HM Revenue & Customs

Self-employment (full) notes

Tax year 6 April 2007 to 5 April 2008

Contents

Contacts

Please phone:
- the number printed on page TR 1 of your Return
- the Helpline on **0845 9000 444**
- the Orderline on **0845 9000 404** for Help Sheets

or go to **www.hmrc.gov.uk**

Who should use the *Self-employment (full)* pages?

Use the *Self-employment (full)* pages if:
- your turnover was £64,000 or more (or would have been if you had traded for a full year)
- you have changed your accounting date
- the results of your accounts, made up to a date in the year to 5 April 2008, have been declared on a previous Tax Return
- you no longer prepare your accounts on the 'cash basis', but have changed to generally accepted accounting practice (GAAP) (also known as the 'true and fair basis')
- you provide services under contracts for professional or other services and these contracts span your accounting date
- you are a practising barrister (advocate in Scotland)
- your business is carried on abroad
- you wish to claim Agricultural or Industrial Buildings Allowance, or other capital allowances for items apart from equipment and machinery
- your basis period - that is the self-employed period for which you are taxable - is not the same as your accounting period
- you wish to claim 'overlap relief'
- you are a farmer, market gardener or a creator of literary or artistic works and you wish to claim averaging.

If the tax affairs of your business are straightforward and none of the above apply, you can use the *Self-employment (short)* pages instead.

Completing the *Self-employment (full)* pages

You do not have to draw up formal accounts each year but you must keep sufficient records to support the information you enter on these pages, so we get a full and fair picture of your business. You must keep your records until at least 31 January 2014, in case we ask to see them. If you do not have accounts, Help Sheet 222 *How to calculate your taxable profits* will tell you how to work out your taxable profit and explains how that profit is taxed. If you do have accounts, Help Sheet 229 *Information from your accounts* gives practical help on filling in the *Self-employment* pages.

We expect you to provide final figures of your income and expenses so if you include any provisional figures please identify them in the 'Any other information' box, box 101, say why they are provisional and when you expect to provide final figures. If it is impossible to provide final figures by the filing deadline (31 October 2008 for paper Returns and 31 January 2009 for online Returns) you should provide an estimate of your taxable profit in box 74, or loss in box 75, and leave the rest of the pages blank. Say why you are doing this in the 'Any other information' box, box 101. The most likely reason would be if your business is new and your first accounting period will not end until close to (say within three months), or after, the filing deadline.

You may need to complete more than one set of *Self-employment* pages if:

- you have more than one business, even if you have one set of accounts covering all your businesses
- you have recently started or ceased in business or you have changed your accounting date and you need more than one set of accounts to arrive at your taxable profit.

If you were a construction worker and the person for whom you worked has told you that you were not self-employed for a particular contract and tax, under Pay As You Earn, has been deducted from the payments made to you, please contact us.

If you have one set of accounts for more than one business start by reflecting those accounts on one set of *Self-employment* pages then deduct the income and disallow the expenses for any business other than your main one. Include those details on separate sets of *Self-employment* pages. Help Sheet 220 *More than one business* will help you.

Business details

6 **If your business started after 5 April 2007**
You will be taxable on any profits for the period beginning on the date you started working for yourself and ending on 5 April 2008.

7 **If your business ceased before 6 April 2008**
If you have stopped working for yourself you are taxable on any profits for the period beginning on the day after your last accounting period ended (in the year to 5 April 2007) and ending on the date your business ceased. You may be entitled to a tax relief called 'overlap relief' (see the notes for box 67), depending on the length of time you have worked for yourself.

8 **Date your books or accounts start – *the beginning of your accounting period***
Every business must keep books or records – by law. It is usual to keep your business records year by year. We suggest you 'make up your books or records' to the same date each year (your accounting date). If you have been working for yourself for less than 12 months (you filled in box 6) you will have to choose your accounting date (and you usually keep to that date each year). You can choose any date you like but as the tax year ends on 5 April you may find it easier to use 5 April. The beginning of your accounting period, that is, the period (usually a year) from one accounting date to the next, covered by your books and records, will be the first day of your business or trading year.

9 **Date your books or accounts are made up to or the end of your accounting period**
The date you make your books up to, or your accounting date (that is, the end of your accounting period) will be the last day of your trading or business year. You usually pay tax on the profits of the accounting period ending in the tax year

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covered by the Tax Return. The rules are different for the first two or three years of trading, dependent on when your first accounting period ended. Help Sheet 222 *How to calculate your taxable profits* explains this in detail.

If you have been working for yourself for less than 12 months you must choose an accounting date to go in box 9. If you have a date in box 9 later than 5 April 2008 and you have made up your first set of books, use those figures for these pages. We will tax you on the part of your profit that falls into the tax year 6 April 2007 to 5 April 2008.

If you have stopped working for yourself, and the date in box 7 is not the same as the date in box 9, you should complete another set of *Self-employment (full)* pages for the final period of trading.

Other information

10 **If your accounting date has changed permanently**

If you have changed accounting date and you want the change to count for tax, put 'X' in box 10. Help Sheet 222 *How to calculate your taxable profits* explains the consequences of changing your accounting date.

11 **If your accounting date has changed more than once since 2002**

If it has, please put 'X' in box 11 and explain in the 'Any other information' box, box 101, why you have made these changes.

12 **If special arrangements apply**

Special arrangements may apply to:
- foster carers and adult carers - but we would assume you will be completing the *Self-employment (short)* pages. Please contact us if you are not sure which *Self-employment* pages to complete. Help Sheet 236 *Foster carers and adult placement carers* has more information
- farmers and market gardeners, and creators of literary or artistic works - you may be able to claim averaging. Help Sheet 224 *Farmers and market gardeners,* Help Sheet 232 *Farm stock valuation* and Help Sheet 234 *Averaging for creators of literary or artistic works* may be useful
- barristers (or advocates in Scotland) - in the first seven years of your practice you can work out your profits on a cash or fee notes delivered basis. Subsequent profits must be calculated in accordance with GAAP (also known as the 'true and fair basis') and you must work out the adjustment to move you onto that basis. There is more information in the 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 the remittance basis applies to you (and you have completed the *Non-residence etc.* pages) you only have to fill in boxes 1 to 13, 64, 65, 74 and 98
- those who provide services under contracts and if those contracts span the accounting date - 'Urgent Issues Task Force Abstract 40 (UITF 40)' was issued by the Accounting Standards Board and you may have had to calculate your turnover differently, resulting in an adjustment to go in box 69. Help Sheet 238 *Revenue Recognition in Service Contracts - UITF 40* has more information.

13 **If you provided the information about your 2007-08 profit on last year's Tax Return**

If you provided information about your 2007-08 profit on last year's Tax Return you only have to complete boxes 1 to 13, 64 to 80 and 98 to 100 on these *Self-employment (full)* pages.

Value Added Tax (VAT)

If you are registered for VAT you may enter details of your business income and expenses either:
- excluding VAT (that is, with the VAT taken off), or
- including VAT.

If you choose to include the VAT either:
- enter your net VAT payment to us as an expense in box 29, or
- enter any net repayment you received from us in box 15.

If your net payment to us (in box 29), or net repayment from us (in box 15), includes VAT on capital items (for example, machinery, equipment, vehicles), provide details of those items (and the VAT attached to them) in the 'Any other information' box, box 101. Include the VAT that is not recoverable when working out the capital allowances due on these items (boxes 48 to 57).

If you are registered for VAT and we treat you as partly exempt, when working out your profits for tax purposes your business expenses should include any input tax that is not claimable. Entering your net VAT payment to us in box 29 or any net repayment received from us in box 15, will reflect this. However, if you choose to exclude the VAT from your expense figures, make sure any input tax that you have not claimed is included in box 29.

If you are VAT registered and supply zero rated goods, your sales figures will not include any VAT.

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Changes to VAT registration during your accounting period

If you registered for VAT during your accounting period, your expenses up to that date should include VAT, regardless of whether you record subsequent income or expenses including or excluding VAT. In the 'Any other information' box, box 101, enter:
- the date of your registration
- whether you have included VAT in recording income and expenses from that date.

If your VAT registration was cancelled during the accounting period, your expenses from that date will still include VAT. Enter in box 101:
- the date of deregistration
- whether income and expenses before that date include VAT.

VAT Flat Rate Schemes

If you are registered for the VAT Agricultural Flat Rate Scheme include any flat rate additions charged to your customers in your sales figures. If you decide to record your figures:
- excluding VAT, include
  - in box 15 any balance on your VAT account that is not to be paid over to us. (This is the amount of VAT on your income that exceeds the VAT paid on your expenses, plus the payment under the Flat Rate Scheme.)
  - in box 29 any balance on your VAT account that you cannot recover from us. (This is the amount of VAT on your expenses plus the payment under the Flat Rate Scheme minus VAT on your income.)
- including VAT, include the net payment to us under the Flat Rate Scheme as an expense in box 29.

VAT Notice 733 *Flat rate scheme for small businesses* has further details about other VAT Flat Rate Schemes and is available from **www.hmrc.gov.uk**

If you have any concerns about the way to treat VAT on these pages, or VAT issues generally, please contact us.

Business income

14 **Your turnover – *the takings, fees, sales or money earned by your business***

Your total business takings for the accounting period may be referred to as your turnover. Turnover is all the money earned by your business and includes:

- cash or cheques
- fees, tips and commissions
- the value of any payments 'in kind' - that is, not payment by cheque or cash – for work done or goods sold.

It is the money due to you up to your year-end or accounting date, whether or not you have actually been paid. If yours is a purely cash business and you do not issue invoices, your takings will be your turnover. It does not include Business Start-up Allowance; that goes in box 73.

If you receive income from contracts (which span your accounting date) for professional or other services see Help Sheet 238 *Revenue Recognition in Service Contracts - UITF 40*. See also the note for box 69.

15 **Any other business income not included in box 14**

Include business income that does not form part of your business turnover, such as:

- rental income (not included on the *UK property* page)
- taxable New Deal payments
- payments you receive for a right to cross your land (wayleaves).

Do not include income in box 15, for example, business bank interest received, if you are planning to include it elsewhere on your Tax Return.

Business expenses

Expenses will vary from business to business but you will be able to find a place for yours in the categories covered by boxes 16 to 44.

Some expenses are not allowable for tax purposes, for example, entertaining clients, even if such entertainment directly led to new business.

Some expenses are only partly allowable. For example, you may use a car for both business and personal (private) motoring; only the business costs are allowable.

If you work from home or use a room in your home as an office you can only charge the business percentage of the costs of running your home (heat and light etc.) against tax.

If you include total costs in your business records you will have to work out the private or disallowable proportions. You can deduct those amounts from the total costs and enter the (net) results in boxes 16 to 29, or you can enter the total costs in boxes 16 to 29 and the disallowable amounts in boxes 31 to 44. Use the tables on pages SEFN 6 and SEFN 7 to help you work out the amounts to go in boxes 16 to 44.

Do not include the cost of any equipment or machinery you use in the business. Instead, claim tax allowances (capital allowances) on these items (see the notes for boxes 48 to 57). But do include their running costs here. If you have included the depreciation or loss in value of any equipment or machinery in boxes 16 to 29, you must enter the same amount in the corresponding disallowable expenses boxes.

Table of allowable expenses

Box	Allowable expenses
16	Cost of goods bought for re-sale, cost of raw materials used; direct costs of producing goods sold; adjustments for opening and closing stock and work in progress; commissions payable; discounts given Taxi and minicab drivers and those in the road haulage industry should include fuel costs here, rather than box 19
17	Construction industry subcontractor payments (before taking off any tax)
18	Salaries, wages, bonuses, pensions, benefits for staff or employees; agency fees, subcontract labour costs; employer's NICs etc.
19	Car and van insurance, repairs, servicing, fuel, parking, hire charges, vehicle licence fees, motoring organisation membership; train, bus, air and taxi fares; hotel room costs and meals on overnight business trips
20	Rent for business premises, business and water rates, light, heat, power, property insurance, security; use of home as office (business proportion only)
21	Repairs and maintenance of business premises and equipment; renewals of small tools and items of equipment
22	Telephone and fax running costs; postage, stationery, printing and small office equipment costs; computer software
23	Advertising in newspapers, directories etc. mailshots, free samples, website costs
24	Interest on bank and other business loans; alternative finance payments
25	Bank, overdraft and credit card charges; hire purchase interest and leasing payments; alternative finance payments
26	Amounts included in turnover but unpaid and written off because they will not be recovered
27	Accountant's, solicitor's, surveyor's, architect's and other professional fees; professional indemnity insurance premiums
28	Depreciation and loss/profit on sale of assets are not allowable expenses – any amount entered here should also be entered in box 43
29	Trade or professional journals and subscriptions; other sundry business running expenses not included elsewhere; net VAT payments

Table of disallowable expenses

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Box	Disallowable expenses
31	Cost of goods or materials bought for private use; depreciation of equipment
32	Payments made for non-business work
33	Own wages and drawings, pension payments or NIC contributions; payments made for non-business work
34	Non-business motoring costs (private use proportions); fines; costs of buying vehicles; travel costs between home and business; other meals
35	Costs of any non-business part of premises; costs of buying business premises
36	Repairs of non-business parts of premises or equipment; costs of improving or altering premises and equipment
37	Non-business or private use proportion of expenses; new telephone, fax, computer hardware or other equipment costs
38	Entertaining clients, suppliers and customers; hospitality at events
39	Repayment of the loans or overdrafts, or finance arrangements
40	Repayment of the loans or overdrafts, or finance arrangements
41	Debts not included in turnover; debts relating to fixed assets; general bad debts
42	Legal costs of buying property and large items of equipment; costs of settling tax disputes and fines for breaking the law
43	Depreciation of equipment, cars etc.; losses on sales of assets (minus any profits on sales)
44	Payments to clubs, charities, political parties etc.; non-business part of any expenses; cost of ordinary clothing

Tax allowances for vehicles and equipment (capital allowances)

There are tax allowances (called capital allowances) that take into account depreciation, on vehicles, equipment and other business assets, which is not allowable as an expense in working out your taxable profit. The type of capital allowance - annual allowance, first year allowance, Agricultural or Industrial Buildings Allowance and so on - that you can claim depends on the assets you have and other circumstances. The notes below, the example on page SEFN 10 and the Working Sheets on page SEFN 11 will help you work out the figures for boxes 48 to 57. The Working Sheets cover most common situations and will work out most annual allowances and first year allowances. They should not be used in more unusual circumstances or to calculate Agricultural or Industrial Buildings Allowances or Business Premises Renovation Allowance. Help Sheet 222 *How to calculate your taxable profits* has more advice and examples.

48 **Annual allowances at 25% on cars costing £12,000 or less, and equipment**

You can claim capital allowances for the costs of, and improvements to, equipment and machinery - such as vehicles, tools, computers, business furniture - even if the item was purchased under hire purchase (include the interest and other finance charges in box 24). Do not claim for things that it is your trade to buy and sell - these should be claimed as business expenses.

Each year you can claim 25% of the cost or value of your equipment and machinery as an annual allowance. Add your equipment etc. together and make a 'main pool' of cost or value, but see the notes below about cars and items with any private use. The value of the pool goes down at the end of the year by the 25% you have claimed in box 48. If your period of accounts is less than 12 months, the annual allowance has to be reduced proportionately. Your starting point the following year is that reduced main pool value figure and you can claim 25% of that.

For example, if your accounts are for 6 months, the annual allowance will be $\frac{6}{12}$ x 25%

Business and private use

If you have both business and private use of any of the items qualifying for capital allowances, put each one into a separate 'single asset' pool and reduce your capital allowances by the private proportion. The example and Working Sheets on pages SEFN 10 and SEFN 11 will help you.

49 **First year allowances (FYA) at 40% or 50%**

For most new items which you have bought you can claim 'first year allowances'. Small businesses can claim 50% FYA on their investments in equipment and machinery, excluding cars, long life assets or leased machinery. Medium sized businesses can claim 40%. These items, at their reduced value, should go into the main pool in the second year unless they have been used privately in which case they will go into their own 'single asset' pool. (You do not have to claim FYA if you do not want to: instead, add the cost to the relevant pool.)

For these purposes a business is small or medium sized if it satisfies at least two of the following conditions (in this or the previous accounting period):

	Small	Medium sized
Annual turnover not more than	£5.6m	£22.8m
Assets not more than	£2.8m	£11.4m
Number of employees not more than	50	250

50 **Restricted annual allowances for cars costing more than £12,000**

If any car cost more than £12,000, create a separate pool for each one - these cars cannot go into the main pool.

You cannot claim more than £3,000 on a car costing more than £12,000 so if 25% of the cost is more, restrict your claim to £3,000. Do a separate calculation for each car costing more than £12,000.

51 **Agricultural or Industrial Buildings Allowance**

Help Sheet 224 *Farmers and Market Gardeners* contains some information about Agricultural Buildings Allowance but your tax adviser, if you have one, will most probably work out the figure to go in box 51.

52 **Business Premises Renovation Allowance (BPRA) (Assisted Areas only)**

The BPRA scheme took effect from 11 April 2007. From that date, for a period of five years, if you carry out conversion, renovation or repairs to unused business premises which brings them back into business use, you are entitled to claim a 100% allowance against the costs incurred, subject to the following rules.

To qualify for BPRA, premises must:

- not have been used for any trading or other business activity, or as offices, for at least one year before the works began
- be in an Assisted Area, that is, an area which is considered to be disadvantaged and eligible for regional aid. The whole of Northern Ireland qualifies as an Assisted Area and to see whether an area in England, Wales and Scotland qualifies go to **www.dtistats.net/regional-aa/aa2007.asp**
- be available for business or commercial use after the works are complete (but not for farming, fisheries, aquaculture, the manufacture of substitute milk products or synthetic fibres, shipbuilding, steel or coal industries).

BPRA cannot be claimed:

- if the renovation expenditure has been incurred on any residential property, or
- on the costs of acquiring the land, extending the business premises, or developing land next to the business premises.

For further information about BPRA and the conditions you must satisfy to claim the allowance, go to **www.hmrc.gov.uk**

53 **Enhanced 100% and other capital allowances**

You can claim 100% capital allowances for environmentally friendly expenditure, such as:

- a new car with low CO_2 emissions of not more than 120gm a km driven (even if the car costs more than £12,000)
- equipment for refuelling vehicles with natural gas or hydrogen fuel
- designated energy-saving or water-efficient equipment used in your business or for leasing, letting or hire.

You can also claim capital allowances for the costs of:

- converting empty or underused space above shops and other commercial premises to flats for renting
- patents, some specialist types of 'know how', research and development, mineral extraction and dredging.

54 **Allowances on sale or cessation of business use**

If you sell an item, or no longer use it in the business, or your business has ceased, deduct the sale proceeds of any pool items you sell, or the market value of items that you keep or give away, from the pool value brought forward or the cost of the item. For single asset pools and car pools, if the proceeds or value is less than the pool value or cost of the item, the difference (called a balancing allowance) should be entered in box 54.

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Example

Jack Green is a painter and decorator. He started working for himself on 1 October 2007 and decides to draw up his accounts to 5 April each year (5 April becomes his accounting date).

When he started he bought ladders for £2,000 and then on 1 December 2007 he bought a van, to use in the business, for £6,000.

The ladders and van together make a 'pool' of cost or value. In 2007-08 the pool qualifies for first year allowance at 50%. For 2008-09 the annual allowance is 25%.

In December 2008 he bought a car which cost him £15,000. The car is used 60% for business and 40% for private motoring. The car cannot go into the main pool and does not qualify for first year allowance. Because it cost more than £12,000, Jack can only claim capital allowances of £3,000 (not 25% of its cost or value because that would be more than £3,000) and this £3,000 has to be further restricted to 60% because the car is only used partly in the business.

Jack decides to close the business on 30 September 2009. He sells the car for £10,000, the van for £4,000 and scraps the ladders. This is Jack's capital allowance calculation:

		Main pool £		Car £
Period ended 5 April 2008				
Cost of ladders		2,000		
Van cost		6,000		
		8,000		
First year allowance (50%)		4,000		
Value carried forward		4,000		

£4,000 is entered in box 49 on the 2007-08 Return.

		Main pool £		Car £
Year ended 5 April 2009				
Value brought forward		4,000	Cost	15,000
Annual allowance (25%)		1,000	**Restricted**	3,000
Value carried forward		3,000		12,000

The capital allowances claimed on the car have to be further restricted to 60% of £3,000, so £1,800 is entered in the restricted annual allowances for cars box and £1000 is entered in the annual allowances box on the 2008-09 Tax Return.

		Main pool £		Car £
Period ended 30 September 2009				
Value brought forward		3,000		12,000
Disposal proceeds	Van	4,000	Car	10,000
Balancing charge		(1,000)	**Allowance**	2,000

The balancing allowance on the car has to be restricted to 60% of £2,000, that is £1,200. Balancing allowances go in a separate box so the end result is that balancing allowances on sale or cessation of business use are £1,200 and there is a balancing charge on sale or cessation of £1000 to go on the 2009-10 Tax Return.

Working Sheets for boxes 48, 49, 50, 53, 54 and 57

First, use the Working Sheets below to work out the total capital allowances or balancing charges due on your equipment and other items. Most items of equipment can go into the main pool (Working Sheet A) but not all. Use a separate Working Sheet for items qualifying for first year allowances (Working Sheet B), each item used partly for business and part privately (Working Sheet C), and for each car costing more than £12,000 (Working Sheet D).

A Main pool

Pool value brought forward from last year's Return £

Add

Cost of new items coming into the pool this year £

Balance of first year allowances £

Total £

Minus

Proceeds/value of items taken out of the business £

Pool value (if proceeds etc. are more than value, the difference is a **balancing charge**) £

Minus

Annual allowance (25% of pool value) A £

Pool value to carry forward £

If the business has ceased, the sale proceeds (or market value if you keep the items) should be deducted from any pool value brought forward. If any pool value remains it is a balancing allowance and should go in box 54.

B Items qualifying for first year allowances

Cost of new items coming in this year £

Minus

First year allowance at 40%, 50% or 100% of cost (as appropriate - see notes) B £

Value to go into main pool next year (or this year if the item was taken out of the business this year) £

C Single asset with some private use

Value brought forward **or** cost of new item coming in this year £

If you have disposed of the item
Minus

Proceeds/value of item taken out of the business (cannot be more than cost) £

Balancing allowance (or, if proceeds are more than value, the **balancing charge**) C £

Or, if you have kept the item
Minus

Annual allowance (25% of value or cost) C £

Value to carry forward £

D Car costing more than £12,000

Value brought forward from last year's Return, **or** cost of new car coming in this year £

If you have disposed of the car
Minus

Proceeds/value of car taken out of the business (cannot be more than cost) £

Balancing allowance (if proceeds are more than value, the **balancing charge**) D £

Or, if you have kept the item
Minus

Annual allowance (25% of value or cost - maximum £3,000) D £

Value to carry forward £

Next

(i) Reduce amounts in boxes B, C and D by any private use proportion for each item.

(ii) Add up the **annual** allowances in boxes A and C (as reduced) and enter the total in box 48. Enter allowances in box B claimed at 40% or 50% in box 49: and include those claimed at 100% in box 53. Enter **restricted annual** allowances from box D in box 50.

(iii) If any disposal results in a balancing allowance, add them together and include the total in box 54. Enter the total balancing charges in box 57.

56 **Charges on cessation of business use (only where Business Premises Renovation Allowance has been claimed before)**
To qualify for BPRA, premises must be held for at least seven years from the date the premises were first used or were suitable for letting. If within that period:

- the premises are sold – either freehold or by a long lease of 21 years, or
- cease to be used for business activities, or
- the premises are demolished or destroyed, or
- the person who incurred the renovation costs dies

the allowance must be repaid. This is done by means of an adjustment known as a balancing charge. Enter in box 56 the amount of BPRA which you have previously claimed on the premises.

57 **Other charges on sale or cessation of business use**
When you sell an item that you have claimed capital allowances on, deduct the sale proceeds (up to the cost of the item) from the pool. Similarly, if you no longer use an item for business purposes, deduct the value of it from the pool. If the sale proceeds or the value of the item is more than the pool value or cost, the difference (a balancing charge) is taxable. Enter any balancing charges in box 57.

Calculating your taxable profit or loss

58 **Goods and services for your own use**
If you, or your family or friends, take any stock or manufactured goods out of your business, or you provide any services to your family and friends, you must include the value (and not the cost to you) of what was taken out or provided, unless you have already included such value in your turnover in box 14.

60 **Income, receipts and other profits included in business income or expenses but not taxable as business profits**
If you included any amounts in your turnover in box 14 that you know are not taxable, please deduct them here.

Working Sheet for boxes 62 or 63

Start with your net profit figure *box 46* or net loss figure *box 47*		**A**	£
Add			
Items that increase your profit (or reduce your loss) Disallowable expenses *box 45*		**B**	£
Charges on sale or cessation of business use *boxes 56 and 57*		**C**	£
Goods and services for your own use *box 58*		**D**	£
Total		**E**	£
Minus			
Items that reduce your profit (or increase your loss) Capital allowances *box 55*	£ +		
Non-taxable income or receipts *box 60*	£ =	**F**	£
Net business profit *box E minus box F – if the result is positive copy to box 62*			£
or net business loss *box E minus box F – if the result is negative copy to box 63*			£

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Basis period

You pay tax for 2007-08 according to the profits of your basis period. Once your business has been running for a couple of years, and your accounting period is established, your basis period is your accounting period.

But if your business began in the year ending 5 April 2008 your basis period begins on the date you started in business and ends on 5 April 2008.

If your business began in the year ending 5 April 2007 and you have an accounting date in the year to 5 April 2008 and it is more than 12 months after the date your business began, your basis period is the 12 months to that accounting date. If your accounting date is less than 12 months after the date you started in business, your basis period is the 12 months beginning on the date you started.

If you do not have an accounting period ending in the year to 5 April 2008 your basis period is the year 6 April 2007 to 5 April 2008. If your business ceased in the year to 5 April 2008, your basis period begins on the day following your last accounting date and ends on the day your business ceased. Help Sheet 222 *How to calculate your taxable profits* explains basis periods in detail and has examples.

Enter the first day of your basis period in box 64, and the last day in box 65.

66 **If your basis period is not the same as your accounting period**

To work out your profit or loss for the basis period you may have to add together and/or divide the results of your accounting periods. Enter in box 66 the amount of the adjustment needed to the profit or loss in box 62 or box 63.

Overlap profits

When basis periods overlap (for example, in the first two years of business or following a change in accounting date) you should keep a record of both the overlap profit and the overlap period. The overlap profit is carried forward each year until you are able to claim overlap relief.

67 **Overlap relief used this year**

If you sold or closed down your business, or if you have changed your accounting date this year resulting in a change of basis period, you may be entitled to overlap relief if that basis period is now more than 12 months long. Help Sheet 222 *How to calculate your taxable profits* shows you how to work out the overlap relief to go in box 67 or you can ask your tax adviser or contact us.

68 **Overlap profit carried forward**

Unless you have claimed any overlap relief in box 67, the amount in box 68 will be the same figure as carried forward from previous years.

69 **Adjustment for change of accounting practice**

If you carry on a profession or vocation and previously used the 'cash' or 'conventional' basis to work out your profits you (or more probably your tax adviser) will have worked out the necessary adjustment to bring you onto 'generally accepted accounting practice' (GAAP) (also known as 'true and fair basis'). Include in box 69 the instalment taxable in the year to 5 April 2008. If you were in business before the start of the accounting period which covers 22 June 2005, and you receive income from contracts for professional or other services and which span your accounting date, you will have had to change the way you work out your turnover in your accounts. You (or more probably your tax adviser) will have worked out the necessary adjustment which arises on a change from the old to the new method. Include in box 69 the instalment taxable in the year to 5 April 2008 (see Help Sheet 238 *Revenue Recognition in Service Contracts - UITF 40*).

70 **Averaging adjustment (only for farmers, market gardeners and creators of literary or artistic works)**

Enter in box 70 the amount by which your profit is changed by your averaging claim. If the claim reduces your taxable profit this year enter a minus sign in the box provided. Help Sheets 224 *Farmers and market gardeners* and 234 *Averaging for creators of literary or artistic works* give more details.

71 **Adjusted profit for 2007–08**

Use the Working Sheet below to work out your adjusted profit. If this is a negative figure (you have made a loss) enter '0' in box 71 and put the loss in box 75.

Contacts

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- the number printed on page TR 1 of your Return
- the Helpline on **0845 9000 444**
- the Orderline on **0845 9000 404** for Help Sheets

or go to **www.hmrc.gov.uk**

Taxable profits or adjusted loss Working Sheet

Start with your net business profit *box 62* or net business loss *box 63*			A £
Add Positive adjustment for basis period *box 66*			£
Total			£
Minus Overlap relief used this year *box 67*	£		
	+		
Negative adjustment for basis period *box 66*	£	=	£
Total			£
Add Adjustment for change of accounting practice *box 69*			£
Positive averaging adjustment *box 70*			£
Total			£
Minus Negative averaging adjustment *box 70*			£
Adjusted profit *If the result is positive, copy to box 71. If there is an entry in box B, carry on*			B £
Or Adjusted loss *If the result is negative, copy to box 75*			£
Minus Losses brought forward (*box 72*) - up to the amount in box B			£
Total			£
Add Any other business income *box 73*			£
Total taxable profits *Copy to box 74*			C £

73 **Any other business income not included in boxes 14, 15 or 58**
Include in box 73 any Business Start-up Allowance (also known as Enterprise Allowance) or any other business income, such as reverse premiums (payments you received as an inducement to lease a business property).

Total taxable profit or adjusted loss of this business

74 *and* 75

Use the Working Sheet aside to work out your total taxable profit (box 74) or adjusted loss (box 75) or follow the instructions above the boxes on the page.

Losses

There are different ways to claim tax relief for a business loss. You can claim to:

- reduce your other income, or capital gains, for the year to 5 April 2008
- reduce your income or capital gains for an earlier year
- reduce your profits from the same business in earlier years if your business has ceased (you have a terminal loss)
- carry the loss forward to reduce your profits in subsequent years.

You cannot claim only part of the loss. And you can only claim relief once for each pound of loss. If you make a specific claim to use the loss and you do not need the whole of it, the balance of the loss can be claimed in another way. There are time limits for loss claims and some claims must be made by 31 January 2010. We do not usually accept late claims. Help Sheet 227 *Losses* has more information and a Working Sheet to summarise the use of your losses. It will also help you to fill in boxes 76 to 78.

Deductions and tax taken off

79 **Deductions on payment and deduction statements from contractors**
If you are a subcontractor in the construction industry enter the total deductions made by your contractors from payments you received in the year 6 April 2007 to 5 April 2008. The deductions are shown on the payment and deduction statements that your contractors should have given you. **Do not** send these with your Tax Return. Even if you have already claimed a repayment of your CIS deductions, you should include the total deductions during the year in box 79. (Enter in box 1 of the 'Finishing your Tax Return' section of your Tax Return the amount of repayment received, or set-off against other tax due.)

80 **Other tax taken off trading income**
If any other tax (that is, not CIS deductions) has been taken off your trading income enter it in box 80. If tax under PAYE has been taken off any amount included in your turnover in box 14, please contact us.

Balance Sheet

If your accounts include a Balance Sheet, transfer figures into boxes 81 to 97. You may have to decide which are the most appropriate boxes in our Balance Sheet for your figures.

Depending on your business circumstances, elements in the Balance Sheet may appear as assets or liabilities. For example, if there are funds in the business bank account it is an asset, but if the account is overdrawn it is a liability. This can apply to Capital account balances and the net profit or loss. Where a balance on the Capital account is overdrawn, or your business made a loss, enter a minus sign in the box provided (to the right of the £ sign). If your liabilities are greater than your assets, enter the net business liability amount in box 92 with a minus sign.

Box 94 should be the same as box 46 (if the business made a profit) or box 47 (if it made a loss). And box 92 should be the same as box 97.

Class 4 National Insurance contributions (NICs)

98 **If you are exempt from paying Class 4 NICs**

You are exempt from paying Class 4 NICs if:

- on 6 April 2007 you were a man aged 65 or over, or a woman aged 60 or over
- on 6 April 2007 you were under 16
- during 2007-08 you were not resident in the UK for tax purposes (if you are not sure please contact us or your tax adviser).

If you are a trustee or a diver or diving instructor you may also be exempted; please contact us if you think this applies.

99 **If you have been given a 2007-08 Class 4 NICs deferment certificate**

You can sometimes delay payment of Class 4 NICs if you are employed as well as self-employed but **only** if we have already approved this deferral and given you a deferment certificate (form CA2703 *Granted deferment of liability for Class 2 and Class 4 National Insurance contributions*). If you hold a certificate for the 2007-08 tax year put 'X' in the box. If you want to apply for deferral please contact us.

100 **Adjustment to profits chargeable to Class 4 NICs**

If you made an entry in box 69 (Adjustment for change of accounting practice) the same figure is taken off your profits for Class 4 NICs purposes; include that adjustment in box 100.

If your profit in box 62 includes employment earnings, enter those earnings in box 100. Class 1 NICs are paid on employment earnings.

If you have any brought forward trading losses, of this business, that have not yet been set against profits chargeable to Class 4 NICs, you may include them in box 100. (Losses are allowable for Class 4 NICs in the same way as they are for tax.)

If you have incurred interest for the purposes of this business but did not take it off to arrive at your taxable profit, include it in box 100; it can reduce your Class 4 profit. (Include any such interest for 2006-07 and earlier years if it has not already been set against Class 4 profits.)

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