

Tax help series

Working for yourself - what you need to know

When you start working for yourself, it's important to get your tax and National Insurance contributions (NICs) sorted out right from the start.

In this factsheet we tell you about:

- how and when to register for Self Assessment
- your Unique Taxpayer Reference (UTR) number
- National Insurance contributions (NICs) and tax
- the Construction Industry Scheme (CIS)
- Value Added Tax (VAT)
- what you have to pay and when
- completing your tax returns
- the records you need to keep
- what you need to tell us about
- our online facilities
- where to get more help.

When to register

You need to register with us as soon as you start working for yourself (you can only register in advance if you work in the construction industry and you have an agreed start date). You need your National Insurance number to register. If you don't have a National Insurance number or you don't know what it is, go to:

www.hmrc.gov.uk/ni/intro/number.htm

How you register

How you register depends on your circumstances. For example, you might be self-employed as a sole trader or as a partner in a partnership.

To register, or for further information and application forms, go to:

- www.hmrc.gov.uk/sa/register.htm or
- phone **0845 915 4515**.

When you register we will set up collection of your Class 2 National Insurance contributions for you by either Direct Debit or payment request. We will also register you on our Self Assessment tax system as you will need to complete a Self Assessment tax return each year to tell us about your income. If you already complete a tax return you must still tell us you have become self-employed.

Your Unique Taxpayer Reference (UTR) number

After you have first registered, we will send you a letter which contains your 10 digit UTR number. We will send you your UTR number within eight weeks but you can start work right away once you have registered. Your UTR is the reference number for your record on our Self Assessment tax system. Please note that it is not proof of self-employment. It is important because you will need to use this number:

- whenever you contact us about your tax
- if you work as a subcontractor in the Construction Industry and you need to register for CIS.

For more information about Self Assessment, go to www.hmrc.gov.uk/sa/index.htm

If you need help

For help and advice on National Insurance contributions and tax for the self-employed, go to www.hmrc.gov.uk and select *Self-employed* from the *individuals & employees* menu

For National Insurance queries, phone the Newly Self-Employed Helpline on **0845 915 4515**.

For tax queries, phone the Self Assessment Helpline on **0845 9000 444**.

For our opening times, go to www.hmrc.gov.uk/contactus

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 visit you at home because it is difficult for you to get to one of our offices
- 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**.

Do it online

A range of online services are available covering both taxes and benefits. Our online services offer a quick, convenient, safe and secure way to deal with a whole range of tax, excise and benefit related issues. They allow you to:

- access real time accounts and amend information such as contact details
- check eligibility and submit claims for benefits
- submit tax, excise and other returns and declarations, and pay electronically.

For more information and to see a demonstration, go to www.hmrc.gov.uk/online/index.htm

File your tax return online

If you're sending us your Self Assessment tax return, you can do it online using the secure service we provide. There are many advantages to filing online instead of by paper, including automatic calculations, faster processing and later deadlines for filing. For more information and to register, go to www.hmrc.gov.uk/sa/file-online.htm

National Insurance contributions (NICs)

If you are self-employed you have to pay Class 2 National Insurance contributions (NICs). This is a flat rate amount (£2.50 per week for the 2011–12 year) paid by Direct Debit or by a bill issued twice each year.

Class 2 NICs count towards your basic State Pension, Incapacity/Employment and Support Allowance, Bereavement Benefits and Maternity Allowance. They do **not** count for Jobseeker's Allowance. You pay Class 2 NICs until you reach state pension age, or you stop working for yourself.

Small earnings

If you expect to earn less than £5,315 from self-employed work, for the tax year 2011–12 you may not have to pay Class 2 NICs and can apply for a 'Small Earnings Exception'. However, if you do not pay Class 2 NICs your benefits and State Pension may be affected.

To find out more please see form CF10 *Self-employed people with small earnings* at www.hmrc.gov.uk/forms/cf10.pdf You can get the current NICs rates at www.hmrc.gov.uk/rates/nic.htm

Paying your National Insurance contributions (NICs) by Direct Debit

The most convenient way to pay Class 2 NICs is by Direct Debit because:

- it is easy to set up – just fill in the form and send it to us. You need a suitable account at a bank or building society
- once set up, your Direct Debit runs automatically
- it helps your budget – you only have one monthly payment to plan for. Good cash flow and budgeting are essential when you are in business
- it gives you peace of mind. Payments are made on time, every time and there is no risk of losing benefit because you forgot to pay.

Two direct debit choices are available:

- By monthly direct debit payments which will be collected four months in arrears on the second Friday of every month. Either a four-week or a five-week payment is collected.
- Alternatively, you can pay six monthly in arrears with collections being made on the second Friday of January 2012 and July 2012.

We will send you a letter in March each year, listing the dates and amounts to be collected during the tax year.

When you register, you can sign up to pay by Direct Debit by:

- completing form CA5601 *Application to pay self-employed National Insurance contributions (NICs) by Direct Debit* online at www.hmrc.gov.uk/pdfs/ca5601.pdf
- asking us to send you the form by post.

If you cannot pay by Direct Debit, we'll send you 6 monthly payment requests in October 2011 and April 2012. Requests must be paid within 13 weeks. We cannot accept payments over the phone.

Tax

The tax year runs from 6 April to the following 5 April. If you're self-employed, you need to fill in a Self Assessment tax return every year. You can fill it in online by enrolling with our online services, or we can send you a paper form.

If you are due to pay tax, you need to pay two instalments in January and July each year, which are estimated from your last tax return. Then you pay any additional actual amount due the following January.

Key dates for doing your tax return and paying what you owe are:

- 31 October – deadline for most paper tax returns
- 31 January – deadline for online tax returns, and some paper returns where you cannot fill in the return online

Avoid a penalty

Most people avoid a penalty by filing their tax return on time. Make sure you send us your return and pay us on time. To find out what the penalties are and to check your deadlines, go to www.hmrc.gov.uk/sa/deadlines-penalties.htm

Further help and advice

For information about setting up in business, including videos about record keeping, VAT, employing people and other useful information, go to www.businesslink.gov.uk/taxhelp

For information, advice and support to help you start, maintain and develop your business. Go to:

- www.businesslink.gov.uk (England)
- www.bgateway.com (Scotland)
- www.business.wales.gov.uk (Wales)
- www.nibusinessinfo.co.uk (Northern Ireland).

If you are thinking of working for yourself or have just started, we offer free workshops where you'll get practical advice on:

- record keeping
- business expenses and capital allowances
- filling in your Self Assessment tax return.

To find out more, go to www.hmrc.gov.uk/bst or phone **0845 603 2691**.

- 31 January - deadline to pay what you owe for the **last tax year** plus the first instalment of estimate due towards this year's tax bill, if one is due. We call this your first payment on account
- 31 July - deadline for your second instalment of estimate due towards this year's tax bill, if one is due. We call this your second payment on account.

We recommend you send us your completed return in plenty of time so you know what you have to pay and can pay it on time.

If your annual turnover from self-employment for the 2011–12 year is below £73,000, you can fill in a Short Tax Return. You can get more information at www.hmrc.gov.uk/factsheet/three-line-account.pdf

Construction Industry Scheme (CIS)

You can check to see if the sort of work that you do comes under CIS at www.hmrc.gov.uk/cis

If your work does fall under the scheme, you will need to contact the CIS Helpline on **0845 366 7899** to register (but only **after** you have completed your registration for self-employment and obtained your UTR number).

VAT

VAT is a tax charged on most goods and services that VAT registered businesses provide in the United Kingdom (UK). It is also charged on goods and some services that are imported from countries outside the European Union (EU), or brought into the UK from other EU countries..

You must register for VAT if your turnover for the previous 12 months is over a specific amount, or threshold, although you may register voluntarily at any time. For information on VAT, including the current VAT registration thresholds go to www.businesslink.gov.uk/vat

The records you need to keep

Keeping accurate and up to date records is essential to provide you with information about how your business is performing. It also helps when obtaining finance and preparing tax returns. Keeping good records is good for your business and is a legal requirement, so it is important to get a proper system in place from the beginning.

You can find information about keeping records in the factsheet TH FS1 *Keeping records for business - what you need to know*, go to www.hmrc.gov.uk/factsheet/record-keeping.pdf

To find out what records you need to keep, go to www.businesslink.gov.uk/recordkeepingcheck

What 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

What you need to tell us about

To make sure both you and the business pay the right amount of tax at the right time, you must tell us about certain changes that take place within your business. To tell us about a change of name or address through our website. Go to www.hmrc.gov.uk and select *Report a change* from the *Quick links* menu.

Stopping self-employment

If you stop being self-employed, you need to tell us right away, so we can help get your tax and NICs records in order. You will still need to fill in a tax return for the tax year you stopped and make sure that you show on your return the date you stopped trading.

For tax records phone the Self Assessment Helpline on **0845 9000 444**, and for Class 2NICs records phone the NICs Self-Employed Helpline on **0845 915 4655**.

If you have been unemployed

Jobcentre Plus has a package of support to help you become self-employed or start up your own business. Support may be available if you are claiming Jobseeker's Allowance or Employment Support Allowance.

For the latest information, contact your Jobcentre Plus personal adviser, or go to www.direct.gov.uk/en/Employment/Jobseekers/LookingForWork/index.htm

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
April 2011 © Crown copyright 2011