



Top 10 Tips: Self Assessment

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When to register



HMRC expects more than 12.1m people to complete a Self Assessment tax return!

You must send a tax return if in the last tax year you were:

- ✓ self-employed as a 'sole trader' and earned more than £1,000 (before taking off anything you can claim tax relief on)
- ✓ a partner in a business partnership

You may need to send one if you have any other untaxed income:

- ✓ money from renting out a property
- ✓ tips and commission
- ✓ income from savings, investments and dividends
- ✓ foreign income

- ✓ register with HMRC via gov.uk - the process will vary slightly depending on whether or not you are self-employed

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Think ahead



Last year 31st Jan was the busiest filing day with 702,171 completed, while more than 2,700 submitted on Christmas day!

- ✓ always make sure you prepare your tax return well ahead of the deadline & have in place the funds to pay any tax due
- ✓ deadlines for last tax year (6 Apr 2020 - 5 Apr 2021) are as follows:
 - register for Self Assessment 5 October 2021
 - paper tax returns midnight 31 October 2021
 - online tax returns midnight 31 January 2022
- ✓ keep your Unique Taxpayer Reference (UTR) safe, as you will need to use it every time you need to file a return. This is sent to you following registering for Self Assessment
- ✓ make sure you can access your Government Gateway account before you try & submit your self-assessment
- × missing the deadlines is likely to result in penalties, including interest on late payment

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Record keeping



You must keep the necessary records to evidence all income & expenditure declared on your tax return: try to do this as you go along & not wait until the year-end!

- ✓ for tax returns sent on or before the deadline, you should keep your records for at least 22 months after the end of the tax year
- ✓ if self employed you must keep your records for at least 5 years after the 31 January submission deadline of the relevant tax year
- ✓ there are currently no rules on how you must keep records. HMRC notes you can keep them on paper, digitally or as part of a software program (like book-keeping software)
- ✓ a Sole Trader or Landlord with multiple properties should consider using accounting software, such as QuickBooks, Xero, FreeAgent
- × HMRC can charge you a penalty if your records are not accurate, complete & readable

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Claiming allowable expenses



A Sole Trader can deduct running costs to calculate their taxable profit, just as long as they are allowable expenses

- ✓ expenses must be 'wholly and exclusively for the purpose of your business'
- ✓ these include: office costs, travel costs, clothing expenses, staff costs, things you buy to sell on, financial costs, business premises, advertising & marketing, training courses
- ✓ claim capital allowances when you buy something you keep to use in your business: equipment, machinery, business vehicles
- ✓ if you use something for both business & personal reasons you can only claim allowable expenses for the business element
- ✓ if you work from home you may be able to claim a proportion of your costs for things like: heating, electricity, Council Tax, mortgage interest or rent, internet & telephone use
- × allowable expenses do not include money taken from your business to pay for private purchases

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Utilise tax allowances



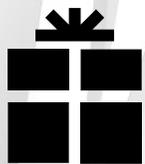
2.4 million qualifying couples miss out on the marriage tax allowance!

For the 2021-22 tax year:

- ✓ the majority can earn £12,570 without paying income tax
- ✓ blind person's allowance represents an additional £2,520
- ✓ basic-rate taxpayers can earn up to £1,000 in savings interest, without paying income tax (or £500 for higher rate taxpayers)
- ✓ the first £2,000 you receive in dividends from investments is tax-free
- ✓ claim marriage tax allowance, worth up to £252
- ✓ if you earn money from trading activities (such as selling items on eBay or offering a small freelance service) or from your property, you can make £1,000 tax-free
- ✓ you've always been able to claim for increased costs if your employer has asked you to work from home, but during Covid you can claim a whole year's tax relief, for just 1 day!

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Helping charities through Gift Aid



Donating through Gift Aid means charities can claim an extra 25p for every £1 you give & it will not cost you any extra!

- ✓ you need to make a Gift Aid declaration for the charity to claim. You usually do this by filling in a form provided by the charity
- ✓ your donations will qualify as long as they're not more than 4 times the tax paid within that tax year
- ✓ if you pay tax above the basic rate, you can claim the difference between the rate you pay & the basic rate on your donation through your self assessment return - example:
 - you donate £100 to charity - they claim Gift Aid to make your donation £125. You pay 40% tax so you can personally claim back £25 ($£125 \times 20\%$)

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Complete the correct forms



- ✓ complete the main tax return: **SA100**
- ✓ if self-employed, in addition to the SA100 you will need to complete either **SA103S** (the form for self-employment if your annual turnover was below the VAT threshold for the given tax year) or **SA103F** (the form for self-employment if your annual turnover was above the VAT threshold)
- ✓ there is a special form if you're sending a tax return for a business partnership: **SA800**
- ✓ you might need to fill in more sections, known as 'supplementary pages', if you're telling HMRC about additional types of income:
 - employees or company directors: **SA102**
 - UK property income: **SA105**
 - foreign income or gains: **SA106**
 - capital gains: **SA108**
 - non-UK residents or dual residents: **SA109**

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When to ask for help



If you have been 'careless' on your tax return, the penalty will be between 0% & 30% of the extra tax owing

- ✓ if you are unsure of what is required, it is best to seek guidance:
 - ✓ HMRC has a number of helpful video's to assist with self assessment: www.youtube.com/user/hmrcgovuk
 - ✓ if you are self-employed you can use the self-employed ready reckoner to help budget for your tax bill: [HM Revenue & Customs: Self-employed ready reckoner \(hmrc.gov.uk\)](http://HM Revenue & Customs: Self-employed ready reckoner (hmrc.gov.uk))
 - ✓ speak to a Accountant / Bookkeeper who is a member of a professional body, for guidance & potentially authorise them to be your tax agent
 - ✓ where your affairs are more complex, check that you are not missing out on valuable reliefs & allowances

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**Don't forget
to pay!**



- ✓ you have to make 2 'payments on account' every year, which are advance payments towards your tax bill (including Class 4 National Insurance for the self-employed) unless:
 - your last Self Assessment tax bill was less than £1,000
 - you've already paid more than 80% of all the tax you owe
- ✓ each payment is half your previous year's tax bill. Payments are usually due by midnight on 31 January & 31 July
- ✓ if you still have tax to pay, you must make a 'balancing payment' by midnight on 31 January the following year
- ✓ the simplest way to make payment is to access your Government Gateway account (using your UTR) & follow instructions
- ✓ make sure you leave enough time for any payments to clear, as you'll likely to be charged interest & may have to pay a penalty if your payment is late

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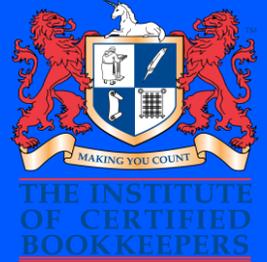
Prepare for MTD



According to HMRC avoidable mistakes in Self Assessment returns cost the Exchequer £8.5 billion in 2018-2019

- ✓ Making Tax Digital (MTD) is a key part of the government's plans to make it easier for individuals & businesses to get their tax right & keep on top of their affairs
- ✓ VAT-registered businesses with a taxable turnover above the VAT threshold (£85,000) are already required to follow the Making Tax Digital rules, by keeping digital records & using software to submit their VAT returns
- ✓ self-employed businesses & landlords with annual business or property income above £10,000, will need to follow the rules for MTD for Income Tax from their next accounting period, starting on or after 6 April 2023:
 - you will need to submit four updates through the course of the year & then a final declaration following year-end
 - the payment schedule remains unchanged

**For more
information**



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Also view: [Self Assessment tax returns - GOV.UK \(www.gov.uk\)](http://www.gov.uk)



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