



Your super simple, top-to-toe guide to self-employment and tax returns

Submit an accurate tax return within HMRC's guidelines, legitimately maximise your income and avoid fear or fines in the process!



www.tax2u.co.uk



hello!

“



I'm Tim, the owner here at [tax2u](#). Thanks for signing up to our yearly accounting service – great decision.

With [tax2u](#), there's no need for you to keep struggling to meet deadlines, make complicated calculations and keep on top of tax yourself. We'll send you reminders every month and sort out your entire tax return once the financial year's ended (so there's no chance of you getting fined or paying too much tax).

You don't need to be a maths wizard to avoid fines and accurately minimise your tax bill. You keep doing the things you do best while we do the rest.

Now, let's get to the good stuff. Here's what's inside your top-to-toe guide to self-employment...

What's inside?

1. Meet your Account Managers
2. How does the tax year work?
3. The tax-free personal allowance
4. How to calculate your National Insurance Contributions
5. Expenses: how do they work?
6. What counts as an allowable expense?
7. Bookkeeping: what should you be holding onto?
8. The cost of getting things wrong
9. The best way to work self-employed
10. How to find us



Meet the account managers...

This is my team; a bunch of good eggs who'll be taking care of you throughout the year.

If you haven't already found out who you've been paired up with, they'll be in touch very soon.

Your account manager will work with you to make sure your tax return is calculated accurately and submitted promptly.

Got any questions about your self-assessment or tax? Just ask your account manager.

CALL

020 7043 1163



WHATSAPP

07939 015 759



EMAIL

taxreturn@tax2u.co.uk



Self-employment isn't always as glamorous as some people think – we've been there and done it, and know just how daunting it can be. That's why we love helping people like you to keep to HMRC's strict schedule and maximise earnings – legally, ethically and worry-free.



Cristian M.
Account Manager

Now let's get down to it. Think you know how the tax year works? Go on, have a quick check.

The tax year's the period for which you need to submit a tax return to HMRC. It doesn't run from January to December or anything so simple as that.

Think of it more like a season.



It runs from April 6th one year to April 5th the next – every single year. And if you worked self-employed at any point during those 12 months, you need to have submitted a tax return by 31st January the following year.

Here's an example.

Say you started working self-employed on July 1st 2019. That start date falls into the 201920- tax year, which ran from 6th April 2019 to 5th April 2020.

So you'd need to submit your tax return for 20192020- between 6th April 2020 and 31st January 2021. And by this 31st Jan deadline is when you need to pay you Tax and your National Insurance Contributions.

Even if you only worked self-employed for just one week. One day even! Heck, so long as you registered self-employed, it doesn't matter if you actually worked at all.

If you registered for self-assessment with HMRC (meaning they issued a UTR number under your name and you notified them that you'd started working as Self Employed), you need to submit a tax return on time) you need to submit a tax return on time, whether you earned anything or not. And they'll be on your case if you don't meet the deadline (with potentially hefty fines to boot).





What's the Tax-Free Personal Allowance and do I have to pay tax on everything I earn?

When it comes to paying your tax to HMRC, the good news is that they give you a personal allowance £12,500 /year that you do not have to pay tax on this first part of profit.

See, it's only the money you earn above that threshold that you pay any tax on.

Right now, the threshold at which you'll start paying 20% tax on your earnings is £12,500.

If you're earning more than £50k/year, you will enter in another bracket of tax deduction and for your profit that is above £50k you will have to pay 40% tax on it.

Your profit is calculated based on your total income minus your work related "allowable expenses" (More on those expenses in a minute...)

So if you minus your expenses from your year's total income first, then take away the £12,500 personal tax allowance too, the leftover amount is what you'll be paying tax on.

Tell me more about those expenses...

Legitimate business expenses are there to help you to accurately work out your taxable profit at the end of the financial year.

“Allowable” expenses can be deducted from your trading income, which will show you how much you need to pay in income tax and National Insurance Contributions.

Put simply, the more genuine expenses you can legitimately claim, the lower your tax bill will be. And realistically, your expenses should amount to no more than around 10% of your total income for the year.

At [tax2u](#), we work closely with HMRC to ensure that all expense claims are legitimate and that our clients’ businesses remain on the right side of the law. That’s why we can only submit tax returns with verified business expenses.

So to make sure we can claim the right amount of tax relief and help you accurately maximise your income, we need you to keep records of your expenses throughout the year, including the receipts and invoices that back up your records. Feel free to store them in your secure [tax2u](#) portal.

So long as each expense is necessary and solely for your business, you can use it to reduce your tax bill. Makes sense too, since it came out of your company profits in the first place.

Most expenses are easy to process, especially if they’re only used by the business.

That being said, you’ll probably have a few expenses that constitute a “benefit in kind”. Say you use a company vehicle as your personal vehicle too, you’ll need to work out how much use it gets for work and calculate the expense amount you claim based on that.

Similarly, if your office is a space within your home, you can claim a proportion of your rent, council tax, light and heat, phone and broadband, property repairs and water too (but we’ll help you with all that).





What can I claim as an expense?

As you'd expect, personal items like dry-cleaning and groceries don't count as tax-deductible expenses.

Generally speaking, the most common business expenses claimed in self-assessment tax returns are things like:

Products

Tangible items like protective clothing or uniforms, furniture, stationery and postage, printer and IT supplies and cleaning supplies.



Utilities

Regular costs like phone bills, broadband, heating, lighting and business rates, if you use part of your home to do your work, or you have a separate work office.



Stock

Things you buy to sell on or raw materials.



Subscriptions

Advertising and marketing costs, bank charges, trade association memberships, training courses, IT support and website fees.



Subsistence

Accommodation and the coffees and lunches that you buy while out working (e.g. at a client's building).



Travel

Costs like fuel, parking, train and bus fares.



We recommend you keep a travel log, to note the dates and the location (postal codes) you have travelled from and to.

If you travel to at least 2 location throughout the tax year you may claim for millage (45p for the first 10k and 25k above 10k miles).

By keeping hold of receipts and records of all your work-related expenses, we'll be able to correctly calculate the amount that we can then deduct from your tax bill at the end of the financial year.



Don't forget your National Insurance Contributions...

Tax isn't the only thing that HMRC ask you to pay each year, you know. Your National Insurance Contributions (NICs) matter too.

You'll pay them as part of your tax return when you submit it after the tax year ends on April 5th.

For most people who work self-employed, there are two types of NICs you could pay. And the rate you pay is based on your total income each tax year.

- Class 2 NICs will cost you £3.05 per week if your profits are £6,475-£9,501 each year. So that'd mean you'd pay zero tax (because you're under the £12,500 tax threshold), and around £160 per year in National Insurance.
- Class 4 NICs will cost 9% of your year's profits, so long as you earn profits between £9,501 and £50,000.

Remember, we're talking profits, not income here. And bear in mind that these rates do change, so make sure you're up to date at www.gov.uk/income-tax-rates.

Calculating your NICs might sound complicated but the good news is that you can lump them in with your tax return at the end of the tax year.

And the even better news? We'll do it for you as part of your [tax2u](#) membership. You simply get on with your job and we'll let you know how much to pay HMRC when the time comes.



That's one less thing to worry about and more time for the things you love





Bookkeeping: What info do I need to submit my tax return?

It might not be the most rock and roll thing to say, but keeping organised records and receipts is a super-smart thing to do when it comes to self-employment.

Doing so will massively help HMRC, us and – most importantly – you.

To get your taxes squeaky tight and all in order, there are several bits and pieces you should keep safe throughout the year. Starting with...

Your Unique Taxpayer Reference (UTR)

Without your UTR you won't be able to submit anything. It's a -10digit number that HMRC assign you when you register self-employed, to identify you as a taxpayer.

If you've lost yours and you need help getting hold of it, feel free to get in touch with your Account Manager or go through the free UTR application form at [tax2u.co.uk](https://www.tax2u.co.uk).

The invoices you issue and your bank statements

Keep copies of every invoice you issue to your customers to show how much you've been paid. Your bank statements will show that the money actually came into your account too.

Your payslips (if you worked PAYE)

If you worked PAYE as well as self-employed during the same tax year, keep hold of any payslips you received plus your P45/P60 forms.

Your expenses

Most invoices you receive for purchases that were wholly for business purposes can be claimed as expenses, which help to accurately reduce your tax due at the end of the financial year. Hang onto receipts for work purchases too.

Your travel log

If you travelled to more than one location for work in your own car during the tax year, you can claim £0.45 per mile (on the first 10k miles and £0.25 on the miles above 10k) back against your tax bill. So keep a travel log of the miles you do every time you hit the road for work.

Documents that we can Identify you

To be able to submit your Tax Return we must get from you the documents that helps us identify you, and per HMRC guidelines, those are as follow:

- Your Photo ID
- Sending a selfie that shows yourself holding your ID with photo.
- A proof of address (a bank statement or a letter/utility letter within the last 3 months, with your name and address on it)
- The name on the bank Account must match your ID name.

Don't forget to upload your documents in your portal at [tax2u.co.uk!](https://tax2u.co.uk)



What happens if you get something wrong?



As you've probably gathered, there's quite a bit to do to keep on top of your tax return and make sure you get your calculations right and in on time.

But what happens if you don't? What happens if you miss the January 31st deadline? Or if you miss a zero, forget a payment or claim for an expense that you can't back up with a receipt?

The penalties are pretty unattractive, to say the least.

Fail to get your tax return in by January 31st and you'll get a penalty of £100 if your tax return is up to 3 months late. You'll have to pay more if it's later, or if you pay your tax bill late. You'll also be charged interest on late payments.

But it doesn't end there.

The fee keeps going up £10 a day until you submit it.

And the fines for incorrect information? They vary depending on the severity of the mistake.

It's another reason why it's so important for you to exercise good bookkeeping habits. If HMRC needs to check your tax return at any point, and you're unable to show them the records and receipts you used to calculate it, you'll probably face another fine for that too.

It's worth getting this stuff right from the get-go, so we can submit your tax return accurately and on time, with no stress and no risk of fines heading your way.

And that's why it's a great job you joined our family of yearly accounting clients – to grab some peace of mind so you can keep concentrating on the things you do best.



As a tax2u client, you can concentrate on the things you do best and make sure you do not overpay tax on your total income

**While we work with HMRC to make sure your
records are right and your bill's accurate.**

Thanks to your [tax2u](#) membership, there's no need to wait on the phone line with HMRC as we'll make enquiries and do all the chasing for you.

Plus, you'll receive regular reminders to upload your bookkeeping records and receipts.





Thanks to your tax2u membership, there's no need to wait on the phone line with HMRC as we'll make enquiries and do all the chasing for you.

Plus, you'll receive regular reminders to upload your bookkeeping records and receipts.

You'll get a safe, secure online portal to store them in too.

And you'll have your correct tax return signed, sealed and delivered to HMRC on your behalf – before the 31st January deadline.

We'll calculate the numbers and make certain every payment is accounted for...

We'll comb through your expenses to make sure you're legitimately offsetting the bill as far as possible...

We'll even get your entire return double checked by a senior accountant – without you having to even imagine the sorts of conversations you'd be having if you were dealing with them yourself.

All without having to spend hours waiting on hold to HMRC.

That's why thousands of self-employed workers rate us Excellent on Trustpilot. You'll see!



Ta-ta for now

Anything else on your mind? Don't hesitate to get in touch with your Account Manager using the details on page 3.

Otherwise, we'll be in touch to make sure you're uploading your invoices, payslips and expenses records as well as your ID and proof of address.

And don't forget you can access your safe, secure portal by logging in with your email address at www.tax2u.co.uk. Just click on "My Dashboard" in the top right-hand corner.

Talk Soon!

How you reach to us



020 7043 1163

CALL



07939 015 759

WHATSAPP



taxreturn@tax2u.co.uk

EMAIL



tax2u House, 67A Main Avenue,
London, EN1 1DS

SEND YOUR SNAIL MAIL



L O N D O N



Simple Straightforward Swift Tax Returns

We aim to make the Tax Return Process as simple for you as possible. As a Yearly Accounting Service customer you can simply communicate with us and securely upload your documents on your **Tax2u** online Account.

We have helped 1,000's of people submit their tax returns and reclaimed over a £1m worth of tax already.



www.tax2u.co.uk

