



I produced the following list for a presentation I first gave in 2006. It can be made to fit onto two sides of one sheet of paper.

TEN TAX TIPS for self-employed clients

Presented by

- Please note the disclaimer overleaf

1. Keep it legal

LEGAL – legitimately minimising your tax liabilities

- Includes : Claiming all available allowances and reliefs
- : Claiming tax relief for expenditure incurred “wholly and exclusively” for business purposes
- : Planning your affairs to keep your tax liabilities as low as possible within the law

ILLEGAL – deliberately/dishonestly evading tax

- Includes : Claiming tax relief for non-business expenses;
- : Failing to include all taxable income in accounts/tax returns
- Consequences : Revenue investigations, back taxes, interest on late paid tax penalties (up to 100% of tax), time, hassle, professional fees, and if you're very unlucky, ill-advised or stupid - prosecution and prison.

2. Keep all business receipts

- Make a note on each one – what it is and/or why it was incurred.
- Retain them for around 8 years (6 years after the end of the relevant tax year).
- Unreceipted expenses? (eg: parking meters, car washing, laundry, dry cleaning). Keep a note in diary.
- Also keep all receipts/invoices for mixed use expenses (eg: car & mobile phone)
- Same principles apply even if total fees are less than £15,000 and you only put total fees, expenses and profit on your tax return.
- Also keep evidence of all non-business credits to bank and savings accounts (make a note on statements).



3. Business use of Car

- Keep track of all business mileage incl: to/from engagements, agents, suppliers, coach, accountant.
- Pro-rata all costs – business/private mileage. eg:

<i>Business miles</i>	<i>10,000</i>
<i>Private miles</i>	<i><u>4,000</u></i>
	<i><u>14,000</u></i>

Business use of car 10000/14000 x all car expenses

- Rough estimates, better than nothing – but still risky compared with 'accurate' pro-rata as in example above.

4. Business use of home

- Identify and claim tax relief for a relevant proportion of all services/costs
- Business use includes storage, Rehearsal space, Admin etc
- Fixed weekly sum eg: £10 is better than claiming a room is used exclusively for business purposes. (Tax saving = 22% x £520 = £115 pa)

5. Use a qualified adviser

- To help you maximise all claims and reliefs and to present your situation in the best possible light. Usually a good investment.
- Chartered Accountant (ACA or FCA) or
- Chartered Tax Adviser (ATII, FTII, CTA or CTA-Fellow)
- Ask for specific advice but be realistic. Do not expect tips on how to cheat the taxman.
- If you prefer DIY – keep a copy of your tax form and supporting papers to ensure you do things consistently from one year to another and so you can answer Revenue's questions. Be aware of implications of 'process now, check later' tax system.
- The Revenue will help you calculate your tax 'correctly' but rarely help you minimise your tax. Would you ask a crocodile to help you across the river?

6. Costumes

- Distinguish costumes from normal clothing worn to/from gigs/shows.
- More difficult to get tax relief for 'normal' clothing unless you get changed into it for shows.



7. Family/staff

- Paying for help in the business (admin, roadie, assistant etc.) is a legitimate business expense.
- Ensure payment is physically made – preferably by cheque – and justifiable for level of help/work done.
- Possible workers include spouse/partner & children.
- As long as helper's total income (from all sources) is less than about £4,800, they won't have to pay tax or NI on their "pay". Thus, every £1,000 paid to 'housewife' or teenager in your home for help in the business saves you tax of £220.

8. Reducing 'payments on account'

- If you anticipate your total tax bill will go down, you can ask to pay less 'on account'.
- For example : The last tax year ended on 5 April 2006. Tax for that year is payable in 3 instalments:
 - 31 January 2006 – First payment on account
 - 31 July 2006 – Second payment on account
 - 31 January 2007 – Balance

If you think you've paid too much in January and July 2006, you can ask for a refund but the Revenue might insist on seeing your tax return first.

9. Profiting from Ebay & other sales

- Sales of private items up to £6,000 each (!) are usually taxfree but...
- Regular sales may be trading and wholly taxable – less costs of sale.
- Regular buying and selling (on Ebay or elsewhere) will give rise to taxable income.
- Occasional sales of 'business' items will only affect your tax if original purchase was claimed for tax relief.

10. Claim Tax Credits

- If you can get through the complicated forms, it's good to get cash back from the Revenue.
- Make timely applications – cannot backdate more than three months.
- Keep Revenue advised of changes to your income – otherwise you could end up with a big claim to repay 'overpaid' tax credits in a year or two's time.

Legal Disclaimer:

Ten Tax TIPS is a brief summary of a small selection of ideas and focuses on issues relevant to the self-employed. Please do not take or refrain from any action either by reference to this brief summary or anything said during the session. The speaker will accept no liability for any loss arising as a result. You should take specific advice from a qualified adviser by reference to your specific situation.