



## MODULE 10

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# *Completing your tax return, record keeping and expenses*

Note: the information provided here is from current UK legislation as of February 2018  
Do ensure you check regularly for any changes/updates in legislation

### ***In this mini-guide we will be taking a look at:***

- How to complete your own tax return
- Filing your return online
- Record keeping for your business and accounts
- Business expenses
- Paying tax and National Insurance (N.I.)

# Completing your tax return

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As an individual you will need to complete an annual tax return. The tax year runs from 6th April until the 5th April the following year. Your tax return and full payment of tax due for that year has to be filed and paid for by 31st January.

For example: the tax year 2017/18 runs from 6th April 2017 until 5th April 2018. You then have until 31st January 2019 to prepare and file your tax return with HMRC and pay any tax you owe (this is if you file your tax return online). If you choose to submit paper tax returns the deadline is 31st October 2018, the payment deadline remains 31st January 2018.

If you file online by 30th December you can opt to have your tax collected from your wages instead of having to pay a lump sum in January. This is if you are also in employment and are paid by PAYE, owe less than £3000, the tax you owe can't be more than 50% of your wage

## Paper tax return

If you would like to fill in a paper tax return you can find the up-to-date form and instructions on how to fill it out here

<https://www.gov.uk/government/publications/self-assessment-tax-return-sa100>

Remember, paper returns have to be done by 31st October each year

# Filing your tax return online

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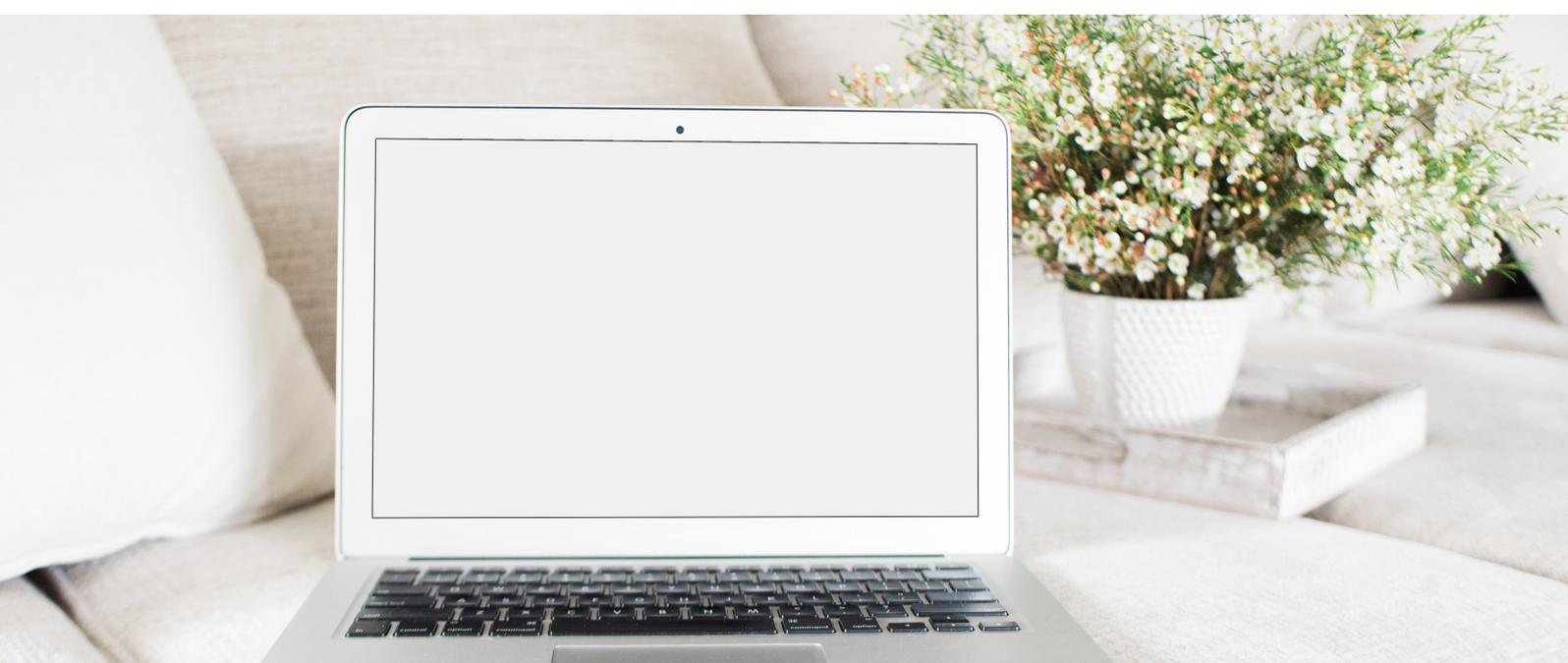
If you would like to fill in your tax return online you will need to have your Unique Taxpayer Reference number (UTR) which you'll find in your HMRC registration letter. You then need to create your account on the Government Gateway and wait for the code that they send you in the post.

You can then submit your tax return

<https://www.gov.uk/log-in-file-self-assessment-tax-return>

## Tips

- Ensure you register as self-employed and get your UTR by December at the latest. 31st January is the deadline for online tax returns and applying in January can lead to delays in receiving your UTR and your Government Gateway code. Failing to give yourself enough time to receive these will still result in a fine for a late return!
- It takes longer than you might think to submit your tax return. Don't leave it until the last minute! HMRC will be very busy in January and if you have queries you will find it hard to get through to them so try to file your return early even if you pay on the deadline day



# Record keeping, expenses and accounts

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It is really important to keep a record of everything you spend on your business and the money you take in.

Ensure that you keep all your receipts for everything from computers, training, tools, beads, gemstones etc. You also need to make sure you keep a record of the money you take from customers, which can simply be done using a receipt book.

Your receipts can be either paper records or scanned onto a computer (except for certain records such as dividend vouchers for limited companies which must be kept in their original form). If you choose to scan in your records the scanned documents must show all the information that was on the paper document, both on the front and back (e.g. even if the back of a receipt has an address) and they must be easily legible by the HMRC so don't save in an obscure format

## Tips

- At the end of each month it is a good idea to put all the data together in some format, either an excel spreadsheet an online accounting system which will have a good backup (e.g. Go Simple Tax) or an accounting package for your computer (which will cost about £100)
- Keeping this up to date is important for when you come to do your tax return
- I can recommend an online service [www.gosimpletax.com](http://www.gosimpletax.com). You enter in your income and expenses and it automatically checks what you've entered and puts it into the correct format for HMRC. It uploads directly from their website to HMRC in the correct format. You can also email tax experts with your questions

# *What paperwork do I need to complete my tax return?*

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- Invoices that you issue
- Bills that your suppliers give you
- Bank statements
- Receipts for payments that you don't have an invoice for
- VAT returns (if you are VAT registered)
- Other tax returns e.g. self-assessment tax return
- Information about other money going in and out of the business e.g. lease agreement, money you're paying back to an investor
- Dividend voucher (if VAT registered)



# Business expenses

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When you are self-employed your running costs and expenses are taken away from your business income to work out the profit in your accounts. What is and isn't allowed as an expense does change so make sure you are working from up to date information by checking out this link

<https://www.gov.uk/expenses-if-youre-self-employed/overview>

## Allowable expenses

- Office costs, eg. stationary or phone bills
- Travel costs, eg. fuel, parking, train or bus fares
- Clothing expenses, eg. uniforms
- Staff costs, eg. salaries or subcontractor costs
- Things you buy to sell on, eg. stock or raw materials
- Financial costs, eg. insurance or bank charges
- Costs of your business premises, eg. heating, lighting, business rates
- Advertising or marketing, eg. website costs

If you use something for both business and personal use e.g. your mobile phone, you can claim the business use back.

Example: Your mobile phone bills for the year total £200. Of this, you spend £130 on personal calls and £70 on business. You can claim for £70 of business expenses.

# Simplified expenses

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If you are a sole trader you can use simplified expenses which means you can use a flat rate for certain expenses rather than having to calculate it specifically. You can use flat rates for:

- \* business costs for vehicles
- \* working from home
- \* living in your business premises

You must calculate all other expenses by working out the actual costs.

You can find the simplified expenses checker here  
<https://www.gov.uk/simplified-expenses-checker>

There are some costs that you can't claim tax relief on

## Entertaining

If you entertain anyone other than employees of your business e.g. taking a customer to lunch. If it's a day-to-day running cost of the business it can go in the expenses in your profit and loss account but HMRC say that it's a cost on which you can't claim tax relief

## Travel

Between your home and your usual workplace is not allowable. If you make a journey that is for business but there is also a private element you need to work out why you chose to make the journey. If the main purpose of the journey was for business then you can usually claim the travel costs related to that part

# Simplified expenses

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## Mileage

If you travel by car on business you can usually claim tax relief on the cost of the journey. This is complex so do look up the current HMRC policy on this

## Home

If you work from home then you can usually claim tax relief on part of the household running costs, depending on how much you use your home for business. It is best not to claim that a room is used 100% for business because HMRC could charge you capital gains tax on that room if and when you sell your house

Add up your running costs e.g.

- \* mortgage interest payments (not capital)
- \* council tax
- \* electricity and gas
- \* water
- \* insurance

Divide that by the number of rooms in the property. You could claim, for example, 90% for your office, 20% for the lounge. Add this up and this is what you can claim as an expense.

# Paying tax and National Insurance

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Income tax and National Insurance for the self-employed is always due on 31st January and 31st July.

You will normally need to pay your annual tax bill on 31st January. However, if your tax and National Insurance bill exceeds £1000 you have to make what HMRC call 'payments on account'. This means you must pay towards a future tax bill in advance, you must pay half of your future tax on each of those dates.

## National Insurance

You usually pay 2 types of National Insurance if you're self-employed:

Class 2 if your profits are £5,965 or more a year

Class 4 if your profits are £8,164 or more a year

## How much you pay

For 2017/18

Class 2 National Insurance Contributions (NIC) - £2.85 per week

Class 4 NIC - on profits between £8,164 - £45,000 - 9%

On profits of £45,000 and over - 2%

You will receive a bill for your National Insurance based on your self assessment which will include your deadline to pay.