

Tax help series

Self Assessment – what you need to know about using the three line account

The three line account is a simpler way of giving us details about your income and expenses from self-employment or from UK property. You can use it if your annual turnover from self-employment or income from UK property is below the VAT registration threshold - £73,000 for the 2011–12 tax year.

Here we tell you:

- what the three line account is
- who can use it
- what we mean by 'annual turnover'
- what records you need to keep
- where to get help and advice.

What is the three line account

The three line account is an easy way of giving us condensed information about your business income and expenses. Rather than having to give us a lot of detailed information, all you need to provide on the relevant pages of your tax return are:

- details of your business
- turnover (on page 2 we explain what we mean by 'turnover')
- the total of allowable business expenses, rather than a breakdown of each expense
- net profit or loss (these boxes will be calculated automatically if you complete your tax return online)
- details of any adjustments, allowances or losses.

You do not have to use the three line account but most people find this an easier way of completing their tax return. If you prefer, you can still give a breakdown of all your expenses in the relevant boxes provided on your tax return.

For further information about expenses, please see the notes enclosed with the relevant pages of the return.

Who can use the three line account

You can use the three line account if your annual turnover from self-employment or income from UK property is below the VAT registration threshold. For the current VAT threshold, go to www.hmrc.gov.uk/vat/forms-rates/rates/rates-thresholds.htm

You can use the three line account on:

- the self-employment pages (short and full) and UK property pages of the Self Assessment Tax Return
- the self-employment and UK property sections of the Self Assessment Short Tax Return
- the trading and professional income section and UK property pages of the Self Assessment Partnership Tax Return.

You **can't** use the three line account for:

- income and expenses from land and property abroad

If you need help

For help and advice on completing your tax return and supplementary pages and for general advice about Self Assessment, go to www.hmrc.gov.uk/sa/index.htm or contact the Self Assessment Helpline **0845 900 0444**. Open from 8am to 8pm, Monday to Friday and 8am to 4pm Saturday.

Customers with particular needs

If you need extra help, please let us know. For example, if:

- English is not your first language
- you would like us to use a certain format to communicate with you, for example, Braille or Text Relay.
If you use Text Relay by
 - textphone, dial **18001** + number
 - phone, dial **18002** + number
- you would like us to visit you at home because it is difficult for you to get to one of our offices.

If you are unhappy with our service

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain. If you want to know more about making a complaint go to www.hmrc.gov.uk/complaints-appeals

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.hmrc.gov.uk/charter

- employment income and expenses
- any income shown on the Self Assessment Trust and Estate Tax Return.

You can't use the three line account if you have been told you are in the *Managing Deliberate Defaulters* programme.

What we mean by annual turnover

If you are self-employed or receive income from property, 'turnover' means the total income earned from your business or UK property. It includes:

- cash and cheques
- tips, fees and commissions
- value of any payments 'in kind' for work that you've done
- the value of any stock or goods taken without payment from the business for use by you, your family or your friends
- money due to you up to your accounting date whether or not you have actually been paid
- income from any land that you own or lease out
- income from any property that you let
- any rent over £4,250 from a furnished room in your own home.

It does not include:

- money received from the sale of a piece of equipment or machinery that you have previously owned and used in your business
- money received from the sale of business premises
- Business Start-Up Allowance or Enterprise Allowance.

If you have been self-employed or have been receiving income from property for less than a full tax year, or if your accounting period is shorter or longer than 12 months, then the annual turnover limit goes down or up proportionately.

For example (for the 2011–12 tax year):

- if you have only been working for nine months, then the limit is reduced to £54,750 ($9/12 \times £73,000$)
- if your accounting period is 18 months long, the limit is increased to £109,500 ($18/12 \times £73,000$).

File your return online

If you are sending us your Self Assessment tax return, you can do it online using the secure service HMRC provides. There are many advantages to filing online instead of by paper, including automatic calculations, faster processing and later deadlines.

You can find out more about filing online at www.hmrc.gov.uk/sa/file-online.htm

The records you need to keep

Whether or not you choose to use the three line account, you must still keep all the records and documents to support the information that you show on your return:

- you generally need to keep the records in support of your return figures for the five years following the online filing date for that return. If you do not keep adequate records, you may have to pay a penalty
- if you send us an inaccurate tax return, you may have to pay a penalty.

Keeping detailed, up to date records will help you fill in your return accurately. It is especially important if you are starting a new business that you have a proper record keeping system in place from the beginning.

You can download the factsheet *Keeping records for business - what you need to know* at www.hmrc.gov.uk/factsheet/record-keeping.pdf

Self Assessment tax return forms, notes and helpsheets

You can get these by:

- phone - call HMRC Orderline **0845 900 0404**
- online - use 'Find a form' at www.hmrc.gov.uk/findaform

For a list of records that you need to keep use the interactive tool at

www.businesslink.gov.uk/recordkeepingcheck

Right from the start

You can find information about setting up in business, including a video about record keeping at

www.businesslink.gov.uk/taxhelp

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.
Customer Information Team
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