HM Revenue & Customs

Self-employment (short) notes

Tax year 6 April 2008 to 5 April 2009

Who should use the *Self-employment (short)* pages

The *Self-employment (short)* pages are designed for more straightforward businesses where turnover (the total takings, fees, sales or money earned by your business) is less than £67,000 a year (or would be if you were trading for a full year).

You must not use the *short* pages if:

- your annual turnover was £67,000 or more
- you have changed your accounting date
- your accounting period does not start on 6 April 2008 (only if your business has ceased before 6 April 2009)
- the results of your accounts, made up to a date in the year to 5 April 2009, have been declared on a previous Tax Return
- you no longer prepare your accounts on the 'cash basis' but have changed to 'generally accepted accounting practice' (GAAP) (also known as the 'true and fair basis')
- you provide your services under contracts for professional or other services and have made an entry for adjustment income in earlier Returns
- you are a practising barrister
- your business is carried on abroad
- you wish to claim Agricultural or Industrial Buildings Allowance or other capital allowances for items apart from equipment and machinery
- your 'basis period' – that is, the self-employed period for which you are taxable – is not the same as your accounting period
- you wish to claim 'overlap relief'
- you are a farmer, market gardener or a creator of literary or artistic works and you wish to claim averaging
- you want to make an adjustment to your profits chargeable to Class 4 NICs (for example, if your profits include earnings as an employee).

Instead, you must complete the *Self-employment (full)* pages. You can obtain these, and their notes, from the Orderline on **0845 9000 404** or from **www.hmrc.gov.uk**

Contacts

Please phone:

- the number printed on page TR 1 of your Return
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Completing the *Self-employment (short)* pages

You do not have to draw up formal accounts each year but you must keep sufficient records to support the information you enter on these pages, so we get a full and fair picture of your business. You must keep your records until at least 31 January 2015, in case we ask to see them.

If you do not have accounts, Help Sheet 222 *How to calculate your taxable profits* will tell you how to work out your taxable profit and explains how that profit is taxed. If you do have accounts, Help Sheet 229 *Information from your accounts* gives practical help on filling in the *Self-employment* pages.

We expect you to provide final figures of your income and expenses so if you include any provisional figures, please identify them in the 'Any other information' box, box 19 on page TRG 6 of your Tax Return, say why they are provisional and when you expect to provide final figures. If it is impossible to provide final figures by your filing deadline, you should provide an estimate of your taxable profit in box 30, or loss in box 31, and

leave the rest of the pages blank. Say why you are doing this in the 'Any other information' box. The most likely reason would be if your business is new and your first accounting period will not end until close to (say, within three months), or after, the filing deadline.

You may need to complete more than one set of *Self-employment* pages if:

- you have more than one business, even if you have one set of accounts covering all your businesses
- you have recently started or ceased in business or you have changed your accounting date and you need more than one set of accounts to arrive at your taxable profit.

If you were a construction worker and the person for whom you worked has told you that you were not self-employed for a particular contract and tax, under Pay As You Earn, has been deducted from the payments made to you, please contact us.

If you have one set of accounts for more than one business, you will need to separate out the income and expenses for each business from those accounts and include the details on separate sets of *Self-employment* pages.

Business details

Box 4 *Foster carers and adult placement carers*

If you are a foster carer or adult placement carer, how you fill in the *Self-employment (short)* pages will depend on the method of Return completion you choose. Help Sheet 236 *Foster carers and adult placement carers* explains this. There is more information at **www.hmrc.gov.uk**

Box 5 *If your business started after 5 April 2008*

You will be taxable on any profits for the period from the date you started working for yourself up to 5 April 2009.

Box 6 *If your business ceased before 6 April 2009*

If you have stopped working for yourself you are taxable on any profit for the period beginning on the day after your last 'end of year date' (see the note for box 7), which fell in the year to 5 April 2008 up to the date your business ceased. You may be entitled to a tax relief called 'overlap relief' depending on the length of time you have worked for yourself. If you think you are, fill in the *Self-employment (full)* pages, not the *Self-employment (short)* pages.

Box 7 *Date your books or accounts are made up to*

Every business must keep records – by law. It is usual to keep your business records year by year. We suggest you 'make up your books' to the same date each year. That date will be your 'end of year date' or your 'accounting date'.

If you have been working for yourself for less than 12 months (and you filled in box 5) you will have to choose an end of year date – then use the same date each year. It can be any date but, as the tax year ends on 5 April, you may find it easier to use 5 April. If the box 7 date is after 5 April 2009 and you have made up your first set of books, use the figures from those books for this Return. We will tax you on the part of the profit that falls into the tax year 6 April 2008 to 5 April 2009.

Contacts

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Business income

Box 8 Your turnover – *the takings, fees, sales or money earned by your business*

Your total sales, takings, fees or money earned by your business for the period up to the date in box 7 may sometimes be referred to as your turnover.

Turnover includes:
- cash or cheques
- fees, tips and commissions
- the value of any payments 'in kind' – that is not payment by cheque or cash – for work done or goods sold.

It is the money due to you up to your end of year – whether or not you have actually been paid. It does not include Business Start-up Allowance – that goes in box 29.

Allowable business expenses

Boxes 10 to 19

Expenses will vary from business to business – but you will be able to find a place for yours in the categories covered by boxes 10 to 18. Some expenses are not allowable for tax purposes – for example, entertaining clients, even if such entertainment directly led to new business.

Some expenses are only partly allowable, for example, you may use your car for both business and private motoring. You can only claim the business costs against tax. You may work from home or use a room in your home as an office. You can only charge the business percentage of the costs of running your home (heat and light etc) against tax. If your records contain your total expenses you will have to work out the private use proportions and deduct those amounts before you enter the figures for allowable business expenses in boxes 10 to 18.

Do not include in these boxes the cost, or the depreciation or reduction in value, of any equipment or machinery you use in the business. Instead, claim tax allowances called 'capital allowances' on these items (see the notes for boxes 22 to 25). But do include their running costs here.

Tax allowances for vehicles and equipment (capital allowances)

You can claim tax allowances, called capital allowances, for the costs of, and improvements to, vehicles and equipment – such as vans, tools, computers, business furniture, cars (even if the item was purchased under hire purchase) - which are not allowable as expenses in working out your taxable profits. The type of capital allowance that you can claim depends on the assets you have and other circumstances – see the notes for boxes 22 to 25 below. Capital allowances must not be claimed for:
- the costs of things that it is your trade to buy and sell as these can be claimed as business expenses
- the interest and other fees that you may be charged for purchasing items under hire purchase. These charges should be separated out and included in box 16.

The following advice only applies if you have a 'standard' accounting period of 6 April 2008 to 5 April 2009. If you have a different period please refer to Help Sheet 222 *How to calculate your taxable profits*, or contact us or your tax adviser.

The notes below, the examples, and the Working Sheets on pages SESN 7 to SESN 8 will help you work out how to claim these allowances and the figures that should be included in boxes 22 to 25. The Working Sheets cover most common situations and will work out most allowances but they should not be used in more unusual circumstances. Help Sheet 222 *How to calculate your taxable profits* has more advice and examples.

Box 22 *Annual Investment Allowance*

You can claim a new capital allowance, called an 'Annual Investment Allowance' (AIA) if you bought equipment (but not cars) on or after 6 April 2008, up to an annual amount of £50,000. Add the cost of all the equipment together and, if the total cost is £50,000 or less, you can claim 100% of that whole amount as your AIA. If the total is more than £50,000, then you can claim up to £50,000 of the total as your AIA. Enter the total amount of AIA claimed in box 22.

Box 23 *Allowance for small balance of unrelieved expenditure*

If the balance of the cost after claiming AIA, together with any balance carried forward from any previous year, is £1,000 or less, you may claim that whole amount (the total balance of unrelieved expenditure) as a 'small pools allowance'. Enter the amount of this allowance in box 23.

Box 24 *Other capital allowances*

You may be entitled to other types of capital allowances depending on the cost, type of asset, and qualifying conditions, such as:

- annual 20% allowance
- restricted annual allowance for cars costing more than £12,000
- balancing allowance
- 100% enhanced capital allowances (ECAs) – for certain environmentally friendly or environmentally beneficial technologies.

Read the notes below for more details and enter the total of these other types of allowances in box 24.

Annual 20% allowance

Where you have spent more than £50,000 in a year on equipment, or have purchased a car that cost £12,000 or less (for cars costing more see below), add all the expenditure together to make a 'main pool' of costs. Deduct any Annual Investment Allowance (AIA) up to £50,000 that you are including in box 22. You can then claim an annual allowance of 20% of the remaining pool value. For example, if you have spent £70,000 on equipment and have claimed £50,000 of this as AIA, the balance of £20,000 qualifies for a 20% annual allowance of £4,000, which should be included in box 24. The amount remaining in the main pool after the 20% allowance has been deducted should be carried forward to the following year.

If you sell an item, or no longer use it in the business, or your business has ceased, deduct the sale proceeds of any pool item you sell, or the market value of items that you keep (up to the cost of the item), from the pool value brought forward from earlier years or cost of the item.

Contacts

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Example 1

Nick's accounts are drawn up to 5 April each year. During 2008-09 he spent £20,000 on equipment and bought a van to use in the business for £36,000. The specialist equipment and van together make a 'pool' of cost or value. In 2008-09 the pool qualifies for AIA (up to £50,000) and any expenditure over that amount qualifies for an annual 20% allowance.

	Pool	Allowance
Cost of equipment	£20,000	
Cost of van	£36,000	
Total cost	£56,000	
Minus		
Annual Investment Allowance *box 22*	£50,000	£50,000
Amount qualifying for annual allowance	£ 6,000	
Minus		
Annual allowance at 20% *box 24*	£ 1,200	£ 1,200
Value of pool to be carried forward to 2009-10	£ 4,800	

Business and private use

Where you use an item of equipment for both business and private purposes, each item is put into a separate pool and the allowances you claim should be reduced by the amount of your private use. For example, if a car costing £12,000 is used 60% for business and 40% for private use, the cost would go into a separate pool, and the 20% annual allowance of £2,400 (£12,000 x 20%) would be reduced to 60% of that amount, that is £1,440. The example and Working Sheets below will help you.

Restricted annual allowances for cars costing more than £12,000

If you buy a car costing more than £12,000 you cannot claim more than £3,000 in any one year for it so the 20% annual allowance has to be restricted to £3,000. Put each car costing more than £12,000 in a separate 'car pool' and do a separate calculation for each one for as long as you own it.

Example 2

In January 2009 Joe bought a car for £16,000. The car is used 60% for business and 40% for private motoring. The car cannot go into the main pool and does not qualify for AIA. Because the car cost more than £12,000 Joe can only claim capital allowances up to £3,000 (not 20% of its value because that would be more than £3,000).

	Car pool	Allowance
Cost of car	£16,000	
Annual allowance (£16,000 x 20% *restricted to £3,000)*	£ 3,000	£1,800 (60%)
Value carried forward	£13,000	

Because Joe uses the car 40% for private purposes the £3,000 has to be restricted to the 60% business use proportion, or £1,800. So £1,800 is added to the allowances in box 24 for 5 April 2009.

Balancing allowance

If you sell an item in a single asset or car pool, and the proceeds or value is less than the pool value or cost of the item, the difference is called a balancing allowance and should be included with other allowances in box 24.

Enhanced capital allowances (ECAs)

You can claim 100% capital allowances for:

- designated energy-saving or water-efficient equipment used in your business (even if you have otherwise used up your AIA)
- a new car with low CO_2 emissions of not more than 110gm a km driven (even if it costs more than £12,000)
- equipment for refuelling vehicles with natural gas, biogas or hydrogen fuel (even if you have otherwise used up your AIA)

See **www.eca.gov.uk** for more information.

Example 3

Jack Green is a painter and decorator. He started working for himself on 6 April 2008 and decides to draw up his accounts to 5 April each year (5 April becomes his accounting date).

When he started he bought ladders for £2,000 and specialist equipment for £18,000. Then, on 1 December 2008 he bought a van to use in the business for £36,000. The ladders, specialist equipment and van together make a 'main pool' of cost or value. In 2008-09 the pool qualifies for AIA and any expenditure over that amount for a 20% annual allowance. For 2009-10 the annual allowance will be 20% of the remaining pool brought forward.

Jack decides to close the business on 30 September 2010. He sells the van for £14,000 and scraps the ladders and other equipment. This is Jack's capital allowance calculation:

	Main pool	Allowance
Period ended 5 April 2009		
Cost of ladders	£ 2,000	
Specialist equipment	£18,000	
Van cost	£36,000	
Total expenditure	£56,000	
Minus		
Annual Investment Allowance *box 22*	£50,000	£50,000
Balance of pool	£ 6,000	
Minus		
Annual 20% allowance *box 24*	£ 1,200	£ 1,200
Value to be carried forward to 2009-10	£ 4,800	
Year ended 5 April 2010		
Value brought forward	£ 4,800	
Minus		
Annual 20% allowance (£4,800 x 20%) *box 24*	£ 960	£ 960
Value carried forward to 2010-11	£ 3,840	
Period ended 30 September 2010		
Value brought forward	£ 3,840	
Minus		
Disposal proceeds	(£14,000)	
Balancing charge *(enter in box 25 on 2010-11 Tax Return)*	£10,160	

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Box 25 *Total balancing charges – where you have disposed of items for more than their value*

When you sell an item that you have claimed capital allowances on, deduct the amount you received for it (the sale proceeds) from the pool value brought forward or cost. Likewise, if you no longer use an item for business purposes, deduct the value of it from the pool value or cost. If the sale proceeds or the value of the item is more than the pool value or cost, the difference is called a 'balancing charge' and is taxable. Enter the total of any balancing charges in box 25.

Working Sheets for boxes 22 to 25

Use the Working Sheets below to work out the total capital allowances or balancing charges due on your equipment and other items. Most items of equipment can go into the main pool (Working Sheet A) but not all. Use a separate Working Sheet for each item used partly for business and part privately (Working Sheet B) and for each car costing more than £12,000 (Working Sheet C).

A Main Pool

Total cost of new items coming into pool this year	£
Minus Annual Investment Allowance (up to £50,000) *copy to box 22*	£
Balance remaining	£
Add Pool value brought forward from last year's Tax Return	£
Total	£

If the total is £1,000 or less, enter the full amount in box 23.

If the total is more than £1,000, multiply the total figure by 20% and enter the result in box 24.

If the business has ceased, the sale proceeds (or market value if you keep the items) should be deducted from any pool value brought forward. If any pool value remains it is a balancing allowance and should go in box 24. If the sale proceeds (or value) is more than the pool value or cost, enter the difference as a balancing charge in box 25.

B Single asset with some private use

Value brought forward or cost of new item coming in this year £

If you have disposed of the item

Minus

Proceeds/value of item taken out of the business (cannot be more than cost) £

Balancing allowance - *include in box 24**
or, if proceeds are more than value/cost
balancing charge - *include in box 25** £

Or, if you have kept the item

Minus

Annual 20% allowance (20% of value or cost) - *include in box 24** £

Value to carry forward £

*Please reduce the amount in these boxes by any private use proportion for each item.

C Car costing more than £12,000

Value brought forward from last years Tax Return, **or** cost of new car coming in this year £

If you have disposed of car

Minus

Proceeds/value of car taken out of the business (cannot be more than cost) £

Balancing allowance - *include in box 24**
or, if proceeds are more than value/cost
balancing charge - *include in box 25** £

Or, if you have kept the car

Minus

Annual allowance (20% of value or cost - maximum £3,000) - *include in box 24** £

Value to carry forward £

*Please reduce the amount in these boxes by any private use proportion for each item.

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Calculating your taxable profits

Box 26 *Goods or services for your own use*

If you, or your family or friends, take any stock or manufactured goods out of your business you must include here the value (and not the cost to you) of what was taken out, unless you have already included such value in your turnover.

If you have included gross expenses in boxes 10 to 18, that is, you did not take off any disallowable expenses there, enter those disallowable amounts here in box 26.

Total taxable profits or net business loss

Use the Working Sheet below to get the figure for boxes 27, 30 or 31.

Working Sheet for boxes 27, 30 or 31

Start with your net profit figure *box 20* or net loss figure *box 21*	A	
Add Items that increase your profit (or reduce your loss) Balancing charges *box 25*	B	
Goods or services for your own use *box 26*	C	
Total *box A + box B + box C*	D	
Minus Items that reduce your profit (or increase your loss) Capital allowances *box 22 + box 23 + box 24*	E	
Net business profit *Box D minus box E - if the result is positive copy to box 27*	F	
Or net business loss *Box D minus box E - if the result is negative copy to box 31*	G	
Minus Losses brought forward *(up to the amount in box 27)*	H	
Total *box F minus box H*	I	
Add Any other business income *(box 29)*	J	
Total taxable profits from this business *- copy to box 30* *Box I + box J*	K	

Losses, Class 4 NICs and deductions

Boxes 32 to 34 *Losses*

There are rules about how losses are set-off and time limits for loss claims. Some claims must be made by 31 January 2011. We do not usually accept late claims. You may want to ask for professional advice, or to ask us for Help Sheet 227 *Losses*, which has more information and a working sheet to help you keep track of your losses.

If you have already made a claim for the 2008–09 loss you should still include the loss in the relevant box on your Tax Return.

If your claim is against income or gains of an earlier year, or if you are repeating a claim you have already made, you should provide details in box 19 on page TR 6 of your Tax Return.

Box 35 *If you are exempt from paying Class 4 NICs*

You are exempt from paying Class 4 National Insurance contributions if:

- on 6 April 2008 you were a man aged 65 or over, or a woman aged 60 or over
- on 6 April 2008 you were under 16
- during 2008–09 you were not resident in the UK for tax purposes (if you are not sure please contact us or your tax adviser).

If you are a trustee or a diver or diving instructor you may also be exempted; please contact us if you think this applies.

If you are exempt, please put ‘X’ in box 35. Do not complete box 36.

Box 36 *If you have been given a 2008–09 Class 4 NICs deferment certificate*

If you are employed as well as self-employed, the National Insurance Contribution Office may agree that some of your Class 4 National Insurance contributions can be deferred until your overall contribution can be determined. If your application for deferment is agreed, they will send you a certificate of deferment (form CA2703 *Granted deferment of liability for Class 2 and Class 4 National Insurance contributions*). Only put 'X' in box 36 if you have already been given a certificate of deferment. If you want to apply for deferment please contact us.

Box 37 *Deductions on payment and deduction statements from contractors*

If you are a subcontractor in the construction industry, enter the total deductions made by your contractors from payments you received in the year 6 April 2008 to 5 April 2009. The deductions are shown on your CIS payment and deduction statements. Do not send these with your Tax Return. Even if you have already claimed a repayment of your CIS deductions, you should include the total deductions made during the year in box 35.

Enter in box 1 of the 'Finishing your Tax Return' section of your Tax Return the amount of repayment received, or set-off against other tax due.