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HELP SHEETS AND LEAFLETS

Help Sheets and leaflets giving more detailed information about particular tax rules for self-employment are available from the Orderline, or on our website at www.inlandrevenue.gov.uk

- SA/BK3: *Self Assessment. A guide to keeping records for the self-employed*
- IR220: *More than one business*
- IR222: *How to calculate your taxable profits*
- IR223: *Rent a Room for traders*
- IR224: *Farmers and market gardeners*
- IR227: *Losses*
- IR229: *Information from your accounts*
- IR231: *Doctors' expenses*

- IR232: *Farm stock valuation*
- IR233: *The 'true and fair view' for professions and the 'adjustment' on withdrawal of cash basis*
- IR234: *Averaging for creators of literary or artistic works*

Filling in the Self-employment Pages

You must fill in the Self-employment Pages if, at any time during the 2002-03 tax year, you carried on a trade, profession or vocation as a self-employed person in the UK or abroad. If you were a Name at Lloyd's, fill in the Lloyd's Underwriters Pages instead. If you were a member of a partnership, fill in the Partnership Pages instead.

Get the material you need to complete the Self-employment Pages:

- your business accounts covering your basis period for the 2002-03 tax year (basis period is explained on page SEN3)
- your books and records, if you do not have accounts.

You should have records of all your business transactions. You must keep these until at least 31 January 2009 in case your Inland Revenue office asks to see them. Booklet SA/BK3 has more information.

If you have been in business for some years and your accounting date is the same as last year's, your basis period will be the accounting period ending in the year to 5 April 2003. You should use the information from this accounting period to complete the Self-employment Pages.

If you have just started in business, you can draw up your accounts to any convenient date but you may find it easier to work to 5 April, which is the end of the tax year.

You may need to complete more than one set of Self-employment Pages if **either** of the following circumstances applies:

- you do not have a single set of accounts for the period that is your basis period for 2002-03. This may happen if your business has recently commenced, ceased or you have changed accounting date. See the notes on pages SEN2 and SEN3 which explain how to work out your basis period and the accounts information you must provide, **or**
- you had more than one business. You must complete separate Self-employment Pages for each. Ask the Orderline for *Help Sheet IR220: More than one business*. It includes a working sheet to deal with the special rules for Class 4 National Insurance contributions in this situation.

If you have a single set of accounts which covers more than one business, you should first transfer all the figures to one set of Self-employment Pages. Then deduct the income and disallow the expenses for any business other than your main business, and include them in a separate set of Self-employment Pages for each of your other businesses.

You should only include in the Self-employment Pages details of that self-employment. You should enter other income in the appropriate parts of your Tax Return. For example, enter:

- partnership income in the Partnership Pages but see the note on page SEN3 about changing between self-employment and partnership
- income earned as an employee or company director in the Employment Pages
- dividends from companies in boxes 10.15 to 10.17 on page 3 of your Tax Return.

If you are unsure whether your activities amount to a trade, profession or vocation, ask your Inland Revenue office or tax adviser for advice.

Contact your Inland Revenue office (or the Helpline when the office is closed) for advice about filling in your Tax Return if you were a construction worker and the person (or the business) for whom you worked told you that:

- you were not self-employed for a particular contract, **and**
- your pay since then had tax taken off under Pay As You Earn (PAYE).

Before filling in the Self-employment Pages read the notes on pages SEN7 and SEN9 if you are:

- an author or artist, **or**
 - a farmer or market gardener,
- and, on page SEN12 if you are
- a foster carer or adult carer.

If your trade involves provision of furnished accommodation in your only or main home, Rent a Room may apply. Ask the Orderline for *Help Sheet IR223: Rent a Room for traders*.

If you have trade debts from overseas dealings which cannot be paid or brought to the UK because of exchange control restrictions or a shortage of foreign currency in the overseas country, ask your Inland Revenue office or tax adviser about Extra Statutory Concession B38: *Tax Concessions on overseas debts*.

Before you start

You pay tax for 2002-03 on all your business profits (see page SEN9 if you made a loss) for the basis period.

Your business profit for each business is the difference between:

- your turnover, other business receipts, balancing charges and the value of goods you take out of the business for personal use, **and**
- allowable business expenses (including capital allowances).

The Self-employment Pages will help you work out your taxable business profit and will provide me with the information I need to process your Tax Return.

For each business you must:

- provide business details in boxes 3.1 to 3.13
- complete boxes 3.14 to 3.23 if you are including capital allowances and balancing charges in boxes 3.25 and 3.24 or 3.70 and 3.68. Give details of income and expenses in boxes 3.24 to 3.26 if your annual turnover is below £15,000, or in boxes 3.27 to 3.73 if your annual turnover is £15,000 or more.
- work out your taxable profit on Page SE3, using boxes 3.74 to 3.93
- fill in boxes 3.94 to 3.98, as appropriate
- if you have a balance sheet, provide information about your business assets or liabilities in boxes 3.99 to 3.115.

Work through the following steps for each business:

- Step 1** Work out the basis period for your business using the notes on page SEN3, or *Help Sheet IR222: How to calculate your taxable profits*.
- Step 2** Work out how many 'accounts' fall within that basis period.
- Step 3** Check whether you provided details of any of these 'accounts' in boxes 3.14 to 3.73 and boxes 3.99 to 3.115 of last year's Tax Return. If so, you do not need to provide the same information again. Tick box 3.10 if you have already included details of **all** these accounts in last year's Tax Return.
- Step 4** **If you have only one set of accounts for the basis period**, fill in one set of Self-employment Pages for the whole of your basis period unless you have already provided this information in last year's Tax Return.

You must always complete boxes 3.74 to 3.93 on Page SE3, as appropriate, to arrive at your taxable profit for 2002-03.

OR

If you have more than one set of accounts for the basis period, complete boxes 3.1 to 3.73 and 3.99 to 3.115, as appropriate, on separate Self-employment Pages for each set of accounts. You do not need to repeat any information for any accounting period which you provided in last year's Tax Return. Then fill in boxes 3.74 to 3.93, as appropriate, on the Self-employment Pages for the most recent set of accounts to arrive at your taxable profit for 2002-03.

The Notes will help you. They use some technical terms such as 'trade', 'basis period' and so on. They explain these terms as fully as possible, but they are not a comprehensive guide for all cases. There is also a glossary of terms on page SEN12.

• Providing details of income and expenses

For most businesses, the information on the Self-employment Pages will enable you to present a full and fair picture of your business. If there are any points needing further explanation, provide details in the 'Additional information' box, box 3.116 on Page SE4. You do not need to send me your accounts.

However, in some larger, specialised or more complex businesses, the Self-employment Pages may not be enough to give a full and fair picture of your business. You may consider that further information, including accounts or supporting calculations, are necessary.

You must also complete Page SE2 if your annual turnover is £15,000 or more, and Page SE4 if you have a balance sheet.

If you do not have accounts

You should work out your taxable profit using generally accepted accountancy principles. These Notes (particularly the glossary on page SEN12) will help. For further advice on how your profits are taxable, what to include in your turnover and what expenses are allowable for tax, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits*.

You will come across the terms '**accounting period**' and '**accounting date**' in both these Notes and the Help Sheets. If you do not have accounts prepared for your business you should read:

- '**accounting period**' to mean the period for which you provide details of your business income and expenses, **and**
- '**accounting date**' to mean the date on which that period ends.

If you do have accounts

Accounts are prepared for a variety of reasons and in a variety of ways and it may not be immediately obvious where in your Self-employment Pages you should enter some of your figures. *Help Sheet IR229: Information from your accounts* gives practical help on filling in the Self-employment Pages, including some worked examples.

In some situations you may need to combine or apportion your figures to fit the standard format. There may be more than one acceptable way of doing this. Whichever method you adopt, you should be consistent from one year to the next. If you want to explain any figures in more detail, do so in the 'Additional information' box, box 3.116 on Page SE4.

Make sure that you transfer all the entries in your accounts, and that you include them only once. Do not bring in any amounts which are not included in your accounts unless you need them to work out your taxable profit, or they were excluded in error from your accounts. Include any such amounts in box 3.91. Explain why the entry is necessary in the 'Additional information' box, box 3.116 on Page SE4.

Changing between self-employment and partnership

Normally you will need to complete the Partnership Pages if you were a partner during the year ended 5 April 2003 and the Self-employment Pages if you were self-employed during that period. Where you carried on the same business during the year, but did so as a sole trader for part of the year and in partnership for part, work through the following steps.

Step 1 If your basis period (see below) covers a period during which you carried on the business exclusively as a sole trader, you should complete the Self-employment Pages in the normal way. Do **not** complete the Partnership Pages.

Step 2 If your basis period includes a period during which you carried on the business in partnership, complete boxes 4.1 to 4.25 in the **Partnership Pages** to arrive at your taxable profit or allowable loss from the business for this year.

Step 3 Complete boxes 3.14 to 3.73 and 3.99 to 3.115 in the **Self-employment Pages** for any accounting periods which cover part of your basis period and during which you carried on the business exclusively as a sole trader. If you included this information in last year's Tax Return, you do not need to repeat it this year. (Do not treat the date of change from sole trader to partnership, or partnership to sole trader, as requiring an entry in either box 3.7 or box 3.8 in the Self-employment Pages.) But if you have completed boxes 4.1 to 4.25 on the Partnership Pages, leave boxes 3.74 to 3.96 blank and tick box 3.10.

- Provisional figures

I would normally expect you to complete the income and expenses section of your Self-employment Pages with the final and correct figures of income and expenses. If, despite your best efforts, you are unable to do so, please read the notes on pages 32 and 33 of your Tax Return Guide which explain the circumstances in which Returns containing provisional figures may be accepted.

If you need to use one or more provisional figures you should still complete all relevant boxes on the Self-employment Pages, including the accounts information.

If it is actually impossible to provide final or even provisional accounts information from which your taxable profit is to be worked out, before the latest date for sending your Tax Return, you should provide one provisional figure for your taxable profit in box 3.92 and tick box 3.93. I would expect there to be very few such circumstances. The one common circumstance would be where, in the case of a newly commenced business, the first accounting period does not end until close to, or after, the statutory filing date. By 'close to' I mean within 3 months of the filing date.

If you have included any provisional figures tick box 23.2 on page 9 of your Tax Return, and say in the 'Additional information' box, box 23.5, which figures are provisional (refer to appropriate box numbers).

It would also help me if you say in box 23.5:

- why you cannot provide final figures, and
- an approximate date on which you expect to give me your final figures.

- Estimates (including valuations)

In some situations you may need to provide an estimated figure or valuation that you do not intend to amend at a later date. If so, read the notes on page 33 of your Tax Return Guide.

Business details

- Your basis period for 2002-03

You pay tax for 2002-03 according to the profits, or losses, for your basis period.

After the first two or three years in business your basis period will be the 12 months up to the date you choose as your annual accounting date. For example, if you have been in business for a number of years and your annual accounting date is 31 December your basis period for 2002-03 is the 12 months from 1 January 2002 to 31 December 2002.

Ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits* if:

- your business started after 5 April 2000
- your accounting date is not the same as used in 2001-02
- you did not have an accounting date in 2002-03
- your business ceased in 2002-03.

boxes 3.1 to 3.3

Make sure you complete these boxes for each set of Self-employment Pages you complete.

boxes 3.4 and 3.5

Enter in boxes 3.4 and 3.5 the details of the period to which the information in boxes 3.24 to 3.26, or 3.27 to 3.73 and, where you have a balance sheet, 3.99 to 3.115, relate. Make sure you have read the section headed 'Your basis period for 2002-03' above before continuing. Work out your basis period to decide the periods of account for which you need to provide details.

box 3.6

Tick box 3.6 if details in boxes 3.1 or 3.3 have changed since your last Tax Return.

box 3.7

If your business started after 5 April 2000, enter in box 3.7 the start date. If your accounting date has changed since then, ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits*.

box 3.8

If you sold or closed down your business between 6 April 2002 and 5 April 2003, enter in box 3.8 the date it ceased. If this is not the same as the date in box 3.5 you must complete another set of Self-employment Pages.

box 3.9

If you are a foster carer or adult carer, or you carry on a trade or profession wholly overseas you may only need to fill in a limited number of boxes in the Self-employment Pages. Check the notes on particular trades etc. on page SEN12 to see if this applies to you. If it does, tick box 3.9 to indicate why you have left some sections blank.

box 3.10

Tick box 3.10 if you are not required to provide details from any of your accounts this year. Leave boxes 3.14 to 3.73 and 3.99 to 3.115 blank but complete boxes 3.74 to 3.98.

box 3.11

Tick box 3.11 if there is a gap between the end of your previous accounting period and the beginning of this one. Explain why in the 'Additional information' box, box 3.116 on Page SE4.

boxes 3.12 and 3.13

Tick box 3.12 if your accounting date has changed and this is a permanent change which you wish to count for tax. Tick box 3.13 (as well as box 3.12) if this is the second or further change in the accounting date since 5 April 1994 (or since 5 April 2000 if the business started before 6 April 1994) and explain in the 'Additional information' box, box 3.116 why you have made this change. *Help Sheet IR222: How to calculate your taxable profits*, available from the Orderline, has more information.

Capital allowances and balancing charges**boxes 3.14 to 3.23**

In working out your taxable profits you must not take off:

- the cost of buying, altering or improving fixed assets, **or**
- their depreciation through age or use, or any losses you suffer when you sell them.

Instead, you can claim tax allowances called 'capital allowances'. Take these off when working out your taxable profits and include them in box 3.70 (or box 3.25). An adjustment, known as a 'balancing charge', may arise when you sell an item, give it away or stop using it in your business. Add balancing charges to your taxable profits and include them in box 3.68 (or box 3.24).

You can claim capital allowances for the cost of:

- plant and machinery such as vehicles, tools, ladders, computers and business furniture which belongs to you. Do not claim for the things it is your trade to buy and sell - you should claim these as business expenses
- agricultural, industrial and certain other buildings
- patents, certain specialist types of 'know-how', scientific research, mineral extraction and dredging. Your tax adviser will claim these for you, if they apply.

First year allowances can be claimed on some expenditure. The percentage rate of first year allowance varies depending on when the item was bought.

If you buy on hire purchase, you can claim capital allowances on the original cost of the item; the interest or other charges count as business expenses and you should take them off in box 3.61.

If you have purchased a car with low CO2 emissions, equipment for refuelling vehicles with natural gas or hydrogen fuel, or certain designated energy-saving equipment for use in your business or for leasing, letting or hire, then a 100% enhanced capital allowance claim can be made. Please tick box 3.22A if your capital allowances include environmentally friendly expenditure.

You cannot claim for anything you have bought solely for private use, or the cost of the land even if it is used for your business.

You should complete boxes 3.14 to 3.23 in **each** set of Self-employment Pages you complete. This is because we need separate capital allowances calculations for each of your accounting periods.

The example on page SEN6 may help you. There is also more information in *Help Sheet IR222: How to calculate your taxable profits*, available from the Orderline.

Income and expenses - annual turnover below £15,000

If your annual turnover (excluding any balancing charges) is below £15,000 for a full year, you may fill in the special, shortened income and expenses section on Page SE1 (boxes 3.24 to 3.26) instead of boxes 3.27 to 3.73 on Page SE2. If your turnover was for a period of less than 12 months, you should reduce the figure of £15,000 proportionately. For example, if you traded for six months you must fill in boxes 3.27 to 3.73 if your turnover is more than: $6/12 \times £15,000 = £7,500$.

But you must fill in one section or the other, and complete boxes 3.15 to 3.23 if you have any balancing charges, and boxes 3.14 to 3.22 if you are claiming capital allowances.

box 3.24

Enter in box 3.24 your turnover and any other taxable business receipts. Also include the normal selling price of all goods taken out of the business for your personal use, or for your family or friends, *minus* any sum that you paid into your business for the goods you took. This is because any sum paid into the business should already be included in the turnover figure, like other sales. Include any balancing charges from box 3.23.

box 3.25

Enter in box 3.25 your **allowable** business expenses. Make sure you do not include in your expenses any items that are not allowable against tax. (The Table on page SEN8 will help you decide.) Include any capital allowances from box 3.22.

Income and expenses - annual turnover of £15,000 or more

If your annual turnover is £15,000 or more, you must fill in boxes 3.27 to 3.73 on Page SE2.

- Value Added Tax (VAT)

boxes 3.27 and 3.28

If you are **not** registered for VAT, your sales figure will not include any VAT. Expenses in boxes 3.30 to 3.64 should include VAT. There is no need to tick either box 3.27 or 3.28.

If you are registered for the VAT Agricultural Flat Rate Scheme, include any flat rate additions charged to customers in your sales figures. Expenses should include VAT. There is no need to tick either box 3.27 or box 3.28.

If you **are** registered for VAT and are not within the Flat Rate Scheme (see below), you may enter details of your business income and allowable expenses either

- all net of VAT (that is, with the VAT figure taken off), **or**
- all still including the VAT figure.

Where you choose the second method, either

- include your net payment to Customs and Excise as an expense in box 3.63, **or**
- include any net repayment you receive from Customs and Excise as a taxable receipt in box 3.50. Tick either box 3.27 or box 3.28 to show whether entries in boxes 3.29 to 3.64 include or exclude VAT.

If you registered for VAT during the period, your expenses up to that date should include VAT, regardless of whether you record later sales and expenses as including or excluding VAT. Tick box 3.27 and include the following details in the 'Additional information' box, 3.116 on Page SE4

- a note that you were registered for VAT during the period
- the date of the registration
- whether sales and expenses from the registration date are including or excluding VAT.

If your VAT registration was cancelled during the period, enter in the 'Additional information' box, 3.116 the date of deregistration, and whether sales and expenses before that date include or exclude VAT. Your expenses from the deregistration date should include VAT.

If you are registered for the VAT Flat Rate Scheme you may enter details of your business income and allowable expenses either

- all net of VAT (that is, with the VAT figure taken off) – method 1, **or**
- all inclusive of VAT – method 2.

If you use method 1

- you should include at box 3.50 any balance on your VAT account that is not to be paid over to Customs and Excise (that is the amount of VAT on your income which exceeds the VAT you have paid on your expenses plus the payment under the Flat Rate Scheme).
- you should include at box 3.63 any balance on your VAT account that you cannot recover from Customs and Excise (that is the VAT on your expenses plus the payment under the Flat Rate Scheme less the VAT on your income).

If you use method 2

- include the net payment to Customs and Excise under the Flat Rate Scheme as an expense at box 3.63.

Tick either box 3.27 or box 3.28 to show whether the entries in boxes 3.29 to 3.64 include or exclude VAT.

If you are registered for VAT, and the goods you supply are zero rated (so that your sales figure does not include any VAT), tick either box 3.27 or box 3.28 to show whether entries in boxes 3.30 to 3.64 include or exclude VAT.

If you are registered for VAT but Customs and Excise treat you as partly exempt, when working out your taxable profits your business expenses should include any input tax that is not claimable. Where you include VAT in boxes 3.29 to 3.64, entering your net payment to, or net repayment from, Customs and Excise in boxes 3.63 and 3.50 respectively, will reflect this. However, if you exclude VAT in boxes 3.29 to 3.64, please ensure that your expenses figures include any relevant input tax you have not claimed for VAT purposes.

In working out the net payment to (or repayment from) Customs and Excise, you may have included VAT on capital items you purchased during the year; for example, on assets or rights that are of lasting use to the business and which you do not buy or sell as part of your ordinary trading. These might include business premises, plant, machinery, vehicles and trade rights.

Example 1

Vincent is a painter and decorator. He became self-employed on 1 October 2001. He decided to draw up his accounts to 30 June each year. When he started his business he bought ladders for £2,000. He bought a van to use in the business for £6,000 on 1 March 2002.

The costs of the ladders and van are added together to make a 'pool'. The pool qualifies for first year allowance (FYA) at the 40% rate.

In the year ended 30 June 2003 Vincent buys a car for £15,000. He uses the car 60% for business and 40% privately. We call capital allowances that are available each year, 'writing down allowances' (WDAs), unless FYA is available. Vincent works out the WDAs on the car separately. Because the car cost more than £12,000 he has to restrict the WDAs to £3,000 a year, they are then restricted further because of his private use.

Vincent closes the business on 30 September 2003. He sells the van for £4,000 and scraps the ladders. He sells the car for £10,000. He has to work out whether he's entitled to a balancing allowance or if he has to bear a balancing charge.

Here are Vincent's capital allowance calculations.

	Main pool		New car
Period ended 30 June 2002			
Cost of ladders	£2,000		
Van cost	<u>6,000</u>		
	8,000		
FYA @ 40%	<u>3,200</u>		
Value carried forward	4,800		
Year ended 30 June 2003			
Value brought forward	4,800	cost	£15,000
WDA @ 25%	<u>1,200</u>	WDA	<u>3,000</u> (restricted)
Value carried forward	3,600	Value c/f	12,000

The capital allowances Vincent can claim on the car are further restricted to $60\% \times £3,000 = £1,800$

Period ended 30 September 2003

Value brought forward	3,600		12,000
Disposal value £4,000 + 0	<u>4,000</u>	disposal value of car	10,000
Balancing charge	400		
Balancing allowance			<u>2,000</u>

There is a balancing charge of £400 and a balancing allowance of $60\% \times 2,000 = £1,200$

If you enter details of your income and expenses inclusive of VAT on the Self-employment Pages, make a note of the VAT on those capital items in the 'Additional information' box, 3.116 on Page SE4. Include the amount of VAT you have paid on the capital item(s) in the calculations of capital allowances summarised at boxes 3.14 to 3.23.

If you are in any doubt about the correct treatment of VAT on the Self-employment Pages, ask your Inland Revenue office or tax adviser. Contact your local Customs and Excise office for more general guidance about VAT issues.

- Sales/business income (turnover)

box 3.29 Enter in box 3.29 the amount of your turnover. If it includes income from which tax has been deducted (excluding deductions made by contractors on account of tax) enter in box 3.98 the total tax deducted between 6 April 2002 and 5 April 2003.

- Business expenses

boxes 3.30 to 3.63 You should include all your business expenses in boxes 3.46 to 3.48 and 3.51 to 3.63.

Some of the amounts you enter in boxes 3.46 to 3.63 may not be allowable for tax purposes. Enter any disallowable amounts in boxes 3.30 to 3.45 and total them in box 3.66.

Disallowable amounts may be expenses that are not allowable at all for tax (such as entertainment expenses, depreciation of fixed assets or own wages/drawings) or the disallowable part of expenses (such as motor expenses, if your vehicle is used for private as well as business use).

Example 2

Your total motor expenses included in box 3.55 were £3,000 and one-third of your mileage is private. You can only claim two-thirds of the cost against tax, that is £2,000. Enter the private use proportion, £1,000, in box 3.37.

Some small businesses can calculate car expenses using a fixed rate per business mile rather than actual costs. Details and conditions are in *Help Sheet IR222: How to calculate your taxable profits*. If any of the amounts in boxes 3.46 to 3.48 and 3.51 to 3.63 are recoverable under insurance, include them in the disallowable expenses to be entered in boxes 3.30 to 3.45 (unless they are already in box 3.29 or box 3.50).

Use the Table on page SEN8. It provides further information on how to fill in the boxes.

- Other income/profits

box 3.50 Enter in box 3.50 any business income (except Business Start-up Allowance, sometimes known as Enterprise Allowance, which goes in box 3.91) that you did not include as turnover in box 3.29. Examples might include rental income, interest from a business bank or building society account and wayleaves (that is, payment to you for a right to cross your land, say for a building contractor to reach a building site). If you are including this income in a different place on your Tax Return, make sure you deduct it at box 3.71. For example, bank interest should not be included in the net business profit or loss entered in box 3.73 if you intend to include it in Question 10, on page 3 of your Return.

- Additional information

Use the 'Additional information' box, box 3.116 on Page SE4 if you want to explain any of your figures in more detail. For example:

- particulars of any significant or unusual items (either income or expenditure) included in your figures, **or**
- details of receipts or expenditure connected with your business which for any reason are not included in your figures, **or**
- an explanation of any tax adjustment to your net profit where the reason is not apparent from these figures, **or**
- an explanation of any items not included in your accounts information, but which affect your taxable profits, such as spreading of literary profits, **or**
- details of any articles gifted under the Gift Aid Scheme, and to which charities. Relief is automatically given in the computation of trading profits by treating such gifts as disposals of stock and plant at nil rather than the usual market value.

This may avoid unnecessary enquiries being made. Further help is available in *Help Sheet IR229: Information from your accounts*.

Tax adjustments to net profit or loss

box 3.66 Enter in box 3.66 the total of disallowable expenses in boxes 3.30 to 3.45.

box 3.67 You should also make adjustments for goods you take out of the business for your personal use or for your family or friends. Enter in box 3.67 the normal selling price of all such goods *minus* any sum you paid into your business for them and which you have already included in your turnover in box 3.29.

Use box 3.67 for amounts spread forward from previous years because you claimed under Extra Statutory Concession B11 which allowed you to spread profits arising from compensation for compulsory slaughter of farm animals. For more information about ESC B11 ask the Orderline for *Help Sheet IR224: Farmers and market gardeners*.

box 3.71 Use box 3.71 for any adjustments (deducting from a profit or adding to a loss) for any amounts you took into account in arriving at your net profit or loss, but which are either

- not taxable receipts, **or**
- not taxable as profits.

You must include any taxable income in the appropriate part of your Return for the year for which it is taxable.

If you are a farmer and you want to claim relief under Extra Statutory Concession B11 about compensation for compulsory slaughter, enter the reduction in box 3.71 and include a note in the 'Additional information' box, box 3.116.

The amount deducted is taxable over the following three tax years (or the period until you cease farming if that is shorter). You must include it by using the box for adjustments that increase profits in the Self-employment Pages of your Return for those years. Keep a note to make sure you don't overlook these adjustments.

For more information about ESC B11 ask the Orderline for *Help Sheet IR224: Farmers and market gardeners*.

Table of business expenses to help you with what can and can't be claimed for tax purposes

	■ Disallowable expenses	■ Total expenses
Cost of sales	box 3.30 Fuel expenses for non-business use of vehicles.	box 3.46 If the business involves the resale or use of raw materials, enter the cost of the goods used; that is, purchases plus opening stock/work-in-progress <i>minus</i> closing stock/work-in-progress. So, for example, subcontractors in the construction industry should include here the cost of any materials supplied. Taxi drivers, minicab drivers etc. and those in the road haulage industry should enter fuel costs in this box rather than elsewhere. Businesses providing services commonly adjust their business profits to reflect work-in-progress at the start and end of the accounting period. If this is appropriate, make the adjustment here; otherwise leave the box blank. If the figure is negative, enter it in brackets.
Construction industry subcontractor costs	box 3.31 Any payments made for non-business work costs	box 3.47 Include all payments to subcontractors in the construction industry. Enter the amount before deduction of tax if any payments have been made to uncertificated subcontractors.
Other direct costs	box 3.32 Depreciation (that is wear from use or age) of fixed plant.	box 3.48 Expenses deducted to arrive at gross profit, for example, discounts allowed, commissions payable, carriage and, in manufacturing businesses, the costs of producing goods sold such as direct labour costs, depreciation of fixed plant, machine hire, small tools and consumables. If the business provides services, it may have rechargeable expenses to take off to arrive at a figure of gross profit.
Employee costs	box 3.33 Your own wages or salary and your drawings from your business. Your own pension payments and other benefits. Your own National Insurance contributions.	box 3.51 Salaries, wages, bonuses, pensions, benefits, employer's NICs etc. for permanent, temporary and casual employees, and other staff-related costs such as canteen expenses and recruitment agency fees etc. Any subcontract labour costs, including locum fees, not included elsewhere. All your own employment costs, (for example, your own wages, drawings or National Insurance contributions) but if you have a balance sheet, you should enter them in box 3.114 instead.
Premises costs	box 3.34 Costs of any part of premises not used for business. Costs of acquiring premises.	box 3.52 Rent, business rates, water rates, light, heat, power, property insurance, security and other similar expenses. If accounts contain an amount for 'use of home', include that figure here.
Repairs	box 3.35 Costs of any non-business part of repairs, renewals and general maintenance of premises and machinery used partly for business. Costs of alteration, improvements or replacement to premises and machinery.	box 3.53 Repairs and renewals, general maintenance of business premises and machinery.
General administrative expenses	box 3.36 Any non-business part of costs. Payments to political parties. Most payments to clubs, charities or churches.	box 3.54 Telephone, facsimile, postage, stationery and printing costs, courier services, together with general office expenses, the costs of trade or professional journals and subscriptions etc., costs of insurance not included elsewhere and other similar recurring costs which arise in running the business.
Motor expenses	box 3.37 Non-business motoring. Travel between home and business. Costs of buying vehicles (but capital allowances can be claimed). Parking and other fines.	box 3.55 Insurance, servicing, repairs, Vehicle Licence, petrol or diesel, hire and leasing charges, parking charges, AA/RAC membership.
Travel and subsistence	box 3.38 Meals (except the reasonable cost of meals on overnight business trips).	box 3.56 All travel costs other than those included in motor expenses, such as rail, air and taxi fares, together with hotel accommodation costs and subsistence or similar costs.
Advertising, promotion and entertainment	box 3.39 Entertaining and hospitality, (except the costs of entertaining staff). Gifts (not food or drink) except gifts of up to £50 per person per year which advertise your business.	box 3.57 The ordinary day to day costs of advertising and promoting the business goods or services, such as newspaper advertisements, mailshots and the distribution of free samples of the goods dealt in. Also include entertainment costs here.
Legal and professional costs	box 3.40 Costs of settling tax disputes, legal costs of buying fixed assets (these are treated as part of the cost of the fixed asset). Costs and fines for breaking the law.	box 3.58 Accountant's, solicitor's, surveyor's, architect's, stocktaker's and other similar costs, together with professional indemnity insurance premiums and the like.
Bad debts	box 3.41 General bad debts reserve. Debts that were not taxed when they arose, for example, because they relate to a sale of a fixed asset.	box 3.59 The amount of money included in turnover but remaining unpaid at the accounting date that you consider will never be recovered and have decided to write off this year. If, unexpectedly, you do recover the amount in a later year, make sure you include it in box 3.50 in that later year's Tax Return.
Interest	box 3.42 Repayment of the loan or overdraft.	box 3.60 Interest on bank and other loans (including overdrafts).
Other finance charges	box 3.43 Repayment of the loan or overdraft.	box 3.61 Bank charges, credit card charges, hire purchase interest, and leasing payments; similar costs not included elsewhere.
Depreciation and loss/(profit) on sale	box 3.44 Generally, depreciation and losses on assets are not allowable for tax, and profits on assets are not taxable receipts. Any figure in box 3.62 should be cancelled by putting the same figure in box 3.44. However, to the extent that any of these items are attributable to assets held under finance leases, a different treatment may be appropriate. If you are in any doubt about the correct treatment, ask your Inland Revenue office or tax adviser.	box 3.62 Add together depreciation and losses on sales of assets, and deduct profits on sales of assets that are included in your accounts, and enter the resulting figure in the box. Where the profit on disposal of an asset exceeds the total of any losses on disposal and depreciation added together, show such a figure in brackets. A figure in brackets is to be deducted when you add up your total expenses. If you sold assets at a profit, you should consider whether you need to enter a gain in the Capital Gains Pages.
Other expenses	box 3.45 The non-business part of expenses in box 3.63. Ordinary, everyday clothing even if bought specially for business use.	box 3.63 Add up all the expenses not included elsewhere and enter the total figure.

Foreign tax

If your business income includes amounts that have been taxed abroad, you may be able to claim a credit against your UK tax bill. To do so, you should fill in the Foreign Pages. (Ask the Orderline for a copy if you do not have one). This will usually be the most beneficial way to claim relief for the foreign tax paid.

However, if you do not wish to claim tax credit relief, you may instead deduct the foreign tax in working out your taxable profit or loss. Enter in box 3.71 the amount of foreign tax paid on the foreign income included in the Self-employment Pages. Remember to exclude this tax from the Foreign Pages.

If you are claiming overlap relief this year for an amount on which you claimed tax credit relief in an earlier year, you will need to ask the Orderline for *Help Sheet IR260: Overlap* if you want to calculate your tax. Otherwise, enter details of the amount claimed in the 'Additional information' box, box 3.116 on Page SE4.

Adjustments to arrive at taxable profit or loss

You should only calculate your taxable profit or loss for 2002-03 once, even if you are providing details from more than one set of accounts for this year. Use the 'Adjustments to arrive at taxable profit or loss' section in the set of Self-employment Pages for your most recent set of accounts. If you carried on the business in partnership during any part of your basis period, do not complete boxes 3.74 to 3.96 in the Self-employment Pages, but instead complete boxes 4.1 to 4.25 in the Partnership Pages.

boxes 3.74 and 3.75

Enter the dates your basis period for 2002-03 begins and ends in boxes 3.74 and 3.75. Basis period is explained on page SEN3.

boxes 3.76 and 3.77

Copy your profit or loss from box 3.26 or box 3.73, whichever is appropriate, to box 3.76 (enter a loss in brackets). If you ticked box 3.10, enter '0' in box 3.76 and include the appropriate amount of any profit returned last year in your entry in box 3.77.

If your basis period is not the same as the period covered by your accounts, calculate the profit or loss of the basis period by adding together and/or dividing the profits or losses of the periods for which you have accounts. Enter in box 3.77 any amount that needs to be added to, or taken away from, the figure in box 3.76. *Help Sheet IR222: How to calculate your taxable profits* explains how to work out the adjustment.

If the adjustment means you have to take off a figure at box 3.77, enter the figure in brackets and remember to subtract it in arriving at your total taxable profits.

- Overlap relief

boxes 3.78 to 3.80**Overlap profit and relief**

If your annual accounting date is a date other than 5 April then overlaps in your basis periods may occur:

- in the first three years after your business starts up, or
- in a year in which there is a change of accounting date.

You may be able to claim overlap relief for the profit (the overlap profit) which arises in any overlap period.

Overlap relief may be due for 2002-03 if:

- you closed down or sold your business in 2002-03, or
- you changed your accounting date in 2002-03 and your basis period, as shown in boxes 3.74 and 3.75, exceeds 12 months.

Ask the Orderline for *Help Sheet IR222: How to calculate your taxable profits* which explains how to work out overlap profits and how to claim overlap relief.

Enter in box 3.78 any unused overlap profit (including any unused transitional overlap profit) brought forward from 2001-02; in box 3.79 any overlap profit used in 2002-03; and in box 3.80 any unused overlap profit carried forward to 2003-04. In cessation cases any otherwise unutilised relief can be used to increase the terminal loss to be entered in box 3.86.

box 3.81

You may be able to claim averaging if:

- you are a farmer or market gardener, or
- you derive your income from selling or allowing others to reproduce literary or artistic works which you have created personally.

Enter in box 3.81 the amount by which your profit is changed by the averaging claim. Enter the figure in brackets if it reduces your profit. This entry does not change the amount of any loss to be included in box 3.84.

If you are working out your tax you must include in your Tax Return the adjustment to your tax for 2001-02 resulting from the averaging claim. Use box 18.4 if it is an increase or box 18.5 if it is a reduction.

For more information ask the Orderline for *Help Sheet IR224: Farmers and market gardeners*, or *Help Sheet IR234: Averaging for creators of literary or artistic works*.

box 3.82

If you are carrying on a profession or vocation and have previously used a 'cash' or 'conventional' basis to calculate your profits, enter in box 3.82 the amount of the 'adjustment' which is charged to tax this year and see the note 'Professions and vocations on a 'cash' basis' on page SEN12.

boxes 3.83 and 3.84

If box 3.76 and the adjustments in boxes 3.77 and 3.79 result in a profit, and you have not claimed averaging (box 3.81) or made a special adjustment for the change in accounting for professions or vocations on a cash basis (box 3.82), enter the profit in box 3.83 and '0' in box 3.84. If you have made an entry in either box 3.81 or 3.82, adjust the profit by that amount and enter the resulting figure in box 3.83 and '0' in box 3.84.

If box 3.76 and the adjustment in boxes 3.77 and 3.79 result in a loss, enter this figure in box 3.84 and '0' in box 3.83 unless you have claimed averaging (box 3.81) or made a special adjustment for the change in accounting for professions and vocations on a cash basis (box 3.82). If you have made an entry in either box 3.81 or 3.82, enter this figure in box 3.83 (and the loss in box 3.84).

If you have made a loss, you may be able to claim tax relief for it. Ask the Orderline for *Help Sheet IR227: Losses*.

Time limits: Some loss claims must be made by 31 January 2005. You should ensure that any claims you may wish to make are made within the time limit prescribed. We cannot normally accept late claims.

box 3.85

If you wish to offset your 2002-03 loss against other income of 2002-03, enter in box 3.85 the amount you are claiming to offset (also see *Help Sheet IR227: Losses*).

box 3.86

If you want to offset the 2002-03 loss against income of an earlier year, enter in box 3.86 the amount of the loss. If you have already claimed to offset this loss, you should still include it in box 3.86, and provide details in the 'Additional information' box, box 3.116 on Page SE4.

box 3.87 Enter in box 3.87 any losses sustained in 2002-03 that you claim to carry forward against later profits (where your business is subsequently transferred to a company in exchange for shares in that company you may be able to set unused losses carried forward against income from the company - see the note for box 15.8 on page 24 of your Tax Return Guide).

boxes 3.88 and 3.89 Enter in box 3.88 any losses you sustained in the same business in earlier years, which you claimed to carry forward against later profits, and have not already used.

You can use that loss to offset any profit in box 3.83. Enter in box 3.89 the amount you are deducting up to the figure in box 3.83.

box 3.91 Enter in box 3.91 any amounts you have not included elsewhere in the Self-employment Pages but which you received in the year to 5 April 2003 and which you need to calculate your taxable profits, for example:

- Business Start-Up Allowance (sometimes called Enterprise Allowance)
- taxable New Deal payments
- reverse premiums - these are payments or benefits which are received as an inducement to take a lease of any property other than your only or main residence. If the leased property is to be occupied for your trade, profession or vocation, the reverse premium will be a taxable receipt of your business. If you have any doubt about the proper tax treatment of a reverse premium, or indeed any receipt, ask your Inland Revenue office or tax adviser.

boxes 3.92 and 3.93 Enter in box 3.92 the total of boxes 3.90 and 3.91. If you cannot finalise figures for the income and expenses section of these Pages before the latest date for sending your Tax Return, estimate your taxable profit in box 3.92 and tick box 3.93. Read the notes on page 33 of your Tax Return Guide and then tick box 23.2 on page 9 of your Tax Return, explaining in the 'Additional information' box, box 23.5 why you cannot provide final figures. Give a date by which you can.

National Insurance contributions

Self-employed people are liable to pay the flat-rate Class 2 contributions, although people with small earnings from self-employment may apply for an exemption. You may also have to pay the profit-related Class 4 contributions (see the section on Class 4 contributions below).

Class 2 National Insurance contributions

All self-employed people should register to pay Class 2 contributions as soon as possible after starting self-employment. This includes people who may be able to apply for an exemption from payment. The time limit for registering is 3 months from the end of the month in which you start working for yourself. If you do not register on time you may be charged a penalty.

Class 2 contributions count towards entitlement to certain contributory benefits such as retirement pension, Maternity Allowance and Incapacity Benefit. You may lose benefit if you pay Class 2 contributions late. If you have not already registered as self-employed for National Insurance contributions you can get more information about paying by ringing the Helpline for the Newly Self-Employed on 08459 15 45 15, or by writing to:

Inland Revenue National Insurance Contributions Office
Self Employment Services,
Customer Account Section,
Benton Park View,
Newcastle upon Tyne NE98 1ZZ.

Please have your National Insurance number available when ringing the Helpline and include it in any correspondence with Self Employment Services, Customer Account Section.

Class 4 National Insurance contributions

Self-employed people must pay Class 4 contributions on profits from any trade, profession or vocation unless they are 'excepted'. The contributions are a percentage of taxable profits for the tax year between lower (£4,615) and upper (£30,420) profit limits.

box 3.94 You are excepted from paying Class 4 contributions for 2002-03 if, on 6 April 2002, you are:

- a man aged 65 or over, or a woman aged 60 or over, **or**
- aged under 16 and the Inland Revenue National Insurance Contributions Office has granted you 'exception' (to apply for exception ask the Inland Revenue National Insurance Contributions Office for form CA2835U), **or**
- during 2002-03 you are not resident in the UK for tax purposes (contact your Inland Revenue office or tax adviser if you do not know whether this applies to you).

It is possible for certain other people to be excepted from paying Class 4 contributions. If you require further information, please contact the Inland Revenue National Insurance Contributions Office. If you think you may be excepted because you are:

- a trustee, **or**
- a diver or diving supervisor,

you should ask your Inland Revenue office or tax adviser.

Sometimes, where both Class 1 and Class 4 contributions could be due, Class 4 contributions may not be payable. In these circumstances the Inland Revenue National Insurance Contributions Office may agree that your Class 4 contributions may be 'deferred' until such time as your overall contributions can be determined. Only they can agree to deferment. Leaflet CA72, available from the Inland Revenue National Insurance Contributions Office, gives further details.

If you are excepted or your contributions are deferred:

- tick box 3.94, **and**
- leave boxes 3.95 and 3.96 blank, **and**
- explain in the 'Additional information' box, box 3.116 that you are excepted or deferred, and give the reason.

boxes 3.95 to 3.96 If you have one business, use the

Working Sheet on page SEN11 to work out the figures to go in boxes 3.95 and 3.96.

If you have more than one business, do not use the Working Sheet. Instead, ask the Orderline for *Help Sheet IR220: More than one business*.

Working Sheet for Class 4 NICs (one business only)

Taxable profit for 2002-03	A	from box 3.92 £
Adjustments on change of basis - see Note 1	B	from box 3.82 £
Other adjustments to profits chargeable to NICs - see Note 2	C	copy to box 3.95 £
box B + box C	D	£
Profit for NICs	E	box A minus box D £
Exempt threshold	F	£ 4,615
Amount chargeable (maximum £25,805 in box G)	G	box E minus box F £
Class 4 NIC due (maximum £1,806 in box H)	H	box G x 7% £

If you do **not** want to calculate your tax, you do not have to complete box H or copy the figure to box 3.96. I will do it for you.

Note 1

The **cash basis 'adjustment'** (see the 'Professions and vocations on a 'cash' basis' note on page SEN12) is not taken into account for Class 4 NICs, so in box B enter the amount of the 'adjustment' which is charged to tax in 2002-03 and which you entered in box 3.82.

Note 2

- (i) **Trading losses.** You may bring forward to set against the 2002-03 Class 4 profits of this business **trading losses** of the same business from 2001-02 and earlier years, that have not yet been set against profits chargeable to Class 4 NIC. (This is because losses that are allowable for tax are also treated as losses arising for the purposes of Class 4 NIC. They may be allowed for Class 4 in the same ways as losses are allowed for tax.)
- (ii) **Interest** can be deducted in calculating Class 4 profits if it was incurred for the purposes of your business but has not been deducted in arriving at your taxable profits. Include
 - any such interest from 2001-02 and earlier years that has not been set against previous Class 4 profits
 - any such interest paid in 2002-03.
- (iii) **Losses** arising from Furnished Holiday Lettings are not allowable for Class 4 NIC purposes.

Subcontractors in the construction industry

box 3.97 If you are a subcontractor in the building industry, you may have received payments under the Construction Industry Scheme (CIS). If you have, enter in box 3.97 the total taken off for tax from payments made to you during the period 6 April 2002 to 5 April 2003.

The tax taken off should be shown on CIS25 vouchers which you should have received from the contractors for whom you worked. **Send these forms with your Tax Return.** If you have not received CIS25s, ask the contractor(s) you worked for to provide them. If you cannot get a CIS25, please give the following details in the 'Additional information' box, box 3.116 on Page SE4:

- name and address of the contractor
- month payment(s) were made to you
- amount of the gross payment
- amount of tax deducted.

If you were given a CIS25 but you have lost your copy, ask the contractor to give you a photocopy of their copy of the CIS25, and send that with your Tax Return.

If you have already claimed repayments of CIS25 deductions during the year, still enter the total amount of CIS25 deductions for the year in box 3.97 and send any outstanding CIS25s for the year with your Tax Return. Please enter in box 20.1, on page 9 of your Tax Return, the amount of any refund of CIS25 deductions, or any CIS25 deductions set against other liabilities.

Tax deducted from trading income

box 3.98 Enter in box 3.98 any tax taken off from trading income (excluding deductions made by contractors on account of tax) between 6 April 2002 and 5 April 2003.

Tax deducted under PAYE should not normally be included here (it should go on your Employment Pages) and if PAYE has been deducted from any income included in your turnover figure, you should contact your Inland Revenue office before completing box 3.98.

Summary of balance sheet

boxes 3.99 to 3.115 If you have accounts, and they include a balance sheet, copy the entries to the appropriate boxes. If you do not have a balance sheet, or your turnover was less than £15,000, leave these boxes blank.

Make sure that you have transferred all the figures from your balance sheet to the summary, and that each is included only **once**. Do not include any figures that are not on your balance sheet.

You should use your judgement to transfer the figures from your accounts to the most appropriate boxes. Depending on the circumstances of your business, certain elements in the balance sheet may appear either as assets or as liabilities. For example, a bank account with business funds in it will be an asset while an overdrawn account will be a liability. For the former, enter the balance in box 3.103. For the latter, enter the balance in box 3.107.

Capital Account balances and the net profit or loss are also commonly affected in this way. **Where a balance on the Capital Account is overdrawn, or the business made a net loss in the year, you should enter the amount in brackets.**

The figure of net profit or loss appearing in your balance sheet should be the same as that entered in box 3.65 for the same period.

The figure for net business assets (box 3.110) should be the same as the figure for the balance of your Capital Account at the end of the period (box 3.115).

Particular trades etc.**Farmers and market gardeners**

You will need *Help Sheet IR224: Farmers and market gardeners* from the Orderline which explains:

- the special rules for averaging profits over two years in some circumstances
- the herd basis for calculating profits which can be used by production livestock farmers
- capital allowances on agricultural buildings and works.

Methods of farm stock valuation acceptable to us are explained in *Help Sheet IR232: Farm stock valuation*.

Foster carers and adult carers

If you have an arrangement with us for working out your taxable profit, complete the following boxes in the Self-employment Pages (leaving the rest blank):

- boxes 3.1 to 3.13
- box 3.92 to show your profits
- boxes 3.94 to 3.96 for your Class 4 NIC,

unless we have told you otherwise.

Professions and vocations on a 'cash' basis

If you are carrying on a profession or vocation you may, in the past, have used a 'cash' or 'conventional' basis to work out your profits. Apart from certain barristers and advocates (see below) you may no longer do this.

A 'special adjustment' had to be calculated as at the first day of your first account which ended after 6 April 1999.

Where this was a positive amount and you made your accounts to a date other than 5 April 2000 then the adjustment is chargeable to tax by instalments, the first in the tax year ending 5 April 2000, and for the following nine years.

Where this was a positive amount and you made that account to 5 April 2000 then it is chargeable to tax by instalments, the first in the tax year ending 5 April 2001, and for the following nine years.

Help Sheet IR233: The 'true and fair view' for professions and the 'adjustment' on withdrawal of cash basis tells you more about the true and fair view basis on which you must work out your profits for future years. You will need to understand this basis in order to work out the adjustment. It tells you how to work out the adjustment and the amount which is charged to tax for this year.

Once you have worked out these figures enter in box 3.82 the taxable amount this year.

Barristers and advocates in early years of practice

If you are a barrister (advocate in Scotland) starting in practice you can work out your profits on a cash basis, or on the basis of fee notes delivered. Whatever basis you choose, you must stick to it until you change to a 'true and fair view' basis. You can continue to use such a basis for any accounting period ending **not later than seven years after the date you started in practice** (that is the date you were first available for fee-earning work). The seven year period continues to run even if you take a break from practice.

At the end of the last accounting period for which you are permitted to use a cash basis or fee notes delivered basis you must work out the 'adjustment' as described above. Your profits for all subsequent periods must be worked out on a 'true and fair view' basis.

There is more about the taxation of barristers and advocates in guidance notes issued by the Bar Council of England and Wales, the Faculty of Advocates and the Northern Ireland Bar Library.

Trades and professions wholly carried on abroad

If you carry on a trade or profession wholly overseas you will still need to complete these Pages. But in certain circumstances you may only be taxed on remittances you make to the UK. Ask the Orderline for the Non-residence etc. Pages if you think the remittance basis might apply to you. If it does, you need only complete the following boxes, where relevant, in the Self-employment Pages (leaving the rest blank):

- boxes 3.1 to 3.13
- boxes 3.74 and 3.75 to show your basis period
- box 3.92

- box 3.93, and
- tick box 3.94.

If you paid foreign tax on the profits of this trade and wish to claim credit against your UK tax liability, ask the Orderline for the Foreign Pages.

Glossary

Balancing charges Withdrawal of some or all of the capital allowances previously given. They arise when fixed assets stop being used in your business.

Basis period The period used to identify the profits taxable in any particular tax year.

Capital allowances Allowances against tax for the cost of certain fixed assets.

First year allowance A first year allowance is a capital allowance at a rate higher than the normal writing down allowance. It is given for the year in which you acquire an asset and is instead of a writing down allowance.

Fixed assets Assets such as buildings, plant and machinery, vehicles, etc. which you use in the business but do not buy and sell as part of your ordinary trading operations. For example, if you are a plumber, your van and your tools are fixed assets but your pipes, boilers, etc. are not (they are stock). The cost of buying fixed assets is called capital expenditure.

Overlap profit and overlap relief Overlap profits arise when basis periods overlap so that the same profits are taxable in two different tax years. Overlap relief deducts the overlap profits in a later tax year so that over the life of your business you do not pay tax on more profits than you earn.

Stock Raw materials used in your business and goods bought for resale, which you have on hand.

Trade Any commercial operation supplying goods or services to a customer for profits is probably a trade. If you are in doubt whether you carried on a trade, profession or vocation during 2002-03, you should ask your Inland Revenue office or tax adviser.

Trade creditors Money you owe other businesses for goods or services you have received, but which remain unpaid at your accounting date.

Trade debtors Money you are owed for goods you have sold or work you have done that is included in turnover, but remains unpaid at your accounting date.

Turnover is all the money earned by your business before deducting any business expenses. It includes receipts in cash or in kind for goods sold or work done, commission, fees receivable, tips, insurance proceeds for stock and loss of profits, etc. But it does not include Business Start-Up Allowance (sometimes called Enterprise Allowance) which you should include separately in box 3.91. Also, exclude amounts received from the sale of capital items, that is, assets which are of lasting use to the business, such as business premises, plant, machinery and vehicles.

Turnover should be included in your accounts when it is earned, even if you do not receive the money until later. You should therefore count as turnover amounts you have earned but not received by the accounting date - your trade debtors. This will include goods you had delivered or services you had completed by the accounting date, even if you had not issued a bill by then. But make sure you do not count money you received and which you included as turnover in an earlier period when it was earned.

Work-in-progress Partially manufactured stock you have on hand, or partially completed work on contracts under which you provide your service.

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