

Business Expense Cheat Sheet

What's Acceptable (and What's Not)

What Qualifies as a Business Expense?

An expense must be **ordinary** (common in your industry), **necessary** (helpful for running your business), and must **directly support** your business operations.

Operational Expenses	
✓	A business owner pays for their web hosting with a dedicated business credit card.
✗	A business owner puts all grocery and household expenses on their business card because they “work from home.”
✓	A catering company buys bulk groceries specifically used for client events and meal prep services.
Marketing and Advertising	
✓	A small business owner pays for targeted social media ads to reach potential customers.
✗	A business owner buys an expensive designer bag, claiming it's for “brand image.”
✓	A fashion influencer buys designer pieces to showcase in paid brand collaborations and content creation.
Insurance Premiums	
✓	A contractor pays for liability insurance to cover potential worksite accidents.
✗	A contractor purchases an extended car warranty, claiming it as a business expense.
✓	A rideshare driver purchases commercial auto insurance required for their work.
Product and Service Costs	
✓	A bakery purchases high-quality flour and ingredients for their baked goods.
✗	A bakery owner stocks their home kitchen with premium ingredients and writes them off as “recipe testing.”
✓	A recipe developer purchases specialty ingredients for testing new recipes for a cookbook deal.
Financing	
✓	A business takes out a small business loan to expand operations.
✗	A business owner uses loan funds to pay off their personal credit card debt.
✓	A restaurant owner takes out a loan to renovate their dining area and update kitchen equipment.
Meals, Gifts, and Entertainment	
✓	A sales team takes a client out for dinner to discuss a potential business deal.
✗	A business owner takes their friends out for drinks and claims it as “networking.”
✓	A talent agent takes a celebrity client out to discuss contract negotiations.

Employee and Professional Services	
✓	A small business hires a tax professional to ensure proper bookkeeping and compliance.
✗	A business owner hires a personal stylist and writes it off as a “professional branding expense.”
✓	A high-profile consultant hires a stylist to curate wardrobe choices for speaking engagements and media appearances.
Travel and Transportation	
✓	A consultant books a flight and hotel for a conference related to their industry.
✗	A consultant books a luxury vacation to Paris and justifies it as a “networking opportunity.”
✓	A travel journalist books a trip to Paris to review hotels and experiences for a paid article.
Technology and Software	
✓	A graphic designer purchases a premium design software subscription.
✗	A graphic designer buys a gaming console and justifies it as a “creative break tool.”
✓	A video game designer buys a gaming console to test and analyze competitor games.
Taxes and Compliance	
✓	A small business owner hires an accountant to file their quarterly taxes.
✗	A business owner hires a personal financial advisor to manage their retirement savings and claims it as a business expense.
✓	A financial consultant hires a tax attorney to ensure compliance with complex regulations affecting their clients.
Education and Development	
✓	A marketing professional enrolls in an industry-related certification course.
✗	A marketing professional signs up for a yoga retreat, calling it “personal development.”
✓	A certified yoga instructor takes a specialized training course to expand their teaching credentials.

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