

Information from your accounts

This Help Sheet helps you fill in boxes on:

- page SEF 2 of the *Self-employment (full)* pages to give details of your income and expenditure, and
- page SEF 5 of the *Self-employment (full)* pages to give details of your balance sheet, if you have one.

It does not give guidance on which expenses are allowable for tax purposes. If you need advice on this topic you should ask for Help Sheet 222 *How to calculate your taxable profits*.

The box numbers mentioned in this Help Sheet are references to boxes in the *Self-employment (full)* pages. Look up the box numbers in the *notes* to the *Self-employment (full)* pages for more information.

Partnership Tax Return

The Help Sheet will also help you fill in the Trading pages of the Partnership Tax Return.

The box numbers on the Trading pages of the Partnership Tax Return are given in brackets after the box numbers of the *Self-employment (full)* pages.

What does this Help Sheet cover?

If you have business accounts, and your annual turnover (that is, all the money earned in your business before deducting business expenses) is £30,000 or more for a full year, you must fill in boxes 16 to 45 (boxes 3.27 to 3.65) and, if you have a balance sheet, boxes 81 to 97 (boxes 3.99 to 3.115) - the 'Standard Accounts Information' (SAI).

This Help Sheet provides guidance on how to fill in the boxes from the figures in your accounts and answers some of the more common questions that arise from doing this.

What is 'Standard Accounts Information' (SAI)?

SAI is a self-contained summary of your accounts which you complete as part of your Tax Return. It provides a comprehensive summary of your trading and profit and loss account or your income and expenditure account, and your balance sheet. Also it shows what adjustments you have made to arrive at your profit for tax purposes.

What if there are no accounts?

If you are not intending to have accounts prepared, the *notes* to the *Self-employment (full)* pages provide guidance to help you calculate your business profit, the adjustments you may need to make for tax purposes and how to fill in the SAI boxes.

You must keep records of all your business transactions.

Do accounts and tax calculations have to be sent to us?

No. There is no longer a requirement for you to submit business accounts, or tax calculations based on them, with your Tax Return unless you are a partnership with a turnover of £15 million or more.

Normally the SAI gives all the information we need to know about your business for the purpose of deciding whether to make an enquiry into your Tax Return.

What if there are things to draw attention to?

For most businesses this information will enable you to present a full and fair picture of your business for tax purposes. If there are any points needing further explanation, enter details in the 'Any other information' box, box 101 on page SEF 6 of the *Self-employment (full)* pages or box 3.116 on page 3 of the Partnership Tax Return.

In some larger or more complex businesses, additional information given in the Return may not be enough to provide a means of adequate disclosure. The submission of further information, including perhaps accounts and supporting calculations, may be considered necessary for example, where:

- a large business has substantial turnover, or
- a business is complex (perhaps because it is in a highly specialised trade), or
- accounts or calculations are needed for a proper understanding of the figures.

But you must fill in page SEF 2 and, if you have a balance sheet, page SEF 5 of the *Self-employment (full)* pages or, in the case of a partnership, pages 3 to 6 of the Partnership Tax Return.

Where to start

As well as your accounts you may find it useful to have your business records available when you complete the SAI section of your Tax Return.

There are no hard and fast rules, but you should be consistent from one year to the next. It will help you next year if you keep a note of which accounts figures you enter in which SAI boxes.

The purpose of filling in these boxes is to present the accounts information as clearly and informatively as the standard format allows.

Filling in the boxes

Here are some suggestions:

- unless your accounts are very simple, or they have been drawn up using SAI headings, it is probably best not to write any figures in the *Self-employment (full)* pages until you are sure of the final amounts to put in each box
- start by transferring the business turnover shown in your accounts to box 14 (box 3.29)
- go through the expenses shown in your accounts and note against each one the number of the box in which you think it should be entered. If, for whatever reason, an expense causes difficulty, leave it initially and go on to the next item
- once you have looked at every item in the accounts, go back to the ones for which you could not make an immediate decision. The notes that follow should help you decide what to do
- make sure that every figure from your accounts is included somewhere in the SAI boxes, and included only once.

What to do if there are expenses in the accounts that are not specified in the *Self-employment (full)* pages

The general guidance explains what each box is broadly intended to include and gives some examples of common types of expense which are usually appropriate to each. But inevitably there will be some expenses that the SAI format does not readily accommodate. In these cases you will have to judge how best to present your figures.

Some types of expense might be included under alternative SAI headings depending on the type of business and the precise nature of that expense. But whichever treatment you adopt, you should be consistent from one year to the next.

If the expense is of a one-off or unusual nature, or if you want, for any reason, to draw particular attention to it, or to the tax treatment you have adopted, give details in the 'Any other information' box, box 101 on page SEF 5 of the *Self-employment (full)* pages (or the 'Additional information' box, box 3.116 on page 3 of the Partnership Tax Return).

If there is no suitable heading or the amounts involved are immaterial, use the 'Other business expenses' box, box 29 (box 3.63).

Do not change the descriptions printed on the Tax Return. Use the 'Any other information' box, box 101 (box 3.116) if you need to write anything outside the boxes.

What should be included under 'Other business expenses'?

If the expenses you include here are material by reference to the total amount of business expenses, consider the need to explain what is included by making a note in the 'Any other information' box in order to make your figures clear.

There is no precise definition of what is or is not material, but as a general rule, if the inclusion or exclusion of an item might affect judgements that we, or anyone else who uses the information in your Tax Return, might make, the item should be considered as material.

Avoiding unnecessary use of the 'Other business expenses' box, and explaining the main items you have included, may help avoid enquiries being made into your Tax Return.

What to do if accounts include as a single item expenses that may need to be shown separately in the *Self-employments (full)* pages

If the expenses are virtually all of one type, there is no objection to categorising the whole expense under the main heading. For example, your accounts may include an entry for 'Bank charges and interest' that consists almost entirely of bank charges. If so, put the whole amount in box 25 (box 3.61).

But you should divide the expenses between different headings if the amounts involved are material, or it would be misleading if they were all included under one heading. For example, if your accounts include a single entry for 'Travel and entertainment' you should distinguish the amount of the entertainment expenses, include it in the entry in box 23 (box 3.57) and make sure this is disallowed for tax by entering the disallowable part in box 38 (box 3.39). The remainder of the expenses relating to travel costs should be entered in box 19 (box 3.56), and any disallowable part of that expense, for example private travel costs, should be shown in box 34 (box 3.38).

Consider keeping these amounts separate when the next accounts are prepared.

In cases where the taxable profit or loss is not affected and the amounts involved are not material by reference to the total expenditure, we would not normally object if you decide to estimate the split between the SAI boxes.

Will wrong entries be penalised?

In many cases there will be an element of choice in how you complete the SAI boxes and there will be no right or wrong answer.

But you must take reasonable care to ensure that your Tax Return is completed accurately. Errors arising from fraudulent or negligent conduct that give rise to a loss of tax will be subject to penalties.

Examples

The rest of this Help Sheet contains examples to show you which boxes on pages SEF 2 and SEF 5 of the *Self-employment (full)* pages (or pages 4 and 5 of the Partnership Tax Return) you may want to use to provide SAI.

Example 1, starting on page 5, gives details from the trading and profit and loss account and balance sheet of a snack bar, Jack's Snacks.

Example 2, on pages 7 and 8, deals with a business, Harry Cooper Business Services. A balance sheet was not drawn up, so there is no need to fill in boxes 81 to 97 in the *Self-employment (full)* pages (boxes 3.99 to 3.115).

Example 1 – Jack's Snacks

Trading and profit and loss account for the year ended 30 June 2007			Balance sheet at 30 June 2007		
Sales	93,808	<i>box 14 (3.29) and see Note 1</i>	Fixed assets		
Opening stock	2,200		Freehold property	34,032	<i>box 82 (3.100)</i>
Purchases	<u>42,578</u>		Furniture and equipment	4,232	<i>see Note 6</i>
	44,778		Motor vehicles	<u>23,701</u>	<i>box 81 (3.99)</i>
Closing stock	<u>2,450</u>	<i>box 16 (3.46)</i>		61,965	
Gross profit	51,480		Current assets		
Rents received	2,327	<i>see Note 2</i>	Stock	2,450	<i>box 83 (3.101)</i>
Bank interest	<u>92</u>	<i>box 15 (3.50)</i>	Debtors and prepayments	3,197	<i>box 84 (3.102)</i>
	53,899		Cash in hand and at bank	<u>6,808</u>	<i>see Note 7</i>
Wages and salaries	11,014	<i>box 18 (3.51)</i>		12,455	
Rent and rates	3,946	<i>box 20 (3.52)</i>	Current liabilities		
Insurance	794	<i>see Note 3</i>	Trade creditors	2,080	<i>box 89 (3.106)</i>
Light and heat	1,335	<i>box 20 (3.52)</i>	Other creditors	10,627	<i>box 91 (3.108)</i>
Cleaning	328	<i>see Note 3</i>	Accruals	<u>4,372</u>	<i>box 89 (3.106)</i>
Repairs and maintenance	1,577	<i>box 21 (3.53)</i>		17,079	
Printing, postage and stationery	79	<i>box 22 (3.54)</i>	Net current liabilities	<u>4,624</u>	
Telephone	204	<i>see Note 4</i>			
Motor expenses	1,266	<i>see Note 4</i>	Total net assets	57,341	<i>box 92 (3.110)</i>
Advertising	240	<i>box 23 (3.57)</i>	Capital account		
Legal and professional	70	<i>box 27 (3.58)</i>	At 1 July 2005	47,080	<i>box 93 (3.111)</i>
Accountancy	866	<i>box 27 (3.58)</i>	Capital introduced	6,734	<i>box 95 (3.113) and see Note 8</i>
Bank and credit card charges	809	<i>box 25 (3.61)</i>	Profit for the year	24,741	<i>box 94 (3.112)</i>
Sundries	236	<i>box 29 (3.63)</i>		78,555	
Hire purchase interest	484	<i>box 25 (3.61)</i>	Drawings	<u>(21,214)</u>	<i>box 96 (3.114)</i>
Depreciation	6,648	<i>box 28 (3.62)</i>		57,341	<i>box 97 (3.115)</i>
Profit on disposal of assets	(1,089)	<i>box 28 (3.62)</i>			
VAT surcharge	<u>351</u>	<i>see Note 5</i>			
	<u>29,158</u>				
Net profit	24,741				

Note 1

Goods taken from the business for personal use and not paid for amount to £1,520. This amount should be included as part of business turnover and is therefore added to the net profit by entering the figure in box 58 (box 3.67).

Note 2

Rents received are for a part of the premises not used for business purposes. It has been agreed that they can be treated as business income for tax purposes. They are included in box 15 (box 3.50) but no adjustment is made in box 60 (box 3.71), and there is no need to include this figure in the *UK property* pages as it is fully accounted for here.

Note 3

Insurance costs and cleaning costs all relate to the business premises.

Note 4

50% of telephone costs and 35% of motor expenses are for private, non-business use. These amounts are not allowable for tax. The amounts of £102 and £443 go in boxes 37 and 34 (boxes 3.36 and 3.37).

Note 5

A VAT surcharge of £351 was incurred. This amount is included under 'Other business expenses' in box 29 (box 3.63). It is not an allowable expense for tax purposes, and is therefore disallowed by including the amount in box 44 (box 3.45). Although the amount is relatively small it is material, because it is not allowable for tax purposes. A note would therefore be made in the 'Any other information' box, box 101 (box 3.116) to explain the tax treatment.

Note 6

Furniture and equipment used in the business premises are included in box 81 (box 3.99), 'Equipment, machinery and vehicles'.

Note 7

The cash and bank balances are not separated in the accounts, but the business records show that the bank balance was £6,085 and cash in hand was £723.

Note 8

An endowment policy matured during the year and the proceeds of £6,734 were paid into the business. A note of the source of these funds would be given in the 'Any other information' box, box 101 (box 3.116).

Example 2 – Harry Cooper Business Services

Profit and loss account for the year ended 30 April 2007		
Work done	82,331	<i>entry in box 14 (3.29)</i>
Interest	615	<i>entry in box 15 (3.50)</i>
Commission	<u>133</u>	<i>entry in box 14 (3.29)</i>
	83,079	
Expenditure		
Staff salaries	13,955	<i>entry in box 18 (3.51) and see Note 6</i>
Subcontract expenses	5,705	<i>entry in box 18 (3.51)</i>
Rent, rates and water	9,940	<i>entry in box 20 (3.52)</i>
Heat and light	494	<i>entry in box 20 (3.52)</i>
Printing, stationery and postage	1,479	<i>entry in box 22 (3.54)</i>
Repairs and computer maintenance	776	<i>entry in box 21 (3.53)</i>
Insurance	1,257	<i>see Note 1</i>
Telephone	2,352	<i>entry in box 22 (3.54)</i>
Motor vehicle expenses	8,286	<i>entry in box 19 (3.55) and see Note 5</i>
Entertaining	237	<i>entry in box 23 (3.57)</i>
Training courses	699	<i>entry in box 18 (3.51)</i>
Subscriptions and journals	312	<i>entry in box 22 (3.54)</i>
Legal and professional fees	902	<i>entry in box 27 (3.58)</i>
Finance and HP interest	345	<i>entry in box 25 (3.61)</i>
Bank charges and interest	2,461	<i>see Note 2</i>
Hire of equipment	1,248	<i>see Note 3</i>
Cleaning	692	<i>see Note 4</i>
Sundries	604	<i>entry in box 29 (3.63)</i>
Depreciation	3,200	<i>entry in box 28 (3.62)</i>
Loss on sale of vehicle	900	<i>entry in box 28 (3.62)</i>
	<u>55,844</u>	
Net profit	£27,235	

Note 1

Insurance includes £758 professional indemnity cover, which is entered in box 27 (box 3.58). The balance includes various items and has been entered in box 22 (box 3.54) in line with general guidance. This treatment will be followed consistently, from year to year.

Note 2

Bank charges and interest are shown in the accounts as a composite figure. This amount comprises £1,687 for interest and £774 for bank charges. These amounts are shown separately in boxes 24 and 25 (boxes 3.60 and 3.61).

Note 3

Hire of equipment covers cost of renting office equipment including a photocopier and fax. It is included in 'Telephone, fax, stationery and other office costs' in box 22 (box 3.54).

Note 4

The business records show that £531 cleaning is for the business premises. The balance includes various small one-off expenses. As almost all the expenditure is for the business premises, and the whole amount of £692 is allowable for tax, it can simply be included as part of 'Rent, rates, power and insurance costs' in box 20 (box 3.52).

Note 5

Capital allowances of £2,062 are claimed on the car, and other business assets.

Note 6

Staff salaries include Harry's own wages of £5,000.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.