THE

SELF-EMPLOYED MANUAL

FOR THOSE THINKING OF STARTING THEIR JOURNEY

FITNESS INDUSTRY ACCOUNTANTS

emdUK
the national governing body for group exercise

AJC BUSINESS DEVELOPMENT

So you want to get started as Self-Employed?

Well done.

It takes effort, determination and a strong work ethic. Although scary at first, it is very rewarding to see your ideas and dreams turn into reality.

Along with the success of your efforts comes your responsibilities to the tax authorities.

For that reason we have put together this working manual where you can easily access sections that you may not be too familiar with.

This manual will act as a guide for you as you start to travel along your self-employment journey.

Just remember we are there every step of the way to guide and support you.

Even as a Sole Trader, you are never alone.

To your success.

The EMD UK Team

the national governing body for group exercise

Contents

Getting Started

Things you MUST do when starting out

- Inform the Inland Revenue within 3 months of starting self-employment
- Choose your accounting year end (It is better to choose the tax year called fiscal accounting)
- Make a list of fixed assets such as cars, vans and other office equipment
- Keep a record of all income and expenditure relating to your business
- Keep all receipts and invoices
- Keep a separate bank account for business and file each statement
- Keep a record of your business mileage, petrol and all running expenses if your vehicle is used solely or partly for your business
- Ensure you have adequate life and health insurance, pension arrangements or other investments
- Count expenditure incurred before you start your business as 'pre-trading expenses'
- Set any first year losses against other income
- Save money for your tax bill
- Do not spend the VAT income

Registering as Self-Employed

There are 3 ways you can register as self-employed and it doesn't matter which way you choose, they all register you exactly the same with the HMRC – it's just down to personal preference which you choose.

1. Online
2. Telephone
3. Post

1. Online form

You can complete the online form through this link

https://online.hmrc.gov.uk/shortforms/form/CWF1ST

2. Telephone

Call 0300 200 3504 and just tell them all your details over the phone and they'll take care of the rest.

3. Post

Firstly you need to download form 'CWF1' from:

https://public-online.hmrc.gov.uk/lc/content/xfaforms/profiles/forms.html?contentRoot=repository:///Applications/NICs_iForms/1.0/CWF1_20167&template=CWF1.xdp

Then complete the form and post it to:

HMRC
National Insurance Contributions & Employer Office
Self-employment and Self Assessment Registrations
Benton Park View
NEWCASTLE UPON TYNE
NE98 1ZZ

Personal Tax Account

You will also need to set up a personal tax account. You will be able to monitor your tax, check your records and manage your details. Follow the link below.

https://www.gov.uk/personal-tax-account

Self-Employed = Sole Trader

As a Self-Employed also known as a Sole Trader, you have certain accounting and tax responsibilities. These may be summarised as follows:

- Maintain and retain proper books and records
- Prepare accounts once a year
- Prepare a tax return once a year
- Pay any tax due
- Register for and pay National Insurance Contributions

Keeping Your 'Books'

As stated in the introduction, managing your accounts should be straightforward and you have responsibilities to the Inland Revenue which require you to keep "Books".

'Books' are simply a record of all your transactions, both what you receive and what you pay out for. This section covers these areas in more detail. Whilst it may seem obvious, things like writing details of a transaction on a cheque stub, it is easy to forget which means you will probably then spend time afterwards trying to remember what you wrote the cheque for in the first place.

Records should be retained for 5 years.

The Inland Revenue have the right to impose penalties for inadequate records.

Your Business Bank Account

- Maintain a separate bank account.
- Keep all bank & credit card statements
- Write details of transaction on cheque stubs and paying-in slips and keep these.

Cash Book

This is a record of transactions reflected in the business bank account

- Record all client fees.
- Record details of all bankings.
- Record all expenses paid out of business bank account.
- Record all amounts taken out of business bank account for personal use ("Drawings").
- Record any personal funds paid into business bank account.

Petty Cash Book

This is a record of cash expenses.

- Record any cash paid into petty cash float.
- Record all cash expenses (eg taxi/train fares, stationery, parking meters)

Invoices

These should be kept in separate file dividers month by month.

- Keep all sales invoices raised.
- Keep invoices for all expenses except where amounts are very small (eg pens, coffee etc).
- Keep petty cash invoices separate from cash book invoices.

Other

- Keep any other records eg credit card statements, building society books, which relate to the business
- Keep details of any assets used for both business and private purposes eg record business/private mileage in your car so running expenses can be split. If you work from your home keep sufficient records to confirm which expenditure relates to business and which to private use.

Employed and Self-Employed

Some Fitness Professionals and Personal Trainers work full time and are taxed through the PAYE scheme whilst also enjoying some Freelance or self-employed income.

In this instance you will still be required to register as self-employed as above.

Call the Newly Self-Employed Help line: 0300 200 3504 (Easiest way). You should quote your National Insurance number and any other details they ask for.

Even though you are employed and self-employed you can claim expenses in the same way as though you were a full time Sole Trader. This means that expenditure which was 'wholly and exclusively' incurred for your business can be claimed through the Self Assessment forms.

Tell the Inland Revenue about your Self-Employment by **5 October** in the tax year in which you begun trading.

You must register within 3 months of the end of the month in which you start up. If you do not register and you have been found to be trading, there is a £100 fine to pay.

Tax Evasion vs Tax Avoidance

Tax Avoidance

This is where careful business planning and intelligent tax advice can be used to minimise your tax liability. This is common practise and careful timing of acquisitions and disposals can lead to a reduction in your tax bill. This is legal.

Tax Evasion

This is an illegal practise, which involves the deliberate falsification of accounts. This is recognised as a criminal offence therefore a fine or imprisonment can be expected from taking such a route.

Money Laundering & Proceeds of Crime Act

Anyone accepting large amounts of cash from someone unknown to them should be aware of the requirements of the Money Laundering & the Proceeds of Crime Act

Legal obligations

Since the introduction of Self Assessment record keeping has been fundamental. All taxpayers are now required to complete a Tax Return form by the Inland Revenue.

Even if you are paid through the PAYE system you could receive a Tax Return and be asked to complete one.

You should keep your records for 5 – 7 years.

The Inland Revenue have very extensive powers of investigation and can initiate an investigation or enquiry at random.

Keeping Proper Records

Whether you are operating your business part time as a freelance instructor or full-time as a Personal Trainer it is vital that you set up a basic record keeping system.

The record keeping system sets out all income and all expenditure for the business. This record must be kept for six years.

Nowadays, Instructors are very familiar with the workings of a spreadsheet and most of the record keeping systems can be kept in this format.

Although records kept may vary from business to business you should keep a record of;

- all sales and other business income including tips. A copy of your invoice should correspond to entries in your bank account.

- all purchases and other expenditure made on behalf of the business

- all purchases of equipment and sales of assets

- all amounts taken from your bank account or cash for personal use

- all business mileage records

Those people who are already familiar with record keeping may have come across the following basic sets of financial records;

1. The Cash book – This is the final record of all money coming in and going out of your business.

2. The Sales ledger – This records the sales of your business, the amount of money received for your good or services and money owed at the end of the month.

3. The Purchase ledger – This records all the outgoing payments made against invoices received.

4. The Wages book - If you employ anyone this records salary payments made to them including National Insurance contributions.

There are no strict rules as to the format you use to record your figures. Even those figures kept on a piece of paper are just as valid as the ones that are stored in a book or on a computer.

What is important, however, is that they are accurate.

How To Keep Accurate Records

- Spreadsheet
- Diary
- Notebook
- Online bookkeeping (I personally use Zlogg for example - https://zlogg.co.uk/)

Allowable & Disallowable Expenses

Allowable Deductions

Expenses incurred solely for business purposes are generally allowable deductions when calculating your tax bill. This expenditure is usually referred to as 'Wholly & Exclusively'.

Disallowable Deductions

Expenditure, which is not 'wholly and exclusively' intended for trade purposes, is not allowable. These items are referred to as disallowable.

An easier way to remember what is allowable is to use the Tax Return itself. On the Tax Return, (Self Employment schedule) the Inland Revenue lists the items, which should be included as expenditure items.

This is a good indication as to what the Inland Revenue will allow.

Listed below are the allowable items under each heading.

(You will find the bold headings on the Self Employment schedule)

Employee costs - staff related costs, employers NIC, Locum fees, redundancy payments, and pension contribution on behalf of employees

Premises costs – insurance, rents, heating, lighting, rates, security, (use of home as office).

Repairs – general maintenance of business premises and machinery

General administrative expenses – telephone, fax, mobile, postage, printing, courier services, trade and professional journals

Motor expenses – insurance, servicing, repairs, road licence, petrol/ diesel, hire charges, parking fees, AA/RAC

Travel & subsistence – rail fares, airfares, taxi, hotels

Advertising, Promotion & Entertainment – advertising, mail shots, distribution of free samples

Legal & Professional costs – accountancy fees, solicitors, surveyors, professional indemnity insurance premiums

Bad debts– unrecoverable debts remaining unpaid at the accounting date

Interest – on bank and other loans including overdrafts

Other finance charges – bank charges, credit card charges where used for business, HP interest, leasing payments

Depreciation &Loss/Profit on sale –

Other expenses– add up all the expenses not included elsewhere and enter the total figure

Disallowable expenses

Adjustments

Balancing charges

What to Keep for Your Tax Return

It is recommended that you keep anything relating to the transfer of money whether it is income or expenditure to replace a light bulb.

Below is listed some of the common items you should be thinking about in the areas of income and expenditure.

Income Items

If you get any of the following:	You must keep these:
Salary / Wages	P60 Payslips Notice of coding
Benefits in Kind (e.g. Company Car, Medical Insurance)	P11D
State Benefits	Statements of payment from the DSS
Pensions	Statement of pensions payments by DSS or Pension Fund
Share Options	Share option documents from your Employer
Other Earnings (Tips, Commissions etc)	Relevant vouchers or documentation
Expenses Not Reimbursed by your Employer	Expense receipts or vouchers
Self-employment & Partnerships	Statements from Self-employment & Partnerships

Savings & Deposit Accounts Banks Building Societies National Savings	Interest Certificates Interest Certificates Interest Details
Share Holdings Dividends Unit Trusts	Dividend Vouchers Unit Trust Vouchers
Land & Property Furnished Lettings Holiday accommodation	Invoices or receipts
Overseas	Foreign Income Documentation
Trusts & Settlements	Trust Tax Vouchers
Royalties	Royalty Income and Expenses

Income Items

If you spent on any of the following:	You must keep:
Mortgage or loans	Mortgage or interest statements
Vocational training	Training papers
Charitable covenants	Deeds of covenant
Gift aid	Gift aid details
Venture capital trust shares	VCT Certificates
Shares	Contract notes
Land & property	Completion statements

Self Employed and Maternity Pay

Overview

Maternity Allowance is usually paid to you if you don't qualify for Statutory Maternity Pay.

The amount you can get depends on your eligibility.

You can claim Maternity Allowance as soon as you've been pregnant for 26 weeks. Payments can start 11 weeks before your baby is due.

Maternity Allowance is paid every 2 or 4 weeks.

You can claim Maternity Allowance once you've been pregnant for 26 weeks. Payments can start 11 weeks before your baby is due.

Maternity allowance for 39 weeks

You might get Maternity Allowance for 39 weeks if:

- you're employed, but you can't get Statutory Maternity Pay
- you're self-employed and paying Class 2 National Insurance contributions
- you're self-employed and have a Certificate of Small Earnings Exception
- you've recently stopped working

You must also have been:

- employed or self-employed for at least 26 weeks in the 66 weeks before the week your baby is due
- earning at least £30 a week over any 13-week period

You may still qualify if you've recently stopped working. It doesn't matter if you had different jobs or periods of unemployment.

Maternity Allowance for 14 weeks

You might get Maternity Allowance for 14 weeks if for at least 26 weeks in the 66 weeks before your baby is due:

- you’re married or in a civil partnership
- you’re not employed or self-employed
- you take part in the business of your self-employed spouse or civil partner
- the work you do is for the business and unpaid
- your spouse or civil partner is registered as self-employed with HMRC and should pay Class 2 National Insurance
- your spouse or civil partner is working as self-employed person
- you’re not eligible for Statutory Maternity Pay or the higher amount of Maternity Allowance (for the same pregnancy)

Your baby must also be due on or after 27 July 2014.

If you lose the baby

You may still qualify if the baby is either:

- stillborn from the start of the 24th week of pregnancy
- born alive at any point during the pregnancy

Change of circumstances

Report any changes to your circumstances to your local Jobcentre Plus as they can affect how much you get. For example, if you go back to work.

How to claim

Print off and fill in the MA1 claim form or fill it in online, print it off and send it to the address on the form. The form has help notes on how to fill it in.

Supporting your claim

You can claim Maternity Allowance once you’ve been pregnant for 26 weeks. Payments can start 11 weeks before your baby is due.
You need to provide:

- proof of your income - eg, original payslips, Certificate of Small Earnings Exemption (if applicable)

- proof of the baby's due date - eg a letter from the doctor or midwife, or your MATB1 certificate
- your SMP1 form - only if you were refused Statutory Maternity Pay by your employer

You may need to give more information about your partner's self-employed business and what you do if you're applying for Maternity Allowance for 14 weeks.

What happens next

You should get a decision on your claim within 14 working days. If you're eligible, a form will be sent to you confirming your entitlement and asking you to confirm your last day of employment before leave.

Appeal a decision

You can appeal against the decision about your Maternity Allowance if you're unhappy with it.
Check the date on your decision letter. There are different ways to appeal if your decision was made:

Complete form online

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362835/ma1.pdf

or

Print and fill in form:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/362837/ma-print.pdf

Send claim form and all supporting documents here:

Wrexham Maternity Allowance
Mail Handling Site A
Wolverhampton
WV98 1SU

Claiming for Assets Used in Your Business

If you are serious about your business you will eventually invest in your own equipment. These are referred to as assets. They would usually come in the form of plant, machinery, cars or equipment. Assets are therefore valuable and in some cases, they are expensive.

There are 2 types I want you to be aware of.

1. **Depreciating Assets** - eg. Cars

A depreciating asset is an asset which depreciates in value as soon as you own it. They are referred to as a 'wasting asset' with a maximum life of 60 years.

2. **Appreciating Assets** – Buildings, your home

These assets appreciate in value as time goes by.

In addition be on the lookout for these 2.....

3. **Income-Consuming Assets** – Cars, Leisure clubs, home

These assets require a constant injection of cash to keep them going.

4. **Income-Generating Assets –** Stocks, shares, Rental property

These assets generate income or capital gains which may eventually allow you to have income without your having to work.

How would you claim for these against your income?

Come in the **Annual Investment Allowance** & **Capital Allowance**

Annual Investment Allowance (AIA)

The AIA provides a 100% deduction for the cost of plant and machinery purchased by a business up to an annual limit.

From 1 January 2019 – 31 December 2020 the limit is £1,000,000

From 1 January 2021 it is £200,000.

Capital Allowances

Capital allowances are available to you if you use certain items for your business.

Items such as cars, vans, and computer equipment attract tax relief of between 25% - 100% deduction as writing down allowance. The benefit of this is that it reduces your taxable profits.

These items are detailed in a Capital Allowance working 'Pool' which records any additions or disposals during the year.

If you have assets with any private use you can only claim the business element.

There are special rules for motorcars costing £12,000 or more and short life assets.

Capital Allowance Claims

Capital Allowances	Rate that can be claimed
Low emission cars	100%
First Year Allowances (FYA)	50% (Small companies)
First Year Allowances	40%
Writing Down Allowance (WDA)	25%
Cars	20% (Restricted to £3,000)

Capital Allowances and Cars

A 100% first year allowance (**FYA**) is available on new low emission cars purchased by a business. The current rule is that a 100% FYA is generally available where a car's emissions do not exceed **50gm/km**.

Cars with emissions between **51-110gm/km** inclusive currently qualify for main rate Writing Down Allowance **18%**

Over **110gm/km** the Writing Down Allowance is **6%**

100% Capital Allowances In First Year if The Asset Is Bought Into Your Business

100% FYAs on capital expenditure are available for certain classes of assets but exclusions apply.

Enhanced capital allowances of 100% are also available on qualifying plant and machinery expenditure under the energy-saving and water efficient technology schemes.

Each year the qualifying technologies and products are reviewed and additions and deletions made. All amendments are subject to State aid approval and the lists will be updated by Treasury Order.

You should try and buy your assets (Equipment) up to the limit to claim the 100% deduction each year if your business demands it. Therefore, if you have a very large investment in equipment to make, spread it over 2 or 3 years to use up the allowance for that particular year.

Supposing you have 2 Cars?

If you own 2 cars and are using both for your business, then I recommend you do the following.

1. Use one car totally for your business and claim the business %

2. With the other car, claim business mileage at £0.45 per mile up until 10,000 miles, thereafter £0.25 per mile.

What happens to the capital allowance in scenario 1?

For expenditure incurred on cars, costs are generally allocated to one of the two plant and machinery pools.

Using Your Own Car for Business

There are 2 ways in which to claim car expenses as a self employed Freelance Fitness Instructor & PT. These methods are applicable whether you are full time self-employed or not.

This may not be typical of a Freelancer but it gives you an idea.

The 2 methods are compared below via an example.

Example – Using Your Own Car For Business

Susan is a Sports Massage Therapist and Aerobics Teacher and works full time. She travels 48,000 miles a year, half on business. She is just about to buy a car costing £11,000 with a loan at 10%.

She expects her running costs to be £1,800 per year and petrol to be £4,200 per year.

She estimates that her car is used 50% of the time for business and 50% private use.

Actual Method

Car expenses	**Cost**	**Tax Claim (£)**
Petrol	4,200	2,100
Running costs	1,800	900
Interest on car loan	1,100	550
Capital Allowances	2,750	1,375
Total tax claim		**4,925**

Susan would therefore claim £4,925 on her Self Assessment tax return form along with other allowable expenses.

Alternative Method

Authorised tax-free mileage Method - Simplified

Mileage Rates	Tax Claim (£)
10,000 miles @ 40p per mile	4,000
14,000 miles @ 25p per mile	3,500
Business proportion of interest to buy the car	550
Total tax claim	**8,050**

Susan's claim has increased by £3,125. This is a tax saving of £1,250 for a higher rate taxpayer or £687.50 for a basic rate taxpayer.

Restrictions of using the alternative method

There are a few restrictions if you are going to use this method.

- You cannot exceed the authorised tax-free mileage rate
- The annual turnover of the business at the time the car is acquired does not exceed the VAT registration threshold. (£58,000).
- No other car expenses can be claimed
- No capital allowances can be claimed
- You must be consistent from year to year until you change your car.

Considerations

- The Alternative method is only available to taxpayers with a turnover below the VAT registration threshold (currently £85,000) at the time when the vehicle was first acquired. Therefore, it is only possible to change methods when you change your vehicle.

- You do not need the Taxman's permission to do the Alternative Method.

- The Alternative Method is much easier for most people.

Tip: Use the authorised tax-free mileage rate to calculate your car expenses. If this is higher than the actual cost method use it from the time you started teaching or when you next change your car.

Tip: Keep a note pad in your car and keep details of each **business** trip, date, to & from, purpose and mileage.

Use of Home as an Office

You can claim a proportion of your home costs as long as you can establish the extent it is used for business. To do this, calculate a percentage on the number of rooms, which will exclude the bathroom and the kitchen.

You will be able to claim 100% of repairs, maintenance and decorations to the room you use for business.

Example	**Total Bill Per annum £**	**Business Use (20%) £**
Mortgage interest	4,000	800
Council Tax	200	40
House insurance	600	120
Gas	400	80
Electricity	400	80
Repairs	800	800
Total	**6,400**	**1,920**

In this example you would be able to claim £1,920 for the use of home as an office.

Or you can use the 'Simplified' version.

Hours worked From home	**Flat rate per month**
25-50	10
52-100	18
101+	26

Training Costs

Courses which 'Enable' you to do something is recognised as the initial course and referred to as 'Capital'. They are disallowable expenditure so you will not be able to offset this initial cost.

Example: A student leaves school and wants to take up Accountancy. Since this course will 'enable' the student to become an Accountant the course and all other related costs will be classified as Capital. Therefore disallowable.

A student leaves college with a few A levels. They want to teach aerobics...freestyle....!!

Whatever course this student takes to 'enable' them to become a Fitness Instructor again will be recognised as an 'enabling' course... therefore Capital.

Once qualified, however, subsequent courses which are update, ongoing or development training will be recognised as 'revenue' expenditure...............therefore allowable.

My Tip: Ensure courses, workshops or training that you attend are 'Updates, Ongoing or Development Training'

Travel Expenses

Tax rules will deny a deduction for expenses of '**ordinary commuting**'.

Ordinary commuting is defined as travel between either:

a) Home and a **permanent workplace**: or
b) place that is not a workplace (a hotel or someone else's home) and a permanent workplace

This means that travel expenses incurred from home to your **normal place of work** will not be allowable.

Also note the word permanent because this may be an issue for some of you.

Once at work, (permanent workplace), if you travel to visit clients from there, this part of travel is not ordinary commuting therefore these expenses are allowable. So **office to client travel is allowable**.

There is another one.....**Substantially ordinary commuting**

What is this?

If you attend a college and the journey to the college is substantially the same as the distance to your permanent place of work, no deduction is allowable.

What if you travel from home to a client's premises?

HMRC will accept that this is not ordinary costs of commuting but only providing that the client's premises constitutes a **'temporary workplace'**.

A temporary workplace is defined as a place which you attend in the performance of your duties in order to **perform a task of limited duration** or for some other temporary purpose

Clothing

Where an expenditure has been purchase ‘wholly & exclusively’ for the purpose of their trade then that item is allowable.

There then comes the issue around fitness clothing because they could be worn for business as well as not. Many people quote a famous case in order to disallow the expenditure.

Re: Drummond Case where it was held that the clothing for the Solicitor was for 'warmth & decency'...and therefore was not claimable.

So buy clothing appropriate for the job....specifically designed for the purpose of training. Usually also you can stick a logo or your branding on it and call it a uniform.........Uniforms are a claimable expense.

Suppose You Made a Loss?

You can use losses to reduce your overall tax liability. You can either use it now or in the future. Losses can even be used against profits you received in previous years.

Trading losses (Sole Traders)

- Set against the Total Income of the current year and also the previous year
- Carry loss forward and claim against future profits of the same trade
- Remaining loss can be offset against your capital gains

Tax Returns

The tax year runs from **6th April** to **5th April** the following year.

Date of filing your Tax Return & payment of tax

The 'Statutory filing' date is **31st January**
This date is the **31st January** following the end of the tax year. The end of the tax year is **5th April**

If you wish the HMRC to work out your tax you can send your tax return in (paper version) by **31st October**

Failure to file Tax Return on time

There is an automatic fixed penalty of £100.00 or 100% of the tax if less.

There is a further £100.00 penalty if it is not filed six months after the statutory filing date i.e. **31st July**.

In addition to this there are further penalties, which run on a daily basis. The maximum is £60 per day.

Interest also runs from the date you have failed to deliver the return.

Failure to Pay Tax on time

There is a 5% interest charge on amounts outstanding if it is not paid by **28 February**.

There is a further 5% of the amount unpaid more than six months after the due date.

Personal Allowance, Tax Rate and Tax Dates

The Personal Allowance is the tax free amount you can earn before your income is taxed.

Currently 2020/2021 - £12,500

Income Tax Rates

0 – £37,500 taxed at 20%

£37,501 – £150,000 taxed at 40%

Tax dates: Summary

- 6th April – Beginning of Tax Year
- 5th April – End of Tax Year
- 31st October – Paper Tax Return Deadline
- 31st December – Deadline if you want tax collected
- 31st January – Online Tax Return Deadline
- 31st January – Payment of tax and 1st Payment on Account
- 31st July - 2nd Payment on Account Deadline

If your Turnover is below £85,000

If your annual turnover is below £85,000 for a full year, then you have the option to fill in a 3-line version of the tax return. All you will need to show is;

- Turnover
- Expenses
- Profit/(Loss)

If your turnover is above £85,000

If your turnover is above £85,000 in any one-tax year, you must complete the full section.

The Self Employment section will give you 12 subsections (We have met these earlier) as follows;

It is a matter of just filling out your expenditure items and matching it to the descriptions under each heading.

Wages
Premises Costs
Repairs
General Administration Costs
Motor Expenses
Travel & Subsistence
Advertising, Promotion & Entertainment
Legal & Professional Costs
Bad Debts
Interest
Other Financial Charges
Depreciation & loss on sale
Other expenses

National Insurance Contributions

Class 2 (self-employed)

If you are self-employed you pay Class 2 contributions. The flat rate is £3.05 a week where profits are £6,475 or more.

If your profits or share of profits are below £6,475 then you will not have to pay any class 2 contributions.

You can elect not to pay if profits are below this level. The consequences of not paying for any year is that you build up no entitlement to contributory benefits.

Class 4 (self-employed)

Class 4 is paid on top of class 2 if your taxable profits reach a certain limit.

Taxable profits between £9,500.01 - £50,000 will be charged at a flat rate of 9%.

For profits over £50,000 you will pay an additional 2%.

Class 4 contributions do not entitle you to any additional state benefits.

Value Added Tax - VAT

Registration for VAT

VAT is charged on supplies of taxable goods and services made in the UK by a taxable person in the course or furtherance of business. It is also charged on imports and certain services from abroad.

A taxable person for this purpose is one who is registered for VAT.

Registering for VAT is either voluntary or compulsory.

1. Voluntary – Anyone making taxable supplies can voluntary register for VAT. The advantages of this is to allow you to recover VAT you have already paid. Another advantage is that it adds credibility to your business and prevents penalties for late registration.

2. Compulsory – Registration is compulsory in the following situations;

    (a) If at the end of a calendar month taxable supplies in the previous 12 months have exceeded the registration threshold (£85,000) or

    (b)You have reasonable grounds for believing that taxable supplies in the next 30 days will exceed £85,000.

If you are not registered for VAT your turnover or sales figure will not include any VAT but ensure that your expenses include VAT. (This is how a non-VATable person claims back the VAT spent)

De-registration of VAT

You can also deregister for VAT.   Again, this can be voluntary or compulsory.

1. Voluntary – Customs & Excise must be satisfied that supplies (excl VAT) in the next 12 months will be less than £83,000.

2. Compulsory – If the following:

    (a) Trader ceases making taxable supplies
    (b) Customs & Excise was misled into originally granting registration
    (c) A registered person who fails to make returns or pay tax

In (b) and (c) above HMRC will cancel the registration

There are three rates of VAT:

- a standard rate, currently 20%
- a reduced rate, currently 5% and
- a zero rate

There are some goods and service which are exempt from VAT so there is no VAT payable. There are others which are 'outside the scope' if;

- made by a non-taxable person
- made outside the UK and Isle of Man or
- not made in the course of business

You need to charge VAT on all your taxable supplies from your date of registration and keep:

- a record of all standard-rated goods and services you supply or receive as part of your business
- a separate record of any exempt supplies you make and
- a VAT account

You will need to complete and submit a VAT Return online each quarter. If you are on the 'annual scheme' then this is done annually. There is another scheme which is very popular as it is much easier to administer. It is called the 'Flat Rate Scheme'.

Resource Page

Fitness Industry Accountants
Accountants & Tax Advisers who have 30 years experience in the Fitness Industry.

www.fitnessindustryaccountants.com
info@fitnessindustryaccountants.com

Become A Client : Click here to become a client

Zlogg
An online & mobile Bookkeeping Software system to maintain your trading records.

www.zlogg.co.uk
info@zlogg.co.uk

Andrew James Crawford
Business Development & Business Consultant

www.andrewjamescrawford.com
contact@andrewjamescrawford.com

Useful Numbers and Internet Addresses

Companies House	0870 333 3636
VAT – National Advice Service	0845 010 9000
Business Link	0845 600 9006
Self Assessment Help line	0845 900 0444
Newly self employed help line	0845 915 4515
Employers help line	0845 714 3143
Fitness Industry Accountants	01636 526 929
Jobcentre Plus	0345 608 8610

www.inlandrevenue.go.uk

www.companieshouse.gov.uk

www.businesslink.org

Useful Web-Links

Car expenses example

If you want to remind yourself how to do the calculation for car expenses click here to download the pdf.

http://www.fitnessindustryaccountants.com/articles/Car-Expenses.pdf

Online Calculators

http://www.fitnessindustryaccountants.com/ard/documents.asp?AID=1987&SID=11&FID=37233

Downloadable Spreadsheets & More

http://www.fitnessindustryaccountants.com/ard/documents.asp?AID=1987&SID=11&FID=37617

Allowable & Disallowable Items

http://www.fitnessindustryaccountants.com/articles/Allowable-Disallowable-Expenses.pdf

Car Expenses

http://www.fitnessindustryaccountants.com/articles/Car-Expenses.pdf

Use of Home

http://www.fitnessindustryaccountants.com/articles/Use-of-home-as-an-office.pdf

http://www.fitnessindustryaccountants.com/work-from-home.htm

What to keep for your Tax Return

http://www.fitnessindustryaccountants.com/articles/What-To-Keep-For-Your-Tax-Return.pdf

How to register a company

http://zlogg.co.uk/how-to-register-a-limited-company/

Registering a Company using Companies House

https://www.gov.uk/topic/company-registration-filing/starting-company

HMRC Webchat

https://www.tax.service.gov.uk/ask-hmrc/webchat/self-assessment?_ga=2.103876032.1961462308.1589514658-1017107412.1576805984

FITNESS INDUSTRY ACCOUNTANTS

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the national governing body for group exercise

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