PH Accountancy

FAQ's Self Assessment

PH Accountancy – 01227 277667

Contents

Q. How long do I have before I must register with HMRC once I start trading?

You must notify HMRC within three months to avoid a £100 penalty. If you are approaching this deadline, please contact us and we will complete this forms on your behalf.

Q. What is a UTR number?

UTR stands for Unique Taxpayers Reference number. This reference is a unique 10-digit ID issued by HMRC and will be quoted on all correspondence from them. This number is used by HMRC to identify you and your associated tax affairs.

Q. I've stopped trading now, do I still need to produce a set of accounts?

Yes, you do. You will still be required to submit accounts for the period you have traded up to. You should therefore ensure that you provide us with all your books and records as soon as possible so that we can prepare your cessation accounts and make sure that everything is up to date and correct.

Q. What should I think about when starting up a business?

Starting up a new business is both an exciting and worrying time. Please see this link for our free download: -

http://www.phaccountancy.co.uk/resource-centre.html

Q. What are the deadlines for self-assessment tax returns?

With self-assessment tax returns, the paper version must be submitted by 31st October and the online version must be submitted by 31st January. If you do not file the return on time, you will automatically receive a £100 fine even when you do not have any tax to pay or have paid any tax that you owe. If you miss the deadline, the longer you delay the more your penalty will increase. We ensure that reminders are sent to all our clients to ensure that you do not incur a penalty.

Your tax return must be filed by 31st January following a tax year, provided it is filed online; paper returns must be filed by 31st October. Payment is due by 31st January regardless of how the return is filed.

Q. How do I pay my self-assessment tax?

The deadlines for paying your tax bill are: -

- 31 January - for any tax you owe for the previous tax year (known as a balancing payment) and your first payment on account (if applicable).
- 31 July – for your second payment on account (if applicable).

You can pay by following https://www.tax.service.gov.uk/pay-online/self-assessment. You will need your 10-digit UTR number (Unique Tax Reference), which we can provide for you, and you put a 'k' on the end of it.

For more information, you can follow https://www.gov.uk/pay-self-assessment-tax-bill and this will detail all payment methods.

For you to pay your tax bill, you should visit www.tax.service.gov.uk/pay-online and you can then select the tax you wish to pay. To do this, you will need the correct tax reference to hand which can be found any paperwork which HMRC have sent to you in relation to the tax you want to pay.

Q. How should I calculate a claim for use of part of my home as an office?

First, work out the typical costs of running your home in a year, including, for example, rent or mortgage interest (do not include the capital element of repayments), utility bills, insurance, council tax and repairs and maintenance. Then apportion those costs amongst the number of habitable rooms in your home, such as reception, dining, and bedrooms. If you have a single room set aside as an office, then you may claim that room's proportion of overall household costs as an expense within your business. If your business only operates, say, three days each week then consider whether it's appropriate to reduce your claim proportionally.

Q. Do I have to have a separate bank account?

There is no legal requirement for you to have a separate bank account and while it may be tempting to start your new business without one, regardless of whether you are a sole trader or a limited company, it is really important to separate your business and personal finances. It makes it much more difficult to manage your business successfully without one.

Q. I'm a self-employed sub-contractor and I've been awarded a contract which requires me to work on a site some distance from home for an extended time. Can I claim the cost of travel and subsistence getting to and from that site each day?

Travel to-and-from a permanent place of employment is not an allowable expense. If the terms of the contract extend beyond 24 months then the site is automatically deemed to be a permanent place of employment so HM Revenue and Customs will not allow a claim for travel and subsistence. If the contract was initially for less than two years, but is at some point extended beyond 2 years, then you must cease claiming as soon as you become aware of the extension. However, the rules are complex and there is some opportunity for leeway if you trade through a limited company, so consult your accountant if you find yourself in this position.

Q. It's coming up to my company year end, should I spend any more money to reduce my tax liability?

This really all depends if you need to purchase anything. If you need to purchase something and know you'll be doing so in the not so distant future, then this may be the time to consider purchasing as it will be a tax-deductible expense before your year end and save you tax. However, if you are thinking of purchasing just for the sake of it to reduce your tax liability, this isn't necessarily a good idea because to save the tax, you are spending money potentially unnecessarily so it may be more worthwhile foregoing the additional tax due of not purchasing anything else.

Q. What is the difference between financial accounts and management accounts?

Financial accounts are the formal accounts produced by your accountant to present to stakeholders, HRMC, and Companies House whereas Management Accounts are reports produced more frequently and are for internal purposes only (the Management). The usual management reports include a profit and loss statement of actuals which are then compared to a budget or forecast to inform the management team if they are on track to meet forecasted goals. Also, Key Performance Indicators (KPI's) can form a management report which could include items like average sales values, debtor days, staff performance etc.

Q. What would happen during a tax enquiry?

HMRC would issue a letter to both you and your accountants to advise you that a tax enquiry has been launched. Sometimes this may be an aspect enquiry; this is where they only deal with one certain area. It could be an omission of a pension or bank interest etc.

A full enquiry is where HMRC will go through your books in more detail to ensure that your profit has been correctly declared. We would always recommend any investigation be dealt with by your accountants as they have the experience and knowledge to deal with this, to ensure there is minimal disruption to your tax affairs.

HMRC will raise certain queries which will need explanations and quite often, we will have documentary evidence. For example, if you had banked £10,000 into your private bank account, HMRC would want to see the original source of this. If it was a cash endowment then the documentation should be supplied. This highlights the importance of keeping your books and records for at least 6 years.

Once the enquiry ends, an Inspector from HMRC will write to you and advise you of the amendments which they wish to make, as well as any penalties that they wish to implement. Again, your accountants will deal with these and appeal where necessary.