

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 40p per mile for the first 10,000 miles and 25p per mile thereafter.

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 - invoicing through a company may increase the risk for you.

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

You may be able to reduce your tax bill by operating through a company – ask us for an illustration of your specific situation.

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 (2008/9)

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	0	0	5,000	0%
6,813	276	110	386	6,427	6%
7,000	313	125	438	6,562	6%
8,000	513	205	718	7,282	9%
9,000	713	285	998	8,002	11%
10,000	913	365	1,278	8,722	13%
12,000	1,313	525	1,838	10,162	15%
15,000	1,913	765	2,678	12,322	18%
20,000	2,913	1,165	4,078	15,922	20%
25,000	3,913	1,565	5,478	19,522	22%
30,000	4,913	1,965	6,878	23,122	23%
35,000	5,913	2,365	8,278	26,722	24%
40,000	6,913	2,765	9,678	30,322	24%
45,000	8,626	2,818	11,444	33,556	25%
50,000	10,626	2,868	13,494	36,506	27%
55,000	12,626	2,918	15,544	39,456	28%
60,000	14,626	2,968	17,594	42,406	29%
65,000	16,626	3,018	19,644	45,356	30%
70,000	18,626	3,068	21,694	48,306	31%
75,000	20,626	3,118	23,744	51,256	32%
80,000	22,626	3,168	25,794	54,206	32%
85,000	24,626	3,218	27,844	57,156	33%
90,000	26,626	3,268	29,894	60,106	33%
95,000	28,626	3,318	31,944	63,056	34%
100,000	30,626	3,368	33,994	66,006	34%

**This data has been calculated based on 2008/9 rates and allowances
(it does not take account of the latest changes in the personal allowance)**

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.