

# THE SMARTA GUIDE TO

# TAX

## Part 2: Registering & Paying Tax

**\$marta**  
TAX SERVICES

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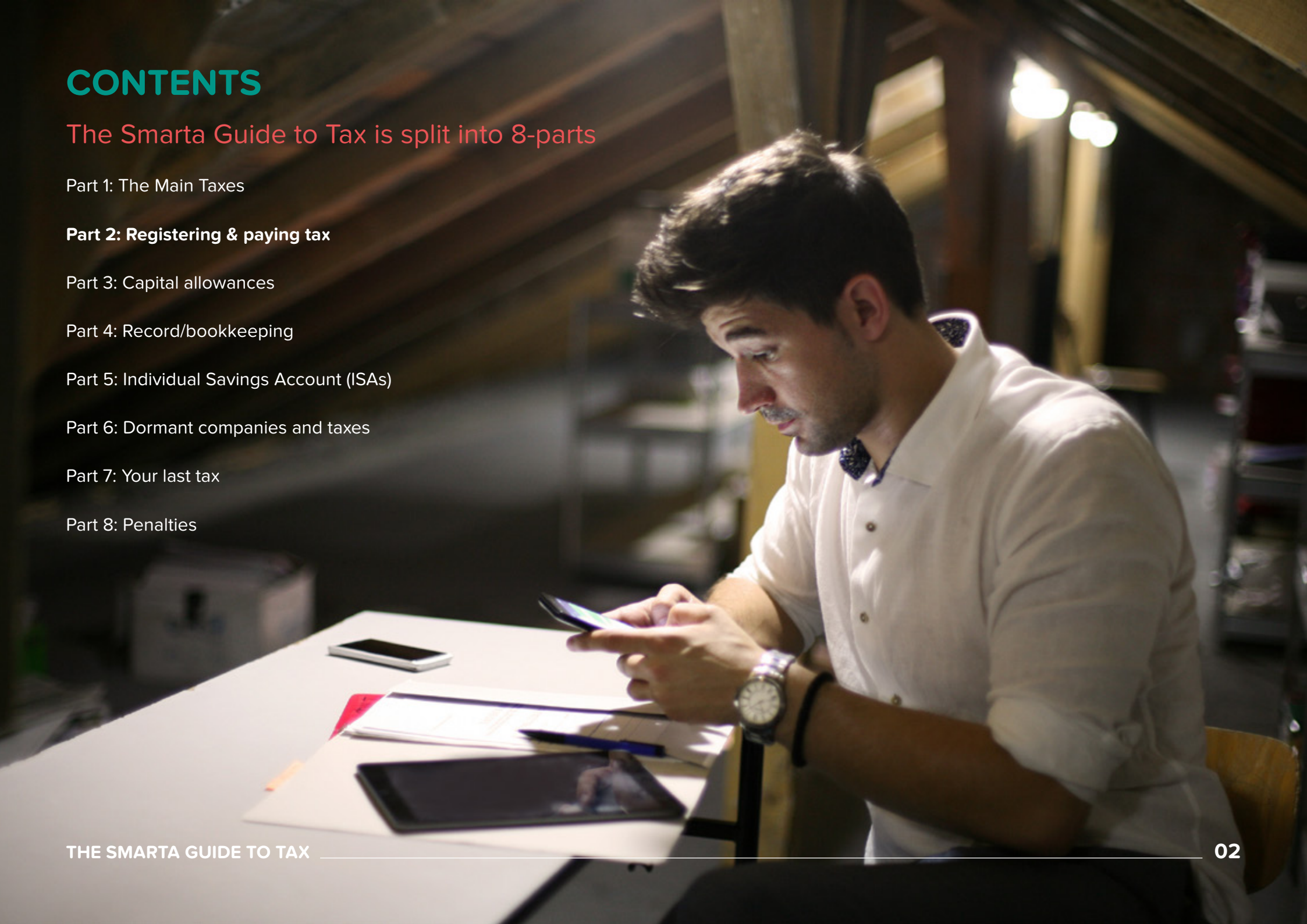
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**Taxes are simply unavoidable and, if you're a small business owner, it's best that you know your way around them and their millions of acronyms.**

Although there are multiple taxes, each with their own rules and regulations making it seemingly impossible to comprehend these mandatory financial charges; we have put together this comprehensive 8-part guide on all things tax. It covers both the basics and the more complex aspects of the world of taxation and is essential reading for any and all small business owners. Whether you're an expert on tax or a novice to the subject, we hope this guide will have something for you.

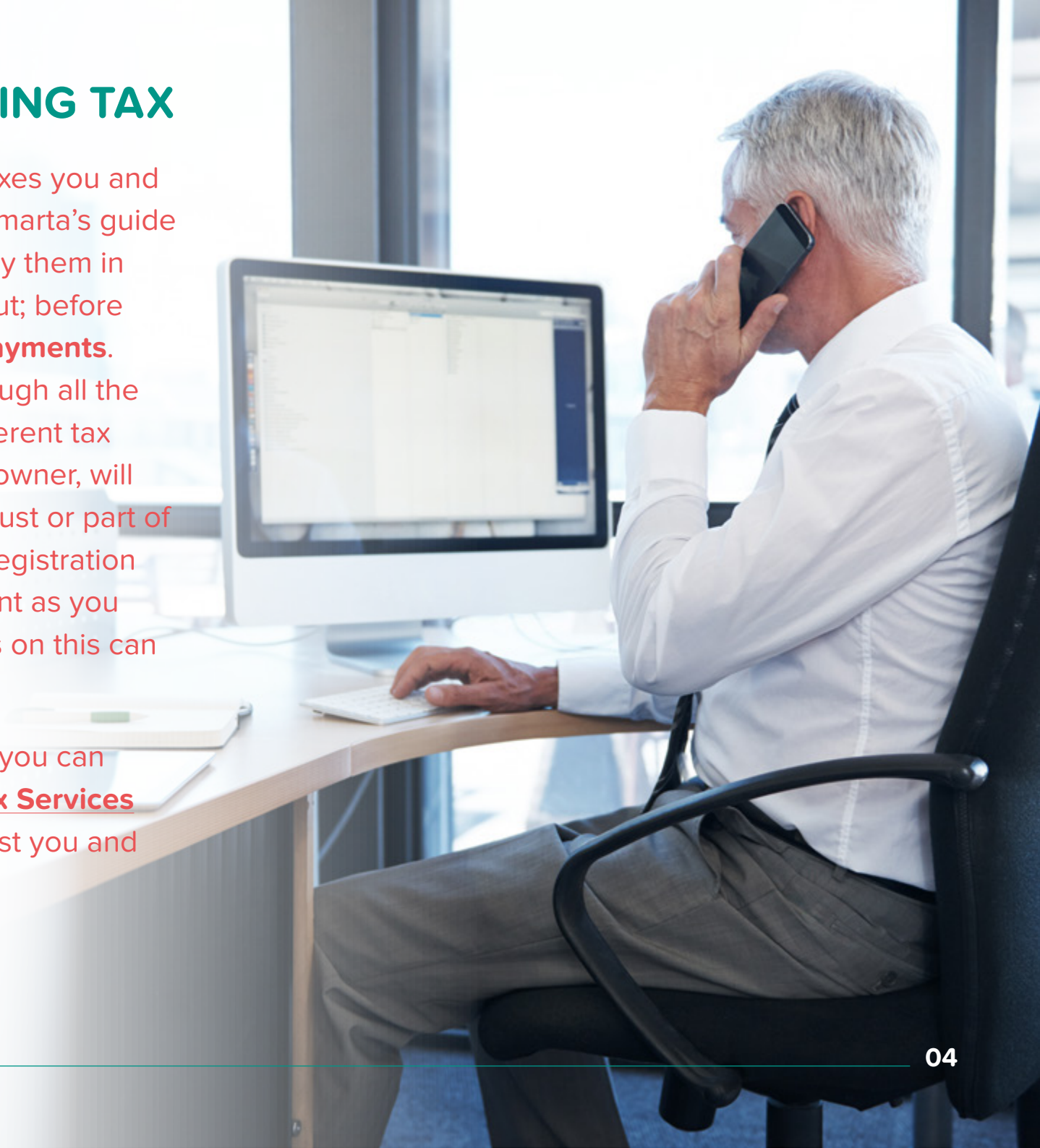
If you need further support on your business' tax or accounting, then contact [Smarta Tax Services](#) today.

Smarta also offer further aid for small businesses. We have a thoroughly in-depth and expansive blog site ([www.smarta.com](http://www.smarta.com)) with all the information and help you could possibly need when starting up your own company. Additionally, we offer the Smarta Business Builder, a monthly subscription service that provides you will all the tools you would need to start, manage and grow your business. If you're looking to register as a limited company, then Smarta Formations is one of the simplest and quickest ways to incorporate your business.

## REGISTERING AND PAYING TAX

Now you have had a look at all the taxes you and your business must pay (in Part 1 of Smarta's guide to tax), it's time to work out how to pay them in time to avoid penalties from HMRC but; before that, you need to **register to make payments**. In this section, we're going to go through all the ways you can sign-up for the two different tax returns that you, as a small business owner, will need. Note, if you are a trustee in a trust or part of a private limited company (plc) your registration process for taxation is entirely different as you only have to pay certain taxes, details on this can be found later in the guide.

For all aspects covered in this guide, you can talk through further with a **Smarta Tax Services** Accountant who will be happy to assist you and your business needs.





## Self-assessment tax registration and UTR

Firstly, you will have to register for the self-assessment tax return; this annual return reform will cover almost every form of taxation except VAT, Corporation Tax and Stamp Duty. You can do this online on the [HMRC website](#) quite easily; note there are two separate forms to fill out:

- Sole traders will need to use the **CWF1 form**
- While anyone else registering (including those in partnerships) will use the **SA1 form**

To register you will need to provide your 10-digit Unique Taxpayer Reference (UTR). Upon setting up a limited company or partnership you should have received a UTR number from HMRC. Your UTR is a 10-digit number - sometimes ending in the letter 'K' – that you use to pay taxes. You can find your UTR on any tax returns you have already filed or official payment reminders sent by HMRC. Considering this guide is on taxes, you may have not yet filed any returns, and so the easiest way to find out your UTR is by calling the Self-Assessment helpline.

Ten days after you have registered online, HMRC will send you a letter of confirmation along with a copy of your UTR number. You will also receive an activation code in the post within the same time frame that you will need to use to sign into your account and pay any taxation charges online.



## VAT registration

For both limited companies and partnerships and LLPs the process to register for VAT is the same and very similar to that of the self-assessment form. You can register online with HMRC who will send you a VAT number that will allow you to set up an online VAT account, and pay any VAT online. Furthermore, for VAT returns, you can appoint an accountant to submit them for you. Additionally, as it is a person within a business and not the business itself that registers for VAT, a group of related businesses or those in a joint venture can register under one VAT number – this also works for LLPs.

It is suggested that you only register by post for VAT returns if your business fits certain criteria. You can apply via post if you need to register for registration exception - that is if your VAT taxable turnover will only exceed the threshold (£85,000) for a limited amount of time. You also need to apply by post if you are only registering certain parts of a business and not the entire company or if you are joining the Agricultural Flat Rate Scheme (separate VAT for farmers).

When applying via post, you will have to submit the form VAT1, however, there are a further three classes of form that may be applicable. You need to submit form VAT1A if you are a business in the European Union selling to the UK; form VAT1B if your business imports goods valued over £85,000; or form VAT1C if you're selling assets which have had claims of 8th or 13th Directive refunds on them.

You may also transfer a VAT registration from one business to another if, perhaps, you have been bought by a larger company or are dissolving your business to form another. This can, too, be done online or by post by submitting the VAT68 form. Transfers usually take three weeks and VAT records must be transferred between the two companies.

Whether you have signed up online or by post, you should receive a VAT certificate within 14-days from HMRC. If you no longer trade in VAT taxable products or your taxable turnover drops below £85,000 you should cancel your VAT registration immediately by contacting HMRC.



## Corporation tax registration

Upon registering a limited company with Companies House, within three months you should register for Corporation tax. To do this, you will need your UTR and it should be done through HMRC's online portal. Following this, HMRC will inform you for your annual deadline for making Corporation taxation payments – this will be different for every business, as each company's accounting period begins at a separate date.

Now, every year you will have to file a Company Tax Return even if your business makes a loss or has no Corporation tax to pay. If you are self-employed you do not send a Company Tax Return as your self-assessment return will cover all fees and information HMRC require.

Filing a Company Tax Return is either done online or via the use of an accountant. After this, HMRC will send you a Corporation tax bill to your registered business address. You will have an allotted amount of time to make this payment or may face a penalty fine.



## Tax registration for trusts

As the trustee for a trust, you are personally responsible for paying two types of taxation: **income tax** and **CGT**. You must register the trust to pay taxes as soon as it has been incorporated.

To pay the income tax and CGT of the trust, you can register for a self-assessment tax return online or via post. In order to send off self-assessment tax returns you either need to purchase suitable software to do the process automatically, send form SA900 to HMRC via post or use an accountant. Any beneficiaries of the trust must be issued a statement outlining the amount of income tax and CGT paid by the trust, this is done officially with the use of form R185(trust).

Due to the nature of trusts, there is also an Inheritance tax placed on anything left by the estate to beneficiaries. Inheritance tax is 40% if your estate is valued about £325,000, however, if any property is left to your children or grandchildren this threshold increased to £425,000. There is a reduced rate of 36% if 10% - or more - of your estate is left to charity. Additionally, if a member's estate is less worth than either threshold then the amount that is left over can be added to their marital or civil partner's threshold. For example, if one's threshold is £0 then one's partner's threshold could be as high as £850,000. Paying inheritance tax must be done by an official who will calculate the value of an estate and then make the correct payments to HMRC.





## Tax registration for plcs

As a private limited company (plc) you only need to make Corporation taxation payments – this should be done within the first three months of your business’s incorporation. This has to be done online and requires your UTR number. Now, every year, you will need to file a company tax Return, regardless of whether you have any corporation tax to pay.

**Note:** even though it is only plcs that usually need to file company tax returns, HMRC could request one of every business. This will need to be filed, upon request, regardless of whether your company must pay any corporation tax, and could be asked for on a yearly basis.

## Paying SDLT

Stamp duty land tax (SDLT) is a form of taxation not covered by the self-assessment tax return – it must be paid separately. Unlike most other forms of taxation, HMRC only need to know if you have to pay any SDLT – they do not require a return if your business doesn’t have to pay it.

SDLT is paid directly to HMRC through a bank transfer, either by phone or using CHAPS or Bacs to HMRC’s account. A cheque can also be sent in the post.

Following the payment of SDLT through any of the above methods, you must also send HMRC a letter of confirmation, informing them of the transfer. It must contain the payment reference, payment amount and date of payment.

## IR35

IR35 legislation applies largely to contractors or “off-payroll workers” who trade with clients through an intermediary or, namely, a limited company or personal service company (PSC). PSCs are, in effect, a contractor’s own limited company that they choose to work with clients through. This covers anyone who isn’t directly employed by a company that deducts NICs and tax from their regular wage.

IR35 is the acronym for “intermediaries legislation” – the set of tax laws that apply to said workers. Off-payroll workers are usually paid through their own intermediary, however, pay income tax and NICs differently from regular employees at companies even though the monetary amount of taxation may be the same.

Within the public sector, officials should decide whether their colleagues qualify as off-payroll workers. In this case, the third party (client) who is responsible for the payment of the worker should deduct NICs and tax from the wage and report it to HMRC. For workers within the private sector, you are usually personally responsible for determining if they these rules apply. You will have to pay tax and NICs if the rules do apply.

A rule of thumb for deciding if someone is an off-payroll worker is that if there was no intermediary would they be counted as an employee of a company? If this is the case or they are an office holder of a company (someone who works for said company but doesn’t receive regular payment) then they will be counted as an off-payroll worker. Nonetheless, these rules do not apply if the worker is employed directly by any agency or umbrella company that handles the deducting of NICs and tax from their wage.

Now, if you are an off-payroll worker your intermediary or you, personally, will be required to make payments of taxation to HMRC. The intermediary will also have to keep in mind that any Corporation Tax should be paid at the end of each account year, as well as paying dividends to shareholders of the limited company or PSC. Whenever a payment is made to the off-payroll worker, the intermediary should use HMRC’s IR35 – deemed employment payment calculator to work out how much tax and Class 1 NICs need to be paid. The calculator may return ‘0’ – or even a negative number – meaning no tax should be paid, however, one should store in case HMRC ask for tax records.

Following this, the intermediary should inform HMRC using form P60 of the tax payments that are to be made, these should be noted on a Full Payment Submission (FPS) slip that will also be sent to HMRC. This payment of tax will now be treated as employment income which can be included when you file your self-assessment tax return each year. Additionally, if your intermediary pays you a wage on top of this, workers should also file a P60 along with their self -assessment tax return. VAT and Corporation tax should also be included on this self-assessment tax return if applicable.

## SUMMARY

So, there you have it, the different ways you can register to make tax payments, don't forget to sign up to **Smarta Tax Services** if you'd like us to manage your accounting on your behalf. Take a look through our additional guides for more information on all things tax.

## Further reading and references

In this section, we have put together a list of the best resources that are set to help you and your small business grow, and answer any further questions you might have about taxation.

### **[Smarta Tax Services](#)**

Smarta Tax Services will provide you with a personal experience with a dedicated Accountant that will ensure you keep track of day to day operations of your business, and you've completed all areas required to comply with HMRC and Companies House. Our trusted accountancy software allows transparency and you'll have 24/7 access online, so you can keep track of your business performance.

### **[www.smarta.com/blog/](http://www.smarta.com/blog/)**

Smarta's blog has thousands of articles to help you in your business endeavours. We would recommend our content on how to find accountant, helping your business with tax.

### **[www.gov.uk](http://www.gov.uk)**

The UK's government's website also has guides to help you and your business, additionally, here, you can use HMRC's online portal to pay tax.

### **[www.which.co.uk/money/tax](http://www.which.co.uk/money/tax)**

Which? also offers many different guides to help you save and spend money appropriately; their few guides on taxation go into intimate detail.

### **[The Daily Telegraph Guide to Tax](#)**

Every year the Daily Telegraph publish an in-depth

guide to taxation with all the dates and changes made to the taxation for that specific. Usually, they are published in May so, it is worth looking out for the 2018 edition in a few months.

### **[www.uktaxcalculators.co.uk](http://www.uktaxcalculators.co.uk)**

This site is updated yearly to accurately calculate the amount of any form of tax your business may own.

### **[www.taxguideforstudent.org.uk](http://www.taxguideforstudent.org.uk)**

The Tax Guide for Students is a site that provides information for university students on taxation, how much they should be paying and if they appeal to HMRC for any reductions. The information they create will be extremely beneficial if you are a student looking to start your own business whilst in education.

### **[www.taxcafe.co.uk](http://www.taxcafe.co.uk)**

Tax Café is an award-winning website that focusing on the UK tax system – it is of particular use for information about property tax and letting.

### **[www.moneysavingsexpert.com](http://www.moneysavingsexpert.com)**

Martin Lewis offers plentiful advice on all things monetary including tax. Although his guides are quite simple and largely aimed at families, it's worth a look.

### **[www.cartaxguide.co.uk](http://www.cartaxguide.co.uk)**

It does what it says on the tin: the Deloitte Car Tax Guide offers users all the information they could want about the taxation of company cars, including a calculator to help you avoid penalties for inaccuracy.

### **[The Bloomsbury Professional Tax Guide 2017/18](#)**

Published bi-annually, The Bloomsbury Professional Tax Guide provides a more complex analysis of UK and global taxation.

### **[www.taxaid.org.uk](http://www.taxaid.org.uk)**

TaxAid offers help to anyone with tax-related problems; while their site has blogs on tax, they also provide volunteer helpline advisors who can sort out your problems over the phone.

### **[www.searchaccountant.co.uk](http://www.searchaccountant.co.uk)**

This directory allows you to search for the best accountants up and down the UK, to help with your business's tax returns.

### **[www.tax.org.uk](http://www.tax.org.uk)**

The Chartered Institute of Taxation is British NGO whose members are all highly qualified in dealing with any tax-related issues.

## Glossary of acronyms

**HMRC:** Her Majesty's Revenue and Customs

**VAT:** Value-added tax

**GST:** goods and services tax

**NI:** National Insurance

**NICs:** National Insurance Contributions

**PAYE:** pay as you earn

**FPS:** Full payment submission

**CGT:** Capital Gains Tax

**SDLT:** Stamp Duty Land Tax

**PLC:** Private Limited Company

**UTR:** Unique taxpayer reference

**LLP:** limited liability partnership

**PSC:** personal service company

**AIA:** Annual investment allowance

**ISA:** Individual savings account

**NGO:** non-governmental organisation

**DOR:** Debt Order Relief

**NT:** Nil Tax Code

**IPA:** Income payment agreement

**IPO:** Income payment order

**PLR:** Potential loss revenue

**TTP:** time-to-pay

**CIS:** Construction industry scheme



Find out more at  
[tax.smarta.com](https://tax.smarta.com)

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