

Who should use the Self-employment (short) pages

The *Self-employment (short)* pages are designed for more straightforward businesses where turnover (the total takings, fees, sales or money earned by your business) is less than £64,000 a year (or would be if you were trading for a full year).

You must not use the *short* pages if:

- your annual turnover was £64,000 or more
- 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 your services under contracts for professional or other services and have made an entry for adjustment income in earlier Returns
- you are a practising barrister
- 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.

Instead, you must complete the *Self-employment (full)* pages. You can obtain these, and their notes, from the Orderline on **0845 9000 404** or from www.hmrc.gov.uk

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

Completing the Self-employment (short) 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 19 on page TRG 6 of your Tax Return, say why they are provisional and when you expect to provide final figures. If it is impossible to provide final figures by your filing deadline, you should provide an estimate of your taxable profit in box 28, or loss in box 29, and leave the rest of the pages blank. Say why you are doing this in the 'Any other information' box. 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.



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

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, you will need to separate out the income and expenses for each business from those accounts and include the details on separate sets of *Self-employment* pages.

Business details

4

Foster carers and adult placement carers

If you are a foster carer or adult placement carer, how you fill in the *Self-employment (short)* pages will depend on the method of Return completion you choose. Help Sheet 236 *Foster carers and adult placement carers* explains this. There is more information at www.hmrc.gov.uk

5

If your business started after 5 April 2007

You will be taxable on any profits for the period from the date you started working for yourself up to 5 April 2008.

6

If your business ceased before 6 April 2008

If you have stopped working for yourself you are taxable on any profit for the period beginning on the day after your last 'end of year date' (see the note for box 7), which fell in the year to 5 April 2007 up to the date your business ceased. You may be entitled to a tax relief called 'overlap relief' depending on the length of time you have worked for yourself. If you think you are, fill in the *Self-employment (full)* pages, not the *Self-employment (short)* pages.

7

Date your books or accounts are made up to

Every business must keep records - by law. It is usual to keep your business records year by year. We suggest you 'make up your books' to the same date each year. That date will be your 'end of year date' or your 'accounting date'.

If you have been working for yourself for less than 12 months (and you filled in box 5) you will have to choose an end of year date - then use the same date each year. It can be any date but, as the tax year ends on 5 April, you may find it easier to use 5 April. If the box 7 date is after 5 April 2008 and you have made up your first set of books, use the figures from those books for this Return. We will tax you on the part of the profit that falls into the tax year 6 April 2007 to 5 April 2008.

Business income

- 8** **Your turnover – *the takings, fees, sales or money earned by your business***
Your total sales, takings, fees or money earned by your business for the period up to the date in box 7 may sometimes be referred to as your turnover.
- Turnover 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 end of year - whether or not you have actually been paid. It does not include Business Start-up Allowance - that goes in box 27.
- If you receive income from contracts (that span your accounting date) for professional or other services, see Help Sheet 238 *Revenue recognition in service contracts – UITF 40*.

Allowable business expenses

- 10** Expenses will vary from business to business - but you will be able to find a place for yours in the categories covered by boxes 10 to 18. Some expenses are not allowable for tax purposes - for example, entertaining clients, even if such entertainment directly led to new business.
- 19** Some expenses are only partly allowable, for example, you may use your car for both business and private motoring. You can only claim the business costs against tax.
- You may 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 your records contain your total expenses you will have to work out the private use proportions and deduct those amounts before you enter the figures for allowable business expenses in boxes 10 to 18.
- Do not include in these boxes the cost, or the depreciation or reduction in value, of any equipment or machinery you use in the business. Instead, claim tax allowances called 'capital allowances' on these items (see the notes for boxes 22 and 23). But do include their running costs here.

Tax allowances for vehicles and equipment (capital allowances)

- 22** **Total capital allowances**
There are tax allowances (called capital allowances) that take into account depreciation, which is not allowable as an expense in working out your taxable profits. 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 or an alternative finance arrangement (but include the interest and other finance charges in box 16).
- The example and Working Sheets on pages SESN 5 and SESN 6 will help you to work out the amount to go in boxes 22 and 23. But the Working Sheets are designed to cover most common situations and should not be used in some more unusual circumstances. Help Sheet 222 *How to calculate your taxable profits* has more advice and examples.

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

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 22. If your period of accounts is less than 12 months, the annual allowance has to be reduced proportionately. For example, if your accounts are for 6 months, the annual allowance will be restricted to $\frac{6}{12} \times 25\%$. (Your starting point the following year is that reduced pool value figure and you will claim 25% of that.)

For new items which you have bought you can claim 'first year' allowances. Small businesses can claim 50% first year allowance on their investment in equipment and machinery, excluding cars, long life assets or leased machinery. If you want more information about how we define these businesses please contact us. (Only small businesses are likely to be using the *Self-employment (short)* pages.) These items, at their reduced value, should go into the main pool the second year (unless they have been used privately in which case they will go into their own single asset pool).

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

- a new car with low CO₂ 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.

If any car cost more than £12,000 or if a car is used for both private and business motoring, keep it out of the main pool. You cannot claim more than £3,000 on a car costing more than £12,000 so if 25% is more, restrict your claim to £3,000. Do a separate calculation for each car costing more than £12,000.

If you have both business and private use of any capital items, put each one into a separate pool and reduce your capital allowance claim by the private use proportion. The example and Working Sheets on pages SESN 5 and SESN 6 will help you.

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 item you sell, or the market value of items that you keep (up to the cost of the item), from the pool value brought forward or 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 is called a balancing allowance and should be included with other allowances in box 22.

23

Total balancing charges

When you sell an item that you have claimed capital allowances on, deduct the amount you received for it (the sale proceeds) from the pool value brought forward or cost. Likewise, if you no longer use an item for business purposes, deduct the value of it from the pool value or cost. If the sale proceeds or the value of the item is more than the pool value or cost, the difference is called a 'balancing charge' and is taxable. Enter the total of any balancing charges in box 23.

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 22 on the 2007-08 Return.			
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 added to the £1,000 pool allowances, giving £2,800 to go in the capital allowances box on the 2008-09 Tax Return.			
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 are included as part of capital allowances, so the end result is that capital allowances are £1,200 and there is a balancing charge of £1,000, to go on the 2009-10 Return.

Working Sheets for boxes 22 and 23

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		C Single asset with some private use	
Pool value brought forward from last year's Return	<input type="text" value="£"/>	Value brought forward or cost of new item coming in this year	<input type="text" value="£"/>
Add		If you have disposed of the item	
Cost of new items coming into the pool this year	<input type="text" value="£"/>	Minus	
Balance of first year allowances	<input type="text" value="£"/>	Proceeds/value of item taken out of the business (cannot be more than cost)	<input type="text" value="£"/>
Total	<input type="text" value="£"/>	Balancing allowance (or, if proceeds are more than value, balancing charge)	C <input type="text" value="£"/>
Minus		Or, if you have kept the item	
Proceeds/value of items taken out of the business	<input type="text" value="£"/>	Minus	
Pool value (if proceeds etc. are more than value, the difference is a balancing charge)	<input type="text" value="£"/>	Annual allowance (25% of value or cost)	C <input type="text" value="£"/>
Minus		Value to carry forward	<input type="text" value="£"/>
Annual allowance (25% of pool value)	A <input type="text" value="£"/>	D Car costing more than £12,000	
Pool value to carry forward	<input type="text" value="£"/>	Value brought forward from last year's Return, or cost of new car coming in this year	<input type="text" value="£"/>
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 22.		If you have disposed of the car	
B Items qualifying for first year allowances		Minus	
Cost of new items coming in this year	<input type="text" value="£"/>	Proceeds/value of car taken out of the business (cannot be more than cost)	<input type="text" value="£"/>
Minus		Balancing allowance (if proceeds are more than value, balancing charge)	D <input type="text" value="£"/>
First year allowance at 50% of cost (or 100% of cost, if appropriate)	B <input type="text" value="£"/>	Or, if you have kept the car	
Value to go into main pool next year (or this year if the item was taken out of the business this year)	<input type="text" value="£"/>	Minus	
		Annual allowance (25% of value or cost - maximum £3,000)	D <input type="text" value="£"/>
		Value to carry forward	<input type="text" value="£"/>

Next

- (i) Reduce amounts in boxes B, C and D by any private use proportion for each item.
- (ii) Add up the allowances in boxes A, B, C and D (as reduced) and enter the total in box 22.
- (iii) If any disposal results in a balancing charge, add them together and enter the total in box 23.

Calculating your taxable profits

24

Goods or services for your own use

If you, or your family or friends, take any stock or manufactured goods out of your business you must include here the value (and not the cost to you) of what was taken out, unless you have already included such value in your turnover.

If you have included gross expenses in boxes 10 to 18, that is, you did not take off any disallowable expenses there, enter those disallowable amounts here in box 24.

Total taxable profits or net business loss

Use the Working Sheet below to get the figure for boxes 25, 28 or 29.

Working Sheet for boxes 25, 28 or 29

Start with your net profit figure *box 20*
or net loss figure *box 21*

A £

Add

Items that increase your profit (or reduce your loss)

Balancing charges *box 23*

B £

Goods or services for your own use *box 24*

C £

Total *box A + box B + box C*

D £

Minus

Items that reduce your profit (or increase your loss)

Capital allowances *box 22*

E £

Net business profit

box D minus box E - if the result is positive copy to box 25

F £

or net business loss

box D minus box E - if the result is negative copy to box 29

G £

Minus

losses brought forward (up to the amount in box 25)

H £

Total *box F or box G minus box H*

I £

Add

Any other business income (box 27)

J £

Total taxable profits from this business

box I + box J - copy to box 28

K £

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

Losses, Class 4 NICs and deductions

30

to

32

Losses

If your business is continuing it is usual to carry forward a loss to reduce a subsequent year's profits but you can set your losses against other income of the year or even carry them back to earlier years to be set-off against income or capital gains. There are rules about how losses are set-off and you may want to ask for professional advice, or ask us for Help Sheet 227 *Losses*, which has more information.

33 If you are exempt from paying Class 4 NICs

You are exempt from paying Class 4 National Insurance contributions 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.

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

You can sometimes delay payment of Class 4 National Insurance contributions if you are employed as well as self-employed but **only** if we have 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.

35 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 your CIS vouchers. 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 made during the year in box 35.

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.