



Accounting for your Success

Self-Employment – The First Steps

The first thing you will need to do is register as self-employed with HMRC – This will need to be done within two months of becoming self-employed, it's a straightforward process. Once you have done this you will then receive your Unique Taxpayer Reference (UTR) which should be sent to you in approximately 10 working days. Click on the link below to register.

<https://www.gov.uk/log-in-file-self-assessment-tax-return/register-if-youre-not-self-employed>

You will receive a letter from HMRC the following April inviting you to complete an SA100 tax return for the previous period to end of March to work out what tax and national insurance you will need to pay, keep a copy of any P45s you have received during this period before going self-employed as you will need to include this information on your return and any tax you have already paid will be deducted from the amount due.

What out of pocket expenses can I claim?

When you are self-employed you can deduct any out of pocket business expenses from your income and you will only then pay tax and NI on your net profit, allowable expenses include but are not limited to:

- Personal Protective Equipment (PPE)
 - Boots/shoes if steel toecaps
 - Any protective clothing such as gloves
 - Other clothing if it has your logo on it
- Tools/Materials
 - Any tools for business use
 - Materials purchased
- Mobile Phone
 - A portion of your mobile phone bill that is used for business.

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- **Travel**

- Train / taxi / bus fares
- Travel mileage in your own vehicle (record all return journeys) the first 10,000 you can claim £0.45 per mile after that its £0.25

It is important to note that you cannot claim mileage from home to a single place of work but if you are travelling between sites or to meetings or to the bank or to buy supplies you can claim these miles.

There are, of course other expenses that can be claimed for, which would include laptops, tablets and software as well as stationery and postage. I have attached a simple expenses spread sheet, if you decide to use this it will add the totals up for you as you go along, there is a separate sheet for your income.

What else will need to go on my Tax Return?

There are a few other things that will need to go on your tax return, firstly any other income including, but not limited to, Share Dividends, income from property, pension payments received as well as, interest on savings as these are paid gross these days and need to be included.

Contributions you make into a private pension scheme should also be shown as these will be deducted from your profit before your tax is calculated so it is beneficial to pay into a pension if you are able to.

How much will I have to pay?

Tax

You'll pay tax at the standard rates and you will still get your tax allowance (currently 12,500)

National Insurance

This is slightly different, as a self-employed person you do not receive sick pay and this is reflected in the amount of NI you will have to pay, National Insurance is now calculated with your tax return and is payable at the same time there is no separate stamp anymore so you won't need to worry about this until your return is due.



You will have to pay

Class 2 NI - which is currently £3.00 per week (if your profit is below £8,632 there is nothing further to pay)

Class 4 NI – this is 9% on profits between £8,632 and £50,000 and 2% on profits above this.

Construction Industry Scheme (CIS)

Lastly, if you work for a main contractor you will need to register for Construction Industry Scheme (CIS), the people you are working for will tell you if this is necessary. If you do have to register the link below will be of use to you:

<https://www.gov.uk/what-you-must-do-as-a-cis-subcontractor/how-to-register>

One of the main mistakes I have seen from people on CIS when completing their tax return is to only include the money they have received, this is your net pay and should be grossed up to include the CIS deduction, if you have to register let me know and I will go through this in more detail.

Things to watch out For

One word or caution, your first tax bill, depending on your income, may be a little higher than expected due to payments on account. If your tax due is above a certain level, you will have to make an advance payment towards the return for the next year and this can come as a bit of a shock to the newly self-employed, so it is important to budget for this. If this is the case you will also be required to make a second payment on account in July, more information on this can be found at: <https://www.gov.uk/understand-self-assessment-bill/payments-on-account>

Check List

1. The priority is to get registered as self-employed.
2. Register for CIS if you are a subcontractor
3. Keep all your receipts for expenses
4. Keep a record of mileage and keep your fuel receipts to substantiate your mileage
5. Ensure you put some away towards your tax bill so you don't get any shocks

