for your business, eg your study or garage, you can claim a portion of the household expenses, eg:

- rates
- power
- house and contents insurance
- mortgage interest if you own the home
- rent if you are renting the home.

You must keep invoices for these expenses.

How it works

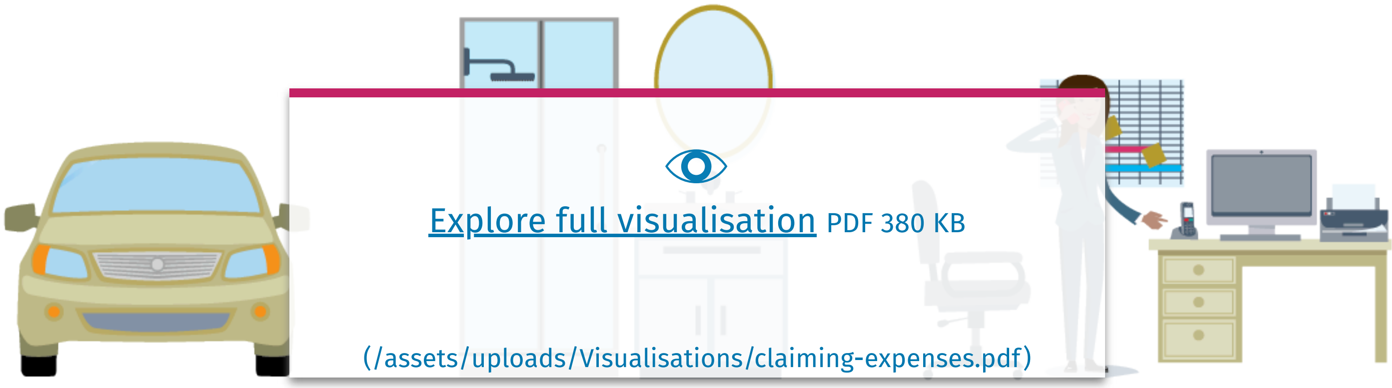
If your home is 100 square metres and your working space is 10 square metres — 10% of the total area — you can claim 10% of expenses that are not solely for your business, eg your home phone line.

If you aren't using a separate area of your home for business, you'll need to take into account how much time you spend on your business and the area used.

If you're GST registered, the GST content on home office expenses can be claimed as they're paid — in each GST return period — or at the end of your tax year. Mortgage interest and rent don't include GST.

Using your home for business — Inland Revenue

Work from home? Claim these expenses



(/assets/uploads/Visualisations/claiming-expenses.pdf)

This is a text version of our claiming expenses visual guide. It's aimed at people who use screen readers, or who prefer to take in information by reading.

Work from home? Make sure you claim these expenses

If you use your home for business — whether you're a contractor, sole trader, in partnership or own a company — you can claim a portion of household expenses. You can claim 100% of expenses that are solely for business purposes, eg a business phone line. For the rest, you can claim the proportion of your house that you use for work.

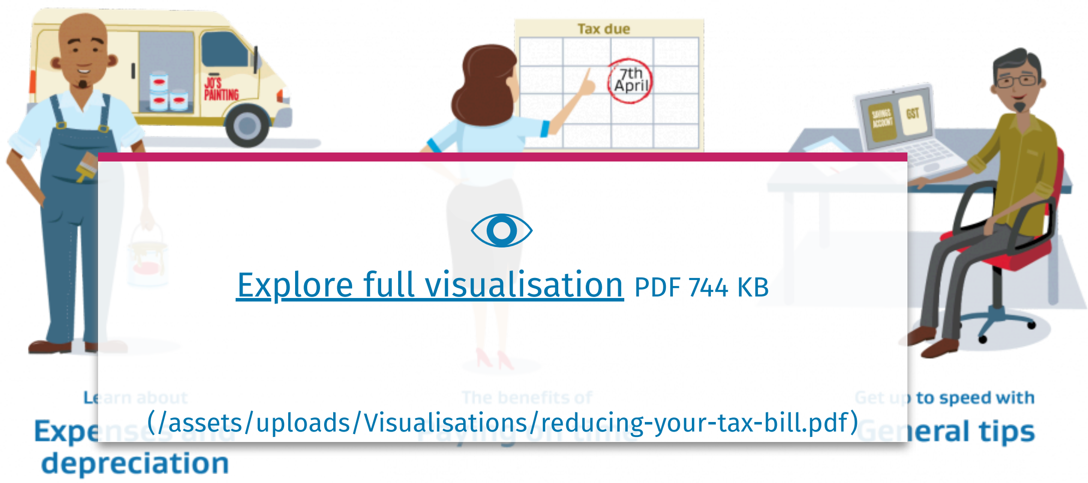
In this example, the house is 100 square metres and the office 10 square metres — 10% of the total area. So the owner can claim 10% of expenses not solely for business, eg a power bill. Whatever you claim, remember to keep a record of each item.

- Landline phone costs:
  - 10%
  - 50% if that's how much you use for business purposes.
  - 100% if it's for business use only.
- Mobile phone costs:
  - 10%
  - 100% if it's for business use only.
- 100% of office supplies, eg paper and pens.
- 100% of new furniture under $500 an item — items over $500 must be depreciated instead.
- 0% of food and drink, unless you're entertaining for work.
- 10% of internet costs, but you can claim more if you can prove you use more for business.
- 0% of furniture and TV only for household use.
- 0% of vehicle expenses as household costs. Instead, use a logbook to track your business mileage.
- 10% of mortgage interest payments OR
- 10% of rent.
- 10% of security alarm bill.
- 10% of power and gas, but you can claim more than this if you can prove you use more for business.
- 10% for toilet rolls and hand soap.
- 0% of bedroom furniture
- 0% of satellite TV subscription unless it's for business use.
- 10% of heating bill.
- 100% of magazine subscriptions for your business.
- 10% of lightbulbs.

Pay for as many of your work-related expenses as possible through your business account.

This means you'll have a paper — or electronic — trail at claims time. If you use accounting software, everything will be coded and added up automatically.

Guide to reducing your tax bill



Explore full visualisation PDF 744 KB (/assets/uploads/Visualisations/reducing-your-tax-bill.pdf)

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For a text version of this visual guide, visit our How to reduce your tax bill page.

How to reduce your tax bill (/tax-and-accounting/reducing-your-tax/how-to-reduce-your-tax-bill)

How to claim expenses

[Keeping tax records (/tax-and-accounting/tax-time-tips/keeping-tax-records)]

Whether you're a contractor, sole trader or running a business, you claim your business expenses annually in your tax return. Deduct expenses from what you've earned from your business during the year.

To claim an expense, you must have a record of that expense, eg a receipt, or Inland Revenue may not allow the expense to be claimed.

At the end of the year your business accounts will need to be completed, totalling up all your income and expenses. When you file your tax return, you'll either copy your income and expenses into your financial statements summary (IR10), or send Inland Revenue a summary of your accounts.

Using an accountant or bookkeeper, or accounting software can help you do your annual return correctly and claim the right expenses.

Keep track of receipts and invoices by stapling them to your monthly bank statement before filing it.

If you keep digital records, photograph your receipts and keep them with your other records — but you should keep the paper copies, too.

Keeping records

[Keeping tax records (/tax-and-accounting/tax-time-tips/keeping-tax-records)]

It's easy to let filing and paperwork slip. But keeping good records makes it much easier to do your tax return — and will save you time in the long run.

Online accounting software services and mobile phone apps can help you record receipts and keep track of expenses.

You must keep your tax records for seven years. These must be in English, unless you get approval from Inland Revenue to use another language.

Record-keeping checklist — Inland Revenue

Common pitfalls

Avoid these common pitfalls when claiming expenses:

- Not separating your business and personal receipts — you need to know which ones to claim against your business tax return and your personal tax return (unless you're a sole trader).
- Getting rid of your receipts or invoices too soon — you must keep them for seven years.
- Not knowing what you can claim for.

Related content

Goods and Services Tax (GST) dos and don’ts

When to register and deregister for GST, how to pay it and when, plus zero-rated goods and services.

Find guidance on GST

(/tax-and-accounting/basic-tax-types/gst)

Use this tool to find out which laws apply to you and your business — and save valuable time.

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Basic tips for reducing your tax bill

Tips for reducing tax

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