

What's the difference between an asset and an expense?

Expenses

Last updated 17 March 2026

Whenever you buy equipment through your business, we've tried to keep things simple with two categories in Mighty: one for **high value equipment** and one for **low value equipment**.

The difference? High value equipment gets recorded as an **asset**, while low value equipment is treated as an **expense**.

But if you're thinking, *what's the actual difference between an asset and an expense?* Don't worry. We'll explain in this article.

What is an expense?

An **expense** is something your business buys to keep things running day-to-day. It's usually lower in value and doesn't stick around for too long.

Think:

- A £30 wireless mouse
- A phone charger
- A budget office chair from IKEA

These are things your business uses now, and the cost gets deducted from your profit straight away when we do your accounts (so less corporation tax to pay). You'll see these expenses in your Profit & Loss report.

In Mighty, we call this **Low Value Equipment**. As a general rule, anything under £250 fits here but you might have items that cost less than that and still want to classify them as an asset because they're particularly useful or valuable to your business long-term.

What is an asset?

An **asset** is something more valuable that your business will use for a long time - usually over a year. It's a bigger purchase that gets treated differently in your accounts.

Think:

- A £1,200 MacBook
- A high-end phone
- An expensive proper sit-stand desk

You'll see these assets in your Balance Sheet report. It's worth noting, instead of deducting the full cost all at once, we spread it out over a few years. This is called depreciation (don't worry, we handle that part for you!).

That said, most assets still qualify for the Annual Investment Allowance, so you'll typically still get 100% of the Corporation Tax relief in year one.

In Mighty, this goes under High Value Equipment. As a rule of thumb, we advise that generally anything over £250 that will last longer than a year should be classified as an asset but there could be exceptions.

Why does it matter?

It's important that expenses are recorded in your Profit & Loss and assets appear on your Balance Sheet. The way things are treated in your accounts affects your profit, your Corporation Tax bill, and the overall financial picture of your company.

By keeping things in the right category, asset vs. expense, we make sure your year-end accounts are accurate and HMRC-compliant.

Still unsure?

If you're still unsure, just drop us an email at support@mightyaccounting.com and we will be happy to advise.

Read this guide online (always the latest version): <https://app.mightyaccounting.com/Knowledge/article/asset-or-expense>