This is a very popular post that we first published in 2010. It's been reviewed and refreshed for up-to-date accuracy.

1. Question Every Expense

Whether you're trading as a sole trader or a limited company, an easy way to reduce your tax bill is to ensure that all of your business expenses are recorded in your accounts.

So every time you put your hand in your pocket to pay for something or reach for the credit card, think: **is this a business expense?**

The general rule is that if the expense is wholly and exclusively for the purpose of your trade, it will usually be tax deductible.

Remember though:

- Client entertainment - although it may be a genuine business expense - is not deductible for tax purposes.
- Staff entertainment expenses are deductible as long as they're reasonable.
- A company cannot claim an employee’s (including director’s) meals and accommodation against profits unless it has documentation to back up the claim. This could be vouched receipts. Or it could be comprehensive subsistence records provided by the employee. PAYE and PRSI implications can arise if the strict Revenue guidelines aren’t followed.
- Clothing expenses aren’t deductible unless they’re for protective clothing. For example, a new business suit for a sales person isn’t deductible, but a hard hat and steel toe-cap boots for a builder are.
- Where expenditure relates to both business and private use (for example telephone expenses), only the part that relates to your business will be allowed.
- Be careful not to reclaim expenses on the double, for example claiming mileage expenses as well as petrol receipts.

2. Keep proper records

Now that you’ve identified your additional business expenses, ensure that you file the receipts and record them in your accounting records. It’s all too easy to pay for something by cash and lose the receipt in the car or the bottom of your handbag.

If an expense is business-related but not allowable for tax purposes, then record it in your accounts as normal. You’ll still want to know how it affects your business profits. But we’ll add it back in the information we send to Revenue.

Warning: For limited companies, please be careful! If a personal expense is paid by the company which results in the director owing money back to the company, this could result in a breach of the Companies Acts.

3. Claim all your tax credits and reliefs

While it may seem with every budget (and emergency budget) that tax reliefs are getting scarcer, there are still some tax credits and reliefs out there that can help to reduce your tax bill, for example:

- Rent credit (this credit will close in 2017)
- Dependent relative
- Incapacitated person – employing a carer
- Artists exemption
- Deduction for maintenance payments
- Certain medical and dental expenses
- Pension contributions and PRSAs

Married couples should ensure that their tax credits and tax rate cut-off points are shared in the most tax efficient way depending on who is the higher earner. If one spouse is at home looking after the kids, they may be entitled to the home carer’s credit.
The Revenue have a comprehensive list of tax credits and reliefs on their website.

4. Research and Development Credit for companies

In these challenging times, Research and Development (R&D) is one of the most important activities that Irish businesses can undertake.

You may not be aware, however, that as well as getting a corporation tax deduction for qualifying research and development expenditure, your company may also qualify for an additional tax credit of 25% in certain circumstances.

This tax credit is available for offset against the current year corporation tax liability and any unused credit can be carried forward to future periods. Or it can be carried back to reduce the corporation tax liability in the preceding accounting period.

If there's an excess of credit left over then there are 2 options. The remaining credit can be carried forward. Or the company can claim to have the excess paid to them by Revenue in 3 instalments over a period of 33 months. This period starts at the end of the accounting period in which the expenditure was incurred.

5. Salary planning for company directors

Make sure that you plan the salaries of the directors to minimise tax liabilities.

If done properly, salary planning can not only reduce tax liabilities but also allows you to better manage the company's cashflow throughout the year.