

# **SELF-EMPLOYED:**

## **HOW MUCH SHOULD I PUT ASIDE TO COVER MY YEAR-END TAX BILL?**

**Tax is payable on profits, not sales. You can deduct the cost of expenses incurred 'wholly and exclusively' for the purpose of your business.**

**There are some exceptions: entertaining cannot be claimed as a business expense, the cost of assets (things that will last more than a year, e.g. Computers) is written off over several years as 'capital allowances'.**

**For business travel (to visit customers, suppliers, promotional events, etc.) keep a record of where, when and why. If you use your own car, you can claim the running costs (a proportion if you also use it privately). If you are below the VAT threshold you can claim 40p per mile for the first 10,000 miles and 25p per mile thereafter. This only applies. Otherwise**

**You must register as self-employed with HMRC (the tax people) within 3 months of starting in business. You must also register for VAT if your sales exceed £64,000 per annum.**

**IR35 deals with the distinction between being employed and self-employed. This is based on fact, not intention, and HMRC has issued a checklist for clarification. Both parties will be penalised if a self-employed person is deemed to be an employee so it's worth making sure.**

**These are the main points: other factors may influence tax payable in each individual case.**

Disclaimer: this information is for general guidance and does not cover all circumstances. No liability is accepted for any errors or omissions. Each case is different: always consult an expert when making decisions about tax.

**SELF-EMPLOYED: TAX YOU SHOULD PLAN TO PAY (2007/8)**

Earnings	Tax	NI	Total taxes	Net	% taxes
3,000	0	0	0	3,000	0%
4,000	0	0	0	4,000	0%
5,000	0	114	114	4,886	2%
6,000	78	176	254	5,746	4%
7,000	178	256	434	6,566	6%
8,000	353	336	689	7,311	9%
10,000	793	496	1,289	8,711	13%
12,000	1,233	656	1,889	10,111	16%
15,000	1,893	896	2,789	12,211	19%
20,000	2,993	1,296	4,289	15,711	21%
25,000	4,093	1,696	5,789	19,211	23%
30,000	5,193	2,096	7,289	22,711	24%
35,000	6,293	2,485	8,778	26,222	25%
40,000	7,658	2,535	10,193	29,807	25%
45,000	9,658	2,585	12,243	32,757	27%
50,000	11,658	2,635	14,293	35,707	29%
55,000	13,658	2,685	16,343	38,657	30%
60,000	15,658	2,735	18,393	41,607	31%
65,000	17,658	2,785	20,443	44,557	31%
70,000	19,658	2,835	22,493	47,507	32%
75,000	21,658	2,885	24,543	50,457	33%
80,000	23,658	2,935	26,593	53,407	33%
85,000	25,658	2,985	28,643	56,357	34%
90,000	27,658	3,035	30,693	59,307	34%
95,000	29,658	3,085	32,743	62,257	34%
100,000	31,658	3,135	34,793	65,207	35%

**This data has been calculated using the following rates and allowances****Income tax**

	band	rate
Personal allowance	5,225	0%
Starting rate	2,230	10%
Standard rate	32,370	22%
Higher rate	> 39,825	40%

**National insurance: Class 4**

	band	rate
to Earnings Threshold	5,225	0%
to Upper Earnings Limit	29,615	8%
Above UEL	> 34,840	1%

**National insurance: Class 2**

£2.20 per week, (if annual earnings exceed £4,635)

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