HM Revenue & Customs

Self-employment (short) notes

Tax year 6 April 2010 to 5 April 2011

Contacts

Please phone:

- the number printed on page TR 1 of your tax return
- the SA Helpline on **0845 9000 444**
- the SA Orderline on **0845 9000 404** for helpsheets

or go to **www.hmrc.gov.uk**

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 £70,000 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 £70,000 or more
- you have changed your accounting date
- your 'basis period' – the self-employed period for which you are taxable – is not the same as your accounting period. This may happen in the early years of trading, if you change your accounting date and possibly when you cease to trade. Helpsheet 222 *How to calculate your taxable profits* explains basis periods
- your business ceased during the year to 5 April 2011 and the period for which you made up your accounts (your accounting period) for 2009–10 did not end on 5 April 2010 and you are entitled to overlap relief. Helpsheet 222 explains overlap relief
- the results of your accounts, made up to a date in the year to 5 April 2011, have been declared on a previous tax return
- 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 (advocate in Scotland)
- your business is carried on abroad
- you want to claim Agricultural or Industrial Buildings Allowance or other capital allowances for items apart from equipment and machinery
- you want to claim 'overlap relief'
- you are a farmer, market gardener or a creator of literary or artistic works and you want 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)
- you were within the Managing Deliberate Defaulters (MDD) programme for any part of the year.

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

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 2017, in case we ask to see them.

If you do not have accounts, Helpsheet 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, Helpsheet 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. If you include any estimated or provisional figures, please identify them in the 'Any other information' box, box 19 on page TR 6 of your tax return and say why they are estimated or provisional. If you have any provisional figures, you must also say when you expect to provide final figures. In the unlikely event that it is impossible to provide any final figures by your filing deadline, you should complete box 1, provide estimates in boxes 8, 20 or 21, 27 and 30 or 31, and leave the rest of the pages blank. Say why you are doing this, and when you will provide the final figures, in the 'Any other information' box.

If you have more than one business you need to complete a set of *Self-employment* pages for each business even if you have one set of accounts covering all your businesses. See Helpsheet 220 *More than one business*.

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 they have deducted tax from the payments made to you under Pay As You Earn, please contact us.

Business details

Box 4 *If you are a foster carer or shared lives carer*

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

Box 5 *If your business started after 5 April 2010*

You will be taxable on any profits for the period from the date you started working for yourself up to 5 April 2011. Use the *Self-employment (full)* pages, not the *Self-employment (short)* pages for 2010–11 if your accounts are made up to another date.

Box 6 *If your business ceased before 6 April 2011*

You will be taxable on any profit for the period beginning on the day after your basis period for 2009–10 ended up to the date your business ceased. You may be entitled to a tax relief called 'overlap relief' if your accounting date was not 5 April. If you think that you are entitled to this relief, fill in the *Self-employment (full)* pages not the *Self-employment (short)* pages. If your business began on or after 6 April 2010 you will be taxed on the entire profits of the business.

Ceasing self-employment for Class 2 NICs purposes

You must also phone the Self-employment Contact Centre on **0845 915 4655** to tell them the date you stopped working for yourself. If you no longer need to pay Class 2 NICs, they will arrange for your bills to stop.

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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 and to draw up your accounts to the same date each year. That date will be your 'end of year date' or your 'accounting date'. 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 date in box 7 is after 5 April 2011, you cannot use the *Self-employment (short)* pages because your accounting period will not be the same as the period for which you are taxable (see the note for box 5). You must complete the *Self-employment (full)* pages instead.

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. This includes:
- cash or cheques (including construction income)
- 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.

Box 9 ***Any other business income not included in box 8***

Include business income that does not form part of your business turnover, such as:
- rental income from letting part of your business accommodation that has become temporarily surplus
- taxable New Deal payments
- payments you receive for a right to cross your land (way leaves).

Do not include income in box 9 if you are planning to include it elsewhere on your tax return, for example, business bank interest received which will be included on page TR 3 of your tax return.

You should enter income from another trade or business on a separate *Self-employment* page.

Allowable business expenses

Boxes 10 to 19

Expenses will vary from business to business – but you will be able to find a place for all of your business expenses 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, if you use your car for both business and private motoring, you can only claim the business costs against tax. (There is more information on motor expenses in the next paragraph.) You may work from home or use a room in your home as an office. You can only claim the business percentage of the costs of running your home (heat, light and so on) as a business expense. 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.

You may be able to calculate your motor expenses using a fixed rate for each business mile instead of actual motoring costs. If you use this method you must not claim capital allowances on the vehicle. You will find information on using mileage rates in Helpsheet 222 *How to calculate your taxable profits*.

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.

You may enter your total allowable business expenses in box 19 rather than giving a more detailed breakdown.

Tax allowances for vehicles and equipment (capital allowances)

You can claim tax allowances, called capital allowances, for the costs of purchasing, and improvements to, vehicles and equipment – such as vans, tools, computers, business furniture, cars that you use in your business (even if the items were purchased under hire purchase). The costs of such items 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. You must not claim capital allowances for:

- the costs of things that it is your trade to buy and sell as you can claim for these 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 notes below only apply if you have a 'standard' 12-month accounting period and summarise the allowances available. If your accounting period is longer or shorter than a year or began before 6 April 2010, or if you want to know more about capital allowances, please refer to Helpsheet 252 *Capital allowances and balancing charges*, or contact us or your tax adviser.

The notes and examples will help you to work out these allowances and the figures to include in boxes 22 to 25. Helpsheet 252 also has more advice and examples.

Business and private use

Where you use an item of equipment for both business and private purposes, you should reduce the allowances you claim by the amount of your private use. To do this, calculate the capital allowances due for each item which has any private use separately using a 'single asset pool' and reduce the allowances you claim by the private use proportion (see Example 1 on page SESN 5 and Example 3 on page SESN 7).

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Box 22 *Annual Investment Allowance*

You can claim a capital allowance, called an Annual Investment Allowance (AIA), if you bought equipment (but not cars) during the year up to an annual amount of £100,000. Add the cost of all the equipment together and, if the total cost is £100,000 or less, you can claim 100% of that whole amount as your AIA. If the total is more than £100,000, then you can claim up to £100,000 of the total as your AIA.

Where you use an item of equipment for both business and private purposes, you must reduce the AIA claimed by the private use proportion.

Example 1

Gordon buys some tools for £5,000 and a van costing £10,000. The tools are used only for the business. The van is used 60% for business and 40% for private motoring. As the total cost is less than £100,000, Gordon can claim the full amount as AIA.

However, because the van is used for private purposes, Gordon must restrict the amount of AIA that he claims on the van to reflect his private use. This means that the AIA he can claim for the van is £6,000 (£10,000 less 40% private use).

His total AIA claim is £11,000 (£5,000 for the tools plus £6,000 for the van).

Enter the total amount of AIA claimed in box 22.

Box 23 *Allowance for small balance of unrelieved expenditure*

If the balance of the 'main pool' or 'special rate pool' (see the notes for 20% 'writing down allowance' and 10% writing down allowance on page SESN 6)

- after claiming AIA
- together with any balance carried forward from any previous year
- less any amount you got from disposing of the equipment you no longer use

is £1,000 or less, you may claim that whole amount, or part of it, as a 'small pools allowance' instead of the 20% or 10% writing down allowance. Enter the amount of this allowance in box 23. The balance to carry forward will be nil.

Example 2

John spent £1,500 on equipment and brought forward a pool of £700 from 2009-10. He can claim the full £1,500 as AIA and the £700 pool brought forward as small pools allowance.

Box 24 *Other capital allowances*

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

- 20% writing down allowance
- 10% writing down allowance
- 100% allowance
- balancing allowance
- restricted annual allowance for cars costing more than £12,000 bought before 6 April 2009.

Read the notes on page SESN 6 and Helpsheet 252 *Capital allowances and balancing charges* for more details. Enter the total of these other types of allowances in box 24.

20% writing down allowance

Where you have spent more than £100,000 in a year on equipment (on or after 6 April 2010) or you have purchased a car with CO_2 emissions of 160g/km or less, add all the expenditure together to make a 'main pool' of costs. Deduct:

- any Annual Investment Allowance (AIA) up to £100,000 (excluding any cars) that you are including in box 22
- any equipment that qualifies for 10% or 100% allowances
- any items which go into a separate pool.

Add the value of any main pool from the previous year, less the value of any disposals that you have made during the year.

You can then claim a writing down allowance (WDA) of 20% of the remaining pool value. For example, if you have spent £120,000 on equipment and have claimed £100,000 of this as AIA, the balance of £20,000 qualifies for a 20% annual allowance of £4,000, which you should include in box 24. You should carry forward the amount remaining in the main pool after the 20% allowance has been deducted (16,000) to the following year.

10% writing down allowance

Some items will only be eligible for writing down allowances at 10% and these items go into a separate 'special rate' pool. The most common items are cars purchased on or after 6 April 2009 with CO_2 emissions of over 160g/km, and certain integral features of a building or structure such as electrical systems. You can use your £100,000 AIA wholly or partly against expenditure qualifying for 10% WDA (excluding cars).

100% allowance

You may also be entitled to a 100% first year allowance if you have bought certain environmentally friendly or environmentally beneficial technologies used in the business. They are available for the purchase of:

- designated energy-saving and water-efficient technologies used in your business (even if you have otherwise used up your AIA)
- new and unused cars with low CO_2 emissions of less than 110g/km
- equipment for refuelling vehicles with natural gas, biogas or hydrogen fuel
- new and unused zero-emission goods vehicles (from 6 April 2010).

Go to **www.eca.gov.uk** **www.hmrc.gov.uk/budget2010/bn05.htm** or **www.hmrc.gov.uk/manuals/camanual/CA23153.htm** for more information.

Disposals

If you dispose of or sell an item, or no longer use it in the business, 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 balance of the pool the asset was included in before you calculate the writing down allowance. (If you previously claimed the full cost of the asset as AIA the value of the asset was included in the appropriate pool as nil.)

ⓘ Contacts

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Balancing allowance

If you sell an item in a single asset pool (including a pool for a car – see below), and the proceeds or value is less than the pool value or cost of the item, the difference is called a balancing allowance and you should include this with other allowances in box 24.

You can only claim a balancing allowance in the main or special rate pool in the year your business permanently ends.

Cars

Expenditure on cars does not qualify for AIA. The types of allowances that you are entitled to, and the amount that you can claim, depend on when the car was bought, the cost, and whether you use it for private purposes.

Restricted annual allowances for cars costing more than £12,000 bought before 6 April 2009

If you bought a car costing more than £12,000 before 6 April 2009, you cannot claim more than £3,000 writing down allowance in any one year for it. You have to restrict the 20% writing down allowance to a maximum of £3,000 and then reduce it further if there is any private use of the car (see below). Put each car costing more than £12,000 in a separate 'single asset pool' and do a separate calculation for each one for as long as you own it, or until 6 April 2014.

Private use

If you have a car which you use for business and for private use, the cost or value of it has to go into a separate single asset pool. Calculate the appropriate allowances due (but not AIA) depending on when the car was bought, the cost and (if the car was bought on or after 6 April 2009) the CO_2 emissions. You must then reduce the allowances to the business use proportion.

Example 3

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 writing down allowances (WDA) up to £3,000 (not 20% of its value because that would be more than £3,000).

2009–10	**Car pool**	**Allowance claimed**
Cost of car	£16,000	
Annual allowance (WDA) (£16,000 x 20% (£3,200) *restricted to £3,000)*	(£3,000)	£1,800 (60%)
Value carried forward	£13,000	
2010–11		
Annual allowance (WDA) (13,000 x 20%)	(2,600)	£1,560 (60%)
Value carried forward	£10,400	

Because Joe uses the car 40% for private purposes, the WDA claimed has to be restricted to the 60% business use proportion. The allowance claimed is added to the allowances in box 24.

Cars bought on or after 6 April 2009

For cars bought on or after 6 April 2009, the rate of allowances you can claim depend on the car's carbon dioxide (CO_2) emissions. Expenditure on cars with CO_2 emissions:

- over 160g/km should be put into the special rate pool and will be eligible for writing down allowances at 10%
- of 160g/km or less should go into the main pool and will be eligible for writing down allowances at 20%
- of 110g/km or less qualify for a 100% first year allowance.

You can find more information about capital allowances for cars and worked examples in Helpsheet 252 *Capital allowances and balancing charges*.

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

When you dispose of or sell an item that you have claimed capital allowances on, deduct the amount you received for it (the sale proceeds) up to the cost of the item from the pool value brought forward or cost. Likewise, if you no longer use an item for business purposes, deduct the current market value or the cost 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.

Example 4

Fred has a pool brought forward of nil for 2010-11 as all his previous expenditure was written off by claiming AIA and small pools allowance. He sells a lathe for £11,000. His capital allowance computation for 2010-11 is:

Value brought forward	£0
Disposal proceeds	£11,000
Balancing charge	£11,000

Fred must include this balancing charge of £11,000 in box 25.

Calculating your taxable profits

Box 26 *Goods and/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.

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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 and/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 2 and Class 4 NICs and CIS deductions

If you are self-employed you normally pay Class 2 and Class 4 NICs. For more information go to **www.hmrc.gov.uk/ni/intro/basics.htm**, or phone the Self-employment Contact Centre on **0845 915 4655**.

Boxes 32 to 34 *Losses*

There are rules about how losses are set off and time limits for loss claims. You must make some claims by 31 January 2013. We do not usually accept late claims. You may want to ask for professional advice, or to ask us for Helpsheet 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 2010–11 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 do not have to pay Class 4 National Insurance contributions if:

- on 6 April 2010 you were
  - a man aged 65 or over, or
  - a woman born before 5 April 1950, or
  - under 16, or
- during 2010–11 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 not have to pay; 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 2010–11 Class 4 NICs deferment certificate***

If you are employed as well as self-employed, the National Insurance Contributions and Employer Office (NIC & EO) may agree to defer some of your Class 4 National Insurance contributions until your overall contributions can be determined. If they agree to your application for deferment, 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 NIC & EO has already given you a certificate of deferment. If you want to apply for Class 4 NICs 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 2010 to 5 April 2011. The deductions are shown on payment and deduction statements that your contractors should have given to you. 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 37. (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.)

If you make an entry in box 37, do not forget to include in box 8 your gross receipts from all contractors (that is, the full amount of the payments you received before taking off the CIS deductions).