

HOW TO MANAGE YOUR ACCOUNTS

— Course Book —



AJC BUSINESS
DEVELOPMENT

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Course Description

This course book has been designed alongside the online video/audio series 'How to Manage Your Accounts'.

At last a new course designed to save you time & save you money off your next Accountancy bill. Discover the secrets of top accountants!

This course is designed for self-employed professionals wanting to take control of all their business accounting and finances by learning everything themselves instead of paying out on accounting fees.

Aims & Objectives of the course

This course is designed to teach you how to get started in business and how to start your own accounts using language that is simple to understand.

You will learn:

- How to knock hundreds of pounds off your next Accountancy bill
- Tax saving secrets
- How to keep your Accounting records to the standard of Accountants.
- How to fill out a Self-Assessment form
- How easy it is to start today
- How to produce your own Financial Statements

What are you able to do by the end of the course?

By the end of the course you will be able to

- Know how to run your business accounts properly
- Produce your own Profit & Loss account.
- Produce your own Balance Sheet
- Complete your own Self Assessment Tax Return

Course Breakdown

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Module 1: Getting Started

Some **people** work full time and are taxed through the PAYE scheme whilst also enjoying some Freelance income.

You should register as Self Employed with your local Inland Revenue Office or get the number of your tax office from your employer.

Call the Newly Self-Employed Help line: **0300 200 3504** (Easiest way). You should quote your National Insurance number and if you know it, your tax reference number.

Alternatively, there are two forms to be completed and sent back to the Inland Revenue Contributions Office

CWF1 - Notification of Self-Employment.

Register online

https://public-online.hmrc.gov.uk/lc/content/xfafoms/profiles/forms.html?contentRoot=repository:///Applications/NICs_iForms/1.0/CWF1_20167&template=CWF1.xdp

Register by email

<https://online.hmrc.gov.uk/shortforms/form/CWF1ST?dept-name=CWF1&sub-dep>

You can claim expenses in the same way as though you were a Sole Trader. This means that expenditure which was 'wholly and exclusively' incurred for your business can be claimed through the Self Assessment forms.

For self-employed income under £15,000, you will only have to fill in 3 lines of the form. If, however, your freelance income exceeds £15,000, you will have to provide more detailed information of your business expenses.

Tell the Inland Revenue about your Self-Employment by **5 October** in the tax year in which you begun trading.

You must register within 3 months of the end of the month in which you start up. If you do not register and you have been found to be trading, there is a £100 fine to pay.

What to keep for your Tax Return

It is recommended that you keep anything relating to the transfer of money whether it is income or expenditure to replace a light bulb.

Below is listed some of the common items you should be thinking about in the areas of income and expenditure.

- **Income Items**

If you get any of the following..... You must keep these.....

Salary / Wages

P60
Payslips
Notice of coding

Benefits in Kind

E.g. Company car, medical insurance P11D

State Benefits

E.g. Unemployment benefit, allowances Statements of payments to you from DSS

Pensions

State pension

Statement of pension payments by DSS or pension fund

Other pensions

Share Options

Share option documents from your Employer

Other Earnings

Tips, commissions

Relevant vouchers or documentation

**Expenses not reimbursed
By your employer,**

Expense receipts or vouchers

**Self-employment &
Partnerships**

Financial statements from
Self Employment & Partnership

Savings & Deposit accounts

Banks

Interest certificates

Building Societies

Interest certificates

National Savings

Interest details

Share Holdings*Dividends*

Dividend vouchers

Unit Trusts

Unit Trust vouchers

Other sources

Other

Relevant vouchers

Land & Property

Furnished lettings

Invoices or receipts

Holiday accommodation

Overseas

Foreign income documentation

Trusts & Settlements

Trust tax vouchers

Other Sources

Royalties

Royalty income & expenses

• Expenditure Items**If you spent on any of the following.. You must keep**

Mortgage or loans

Mortgage or interest statements

Vocational training

Training papers

Charitable covenants

Deeds of covenant

Gift aid

Gift aid details

Venture capital trust shares

VCT Certificates

Shares

Contract notes

Land & property

Completion statements

Module 2: Expenses

Allowable Deductions

Expenses incurred solely for business purposes are generally allowable deductions when calculating your tax bill. This expenditure is usually referred to as 'Wholly & Exclusively'.

Disallowable Deductions

Expenditure, which is not 'wholly and exclusively' intended for trade purposes, is not allowable. These items are referred to as disallowable.

An easier way to remember what is allowable is to use the Tax Return itself. On the Tax Return, (Self Employment schedule) the Inland Revenue lists the items, which should be included as expenditure items.

This is a good indication as to what the Inland Revenue will allow.

If you want, you can use the simplified business expenses

What are these simplified expenses?

"Simplified expenses are a way of calculating some of your business expenses using flat rates instead of working out your actual business costs"

You can use flat rates for:

- Business costs for vehicles
- Working from home
- Living in your business premises

Listed below are the allowable items under each heading.

EMPLOYEE COSTS - staff related costs, employers NIC, Locum fees, redundancy payments, and pension contribution on behalf of employees

PREMISES COSTS – insurance, rents, heating, lighting, rates, security, (use of home as office).

REPAIRS – general maintenance of business premises and machinery

GENERAL ADMINISTRATION EXPENSES – telephone, fax, mobile, postage, printing, courier services, trade and professional journals

MOTOR EXPENSES – insurance, servicing, repairs, road licence, petrol/diesel, hire charges, parking fees, AA/RAC

TRAVEL & SUBSISTENCE – rail fares, airfares, taxi, hotels

ADVERTISING, PROMOTION & ENTERTAINMENT – advertising, mail shots, distribution of free samples

LEGAL & PROFESSIONAL COSTS – accountancy fees, solicitors, surveyors, professional indemnity insurance premiums

BAD DEBTS – unrecoverable debts remaining unpaid at the accounting date

INTEREST – on bank and other loans including overdrafts

OTHER FINANCE CHARGES – bank charges, credit card charges where used for business, HP interest, leasing payments

DEPRECIATION & LOSS/PROFIT ON SALE –

OTHER EXPENSES – add up all the expenses not included elsewhere and enter the total figure

DISALLOWABLE EXPENSES

ADJUSTMENTS

BALANCING CHARGES

How to use simplified expenses

1. Record your business miles for vehicles, hours you work at home and how many people live at your business premises over the year.
2. At the end of the tax year use the flat rates for vehicles, working from home, and living at your business premises to work out your expenses.
3. Include these amounts in the total for your expenses in yourself Assessment tax return.

Use the simplified expenses checker to compare what you can claim using simplified expenses with what you can claim by working out the actual costs. This will help you work out if simplified expenses suits your business.

<https://www.gov.uk/simplified-expenses-checker>

Module 3: Using You Own Car for Business

There are 2 ways in which to claim car expenses as a self- employed **person**
These methods are applicable whether you are full time self-employed or not.

This may not be typical of a Freelancer but it gives you an idea.

The 2 methods are compared below via an example.

Example – Using Your Own Car For Business

*Susan is a **Artist** and works full time. She travels 48,000 miles a year, half on business. She is just about to buy a car costing £11,000 with a loan at 10%.*

She expects her running costs to be £1,800 per year and petrol to be £4,200 per year.

She estimates that her car is used 50% of the time for business and 50% private use.

Actual Method

Car expenses	Cost	Tax Claim (£)
Petrol	4,200	2,100
Running costs	1,800	900
Interest on car loan	1,100	550
Capital Allowances	2,200	1,100
<u>Total tax claim</u>		4,650

Susan would therefore claim £4,650 on her Self Assessment tax return form along with other allowable expenses.

Alternative Method

Mileage Allowance Payments (formerly Authorised tax-free mileage Method)

Mileage Rates	Tax Claim (£)
10,000 miles @ 45p per mile	4,500
14,000 miles @ 25p per mile	3,500
Business proportion of interest to buy the car	550
Total tax claim	8,550

Susan's claim has increased by £3,900. This is a tax saving of £1,560 for a higher rate taxpayer or £780 for a basic rate taxpayer.

Restrictions of using the alternative method

There are a few restrictions if you are going to use this method.

- You cannot exceed the authorised tax-free mileage rate
- The annual turnover of the business at the time the car is acquired does not exceed the VAT registration threshold (£64,000).
- No other car expenses can be claimed
- No capital allowances can be claimed
- You must be consistent from year to year until you change your car.

Considerations

- The Alternative method is only available to taxpayers with a turnover below the VAT registration threshold (currently £83,000) at the time when the vehicle was first acquired. Therefore, it is only possible to change methods when you change your vehicle.
- You do not need the Taxman's permission to do the Alternative Method.
- The Alternative Method is much easier for most people.

Tip: Use the mileage allowance payments (formerly known as the statutory tax-free mileage rate) to calculate your car expenses. If this is higher than the actual cost method use it from the time you started your business or when you next change your car.

Tip: Keep a note pad in your car and keep details of each **business** trip, date, to & from, the purpose and the mileage.

You can also claim for business mileage if you use a bike or motor cycle for business purposes.

Bicycle – 20p

Motorcycle – 24p

Travelling expenses - Between home and Work

Although travelling expenses are claimable, where you work at a certain location full time or the majority of your working week, then the travel between home and permanent place of work is not claimable.

However, subsequent journeys away from your permanent place of work are claimable expenses, or the journey between your home and another destination is claimable.

Module 4: Use of home as an office

You can claim a proportion of your home costs as long as you can establish the extent it is used for business. To do this, calculate a percentage on the number of rooms, which will exclude the bathroom and the kitchen.

You will be able to claim 100% of repairs, maintenance and decorations to the room you use for business.

Example	Total Bill Per annum £	Business Use (20%) £
Mortgage interest or rent	4,000	800
Council Tax	200	40
House insurance	600	120
Gas	400	80
Electricity	400	80
Repairs	800	800
Total	6,400	1,920

In this example you would be able to claim £1,920 for the use of home as an office.

Module 5: Capital Allowances

Capital allowances are available to you if you use certain items for your business.

Items such as cars, vans, and computer equipment attract tax relief of between **18% - 100%** deduction as writing down allowance. The benefit of this is that it reduces your taxable profits.

These items are detailed in a Capital Allowance working 'Pool' which records any additions or disposals during the year.

If you have assets with any private use you can only claim the business element.

There are special rules for motorcars costing £12,000 or more and short life assets.

Capital Allowance Claims

Capital Allowances	Rate that can be claimed
Low emission cars	100%
Annual Investment Allowance - £200k	100%
First Year Allowances	100%
Writing Down Allowance (WDA)	18%
Cars	18% Restricted to £3,000
Long life Assets	8%

Module 6: National Insurance

Class 2 (self-employed)

If you are self-employed you pay Class 2 contributions. The flat rate is **£2.80** a week where profits are **£5,965** or more.

If your profits or share of profits are below the Personal Allowance then you will not have to pay any class 2 contributions, you should inform the Contributions Agency.

You can elect not to pay if profits are below this level. The consequences of not paying for any year is that you build up no entitlement to contributory benefits.

Class 4 (self-employed)

Class 4 is paid on top of class 2 if your taxable profits reach a certain limit.

Taxable profits **between £8,060 - £43,000 will** be charged at a flat rate of 9%. The maximum payment therefore will be £3,144.60.

For profits over **£43,000** you will pay an additional **2%**.

Class 4 contributions do not entitle you to any additional state benefits.

Class 3

You pay **Class 3** voluntary **National Insurance** to fill gaps in your contributions record and qualify for benefits like the State Pension.

You can ask HMRC to check your **National Insurance** record. HMRC will then write to let you know if you can make voluntary contributions.

Module 7: Keeping Proper Records

Whether you are operating your business part time or as a freelancer, it is vital that you set up a basic record keeping system.

The record keeping system sets out all income and all expenditure for the business. This record must be kept for six years.

Nowadays, people are very familiar with the workings of a spreadsheet and most of the record keeping systems can be kept in this format.

Although records kept may vary from business to business you should keep a record of;

- All sales and other business income including tips. A copy of your invoice should correspond to entries in your bank account.
- All purchases and other expenditure made on behalf of the business
- All purchases of equipment and sales of assets
- All amounts taken from your bank account or cash for personal use
- All business mileage records

Those people who are already familiar with record keeping may have come across the following basic sets of financial records;

1. The Cash book – This is the final record of all money coming in and going out of your business.
2. The Sales ledger – This records the sales of your business, the amount of money received for your good or services and money owed at the end of the month.
3. The Purchase ledger – This records all the outgoing payments made against invoices received.
4. The Wages book - If you employ anyone this records salary payments made to them including National Insurance contributions.
5. Online Bookkeeping systems – Your records are kept securely online and updated from any device. (eg. www.zlogg.co.uk)

There are no strict rules as to the format you use to record your figures. Even those figures kept on a piece of paper are just as valid as the ones that are stored in a book or on a computer. What is important, however, is that they are accurate.

Module 8: Tax Returns

The Tax Year

The tax year runs from **6th April** to **5th April** the following year.

Date of filing your Tax Return & payment of tax

You can file your tax return anytime after the year end. However, there is a deadline of **31st October** if you wish for the HMRC to file it on your behalf. This is done on paper returns

The 'Statutory filing' date is **31st January**

This date is the **31st January** following the end of the tax year. The end of the tax year is **5th April. This has to be done online.**

Failure to file Tax Return on time

There is an automatic fixed penalty of £100.00 or 100% of the tax if less.

There is a further £100.00 penalty if it is not filed six months after the statutory filing date i.e. **31st July**.

In addition to this there are further penalties, which run on a daily basis. The maximum is £60 per day.

Interest also runs from the date you have failed to deliver the return.

Failure to Pay Tax on time

There is a 5% interest charge on amounts outstanding if it is not paid by **28 February**.

There is a further 5% of the amount unpaid more than six months after the due date.

‘Payment on account’

These amounts are paid in addition to the tax calculated for each particular year. It is advanced tax for the following year and is calculated as 100% of the total tax payable for the year that has been calculated.

If the tax exceeds the limit for a particular year, then payment account is calculated then split into 2, where half is paid with the current tax by 31st January (first payment on account) and the other half by 31st July (second payment on account).

HM Revenue and Customs (HMRC) will take ‘enforcement action’ to get the money if you don’t pay your tax bill. You may be able to avoid this if you contact them.

There are a number of enforcement actions HMRC can take to get the tax you owe. They can:

- *Collect what you owe through your earnings or pension*
- *Ask debt collection agencies to collect the money*
- *Take things you own and sell them (if you live in England, Wales or Northern Ireland)*
- *Take money directly from your bank account or building society (if you live in England, Wales or Northern Ireland)*
- *Take you to court*
- *Make you bankrupt or close down your business*

You can appeal against some penalties if you have a reasonable excuse, eg for your return or payment being late.

What may count as a reasonable excuse?

A reasonable excuse is normally something unexpected or outside your control that stopped you meeting a tax obligation, as per the HMRC eg:

- your partner or another close relative died shortly before the tax return or payment deadline
- you had an unexpected stay in hospital that prevented you from dealing with your tax affairs
- you had a serious or life-threatening illness
- your computer or software failed just before or while you were preparing your online return
- service issues with HM Revenue and Customs (HMRC) online services
- a fire, flood or theft prevented you from completing your tax return
- postal delays that you couldn’t have predicted

You must try to send your return or payment as soon as possible after your reasonable excuse is resolved.

What won't count as a reasonable excuse?

The following won't be accepted as a reasonable excuse:

- you relied on someone else to send your return and they didn't
- your cheque bounced or payment failed because you didn't have enough money
- you found the HMRC online system too difficult to use
- you didn't get a reminder from HMRC

If you have a disability

If you have a disability and claim to have a reasonable excuse that prevented you from meeting a deadline, HMRC will consider whether you made a reasonable effort to meet your obligation on time.

If your Turnover is below £83,000

If your annual turnover is **below £83,000** for a full year, then you fill in a 3-line version. All you will need to show is;

Turnover
Expenses
Profit/(Loss)

However, if your turnover exceeds this figure you will need to complete the full version, which gives more detail.

If your turnover is above £83,000

If your turnover is above **£83,000** in any one-tax year, you must complete the full section.

The Self Employment section will give you 12 subsections (We have met these earlier in the course) as follows;

It is a matter of just filling out your expenditure items and matching it to the descriptions under each heading.

Wages
Premises Costs
Repairs
General Administration Costs
Motor Expenses
Travel & Subsistence
Advertising, Promotion & Entertainment
Legal & Professional Costs

Bad Debts
Interest
Other Financial Charges
Depreciation & loss on sale
Other expenses

Submit 4 VAT returns per year and pay the VAT owed upon completion of each return.

Module 9: VAT

Registration for VAT

VAT is charged on supplies of taxable goods and services made in the UK by a taxable person in the course or furtherance of business. It is also charged on imports and certain services from abroad.

A taxable person for this purpose is one who is registered for VAT.

Registering for VAT is either voluntary or compulsory.

1. Voluntary – Anyone making taxable supplies can voluntarily register for VAT. The advantages of this is to allow you to recover VAT you have already paid. Another advantage is that it adds credibility to your business and prevents penalties for late registration.
2. Compulsory – Registration is compulsory in the following situations;
 - (a) If at the end of a calendar month taxable supplies in the previous 12 months have exceeded the registration threshold (**£83,000**) or
 - (b) You have reasonable grounds for believing that taxable supplies in the next 30 days will exceed **£83,000**.

If you are not registered for VAT your turnover or sales figure will not include any VAT but ensure that your expenses include VAT. (This is how a non-vateable person claims back the VAT spent)

Deregistration of VAT

You can also deregister for VAT. Again, this can be voluntary or compulsory.

1. Voluntary – Customs & Excise must be satisfied that supplies (excl VAT) in the next 12 months will be less than **£81,000**.
2. Compulsory – If the following:
 - (a) Trader ceases making taxable supplies
 - (b) Customs & Excise was misled into originally granting registration
 - (c) A registered person who fails to make returns or pay tax

In (b) and (c) above C & E will cancel the registration

The Flat Rate Scheme

You have an alternative to the usual VAT registered business. It is call the Flat Rate Scheme.

In order for this to apply to you,

1. your VAT turnover must be £150,000 or less (excluding VAT)
2. you must apply to HMRC.

With the Flat Rate Scheme:

- you pay a fixed rate to the HMRC
- you keep the difference between what you charge your customers and pay to HMRC
- you can't reclaim the VAT on your purchases - except for certain capital assets over £2,000.

This is becoming very popular

The VAT Flat Rates can be found here:

<https://www.gov.uk/vat-flat-rate-scheme/how-much-you-pay>

Module 10: Making the most of your money

Albert Einstein recognised this principle to be the greatest inventions of man. This principle was based on the power of *Compound Interest*.

Compound Interest works while you sleep. It enables you to allow money to make money for you instead of you working to make money.

Example: The Power of Compound Interest on Your Savings

If you put away £6 a day every day, the power of compound interest would multiply this sum over the period of investment.

Illustration: Saving £6 a day every day for 25 years

Year	A	B	C Compound Capital	D Interest 20%	E Compound Capital (B+C+D)
1	180	2160	0	432	2592
2	180	2160	2592	950	5,702
3	180	2160	5,702	1,572	9,435
4	180	2160	9,435	2,319	13,914
5	180	2160	13,914	3,215	19,289
6	180	2160	19,289	4,290	25,738
7	180	2160	25,738	5,580	33,478
8	180	2160	33,478	7,128	42,766
9	180	2160	42,766	8,985	53,911
10	180	2160	53,911	11,214	67,285
11	180	2160	67,285	13,889	83,334
12	180	2160	83,334	17,099	102,593
13	180	2160	102,593	20,951	125,703
14	180	2160	125,703	25,573	153,436
15	180	2160	153,436	31,119	186,715
16	180	2160	186,715	37,775	226,650
17	180	2160	226,650	45,762	274,572
18	180	2160	274,572	55,346	332,078
19	180	2160	332,078	66,848	401,086
20	180	2160	401,086	80,649	483,895
21	180	2160	483,895	97,211	583,266
22	180	2160	583,266	117,085	702,512
23	180	2160	702,512	140,934	845,606
24	180	2160	845,606	169,553	1,017,319
25	180	2160	1,017,319	203,896	1,223,375

The cost of delaying for one year could cost you £206,056

e.g. 25 years savings £1,223,375
24 years savings £1,017,319

Cost of 1 year delay £206,056

Beat the Credit Companies by changing the Rules

Credit cards are one of the best inventions to man and the credit companies do all they can to hide this simple fact from you.

Have you heard of 'Payment Holidays'? ... Exactly, it is one of the cons from credit companies.

As long as you pay back what you owe each month, credit cards become profit builders as the cash in your account stays there for 30 days more, earning you account interest ENTIRELY at the expense of your credit company.

To play this game properly, select credit cards that have no annual fee and give you at least 21 days interest free credit.

The credit card companies will hate you, it is time to change the rules.

Best Use of credit cards

If you have to use a credit card, when you use it write out a cheque to the credit card company at the same time.

Using debt to clear debt

The key is to manage debt so that the overall burden is not increased. By borrowing more money that equals the sum of the existing debt but at a lower interest rate, means that both issues are tackled – the debt is reduced by paying a lower rate of interest, as well as paying less money per month.

Debt and the cause of debt

Impulse buying fed by peer pressure and easy credit facilities
Not tracking your expenditure
Paying more than you need to
Not accounting for the money you spend

Tip: From today, if you can't pay cash don't buy it

Module 11: Suppose I made a loss?

You can use losses to reduce your overall tax liability. You can either use it now or in the future. Losses can even be used against profits you received in previous years.

Trading losses (Sole Traders)

- Set against **the Total Income** of the current year and also the previous year
- Carry loss forward and claim against future profits of the same trade
- Remaining loss can be offset against your capital gains

There are 5 key options you have when making a loss:

1. You can use the loss in the current tax year and set it against all of your other income including income from savings. This reduces the tax that would otherwise be payable on your other income.
2. You can carry the loss back to the previous tax year and set it against all of your income including income from savings. This reduces the tax due on this income, and a repayment of tax is usually generated.
3. For a new business, if the loss occurs in any of the first four years of trading you can set it against your total income of the three tax years immediately before the loss year, starting with the income of the earliest year first.
4. If you cannot use the loss in any other way, you can carry it forward and set it against profits of the same trade in a future year.
5. If your business finishes and you make a loss in your last year, you can set this against your trading profits of the previous three years, latest year first.

Session 12: Tax Planning

It is vital that you understand a little about tax planning as it affects all of throughout our lives. Here are some important ones you should know.

Tax Avoidance

This is where careful business planning and intelligent tax advice can be used to minimise your tax liability. This is common practise and careful timing of acquisitions and disposals can lead to a reduction in your tax bill.

Tax avoidance is legal.

Tax Evasion

This is an illegal practise, which involves the deliberate falsification of accounts. This is recognised as a criminal offence therefore a fine or imprisonment can be expected from taking such a route.

Tax evasion is illegal.

Money Laundering & Proceeds of Crime Act

Anyone accepting large amounts of cash from someone unknown to them should be aware of the requirements of the Money Laundering & the Proceeds of Crime Act

All efforts should be used to identify new clients and the source of any large amounts of cash

Top Tips for Tax Planning

- Buy your own house – Any Capital Gain will be Tax Free
- Ensure you have a good Pension and Life Insurance Cover
- Always claim your Personal Allowance
- If your spouse works for you, pay them properly
- Ensure you take advantage of the annual Capital Gains Tax Relief
- Ensure you make a will
- Divide your assets and income with your spouse to utilise the tax rules
- Make the most of all your claims. If you use an item partly for business and partly for personal reasons you can claim the business element.
- Open a separate high interest bank account and regularly put aside money that goes towards paying off your VAT & Tax liabilities.
- If you're getting older then transfer your home into a family members name and give any large sums of money or assets away as 'gifts' to avoid inheritance tax.

Module 13: Useful Resources

Telephone Numbers

Companies House	0870 333 3636
VAT – National Advice Service	0845 010 9000
HMRC – General Enquiries	0300 200 3310
Business Link	0845 600 9006
Self Assessment Help line	0300 200 3519
National Insurance	0300 200 3500
Income Tax	0300 200 3300
Newly self employed help line	0845 915 4515
Employers help line	0845 714 3143
Andrew James Crawford	01636 526 929

Websites

www.inlandrevenue.gov.uk

www.companieshouse.gov.uk

www.businesslink.org

www.andrewjamesconsulting.com

www.zlogg.co.uk

Changes to your personal details

<https://www.gov.uk/tell-hmrc-change-of-details>

Zlogg – Cloud Accounting Software

www.zlogg.co.uk

Online bookkeeping software using cloud technology meaning you can use it anywhere there is an internet connection and on any device.

FREE E-BOOK - Protect Your Brand

Grab yours from: www.andrewjamescrawford.com

HMRC address

HMRC
Self Assessment
HM Revenue and Customs
BX9 1AS

Downloadable Spreadsheets & More

<http://www.fitnessindustryaccountants.com/ard/documents.asp?AID=1987&SID=11&FID=37617>

Online Calculators

<http://www.fitnessindustryaccountants.com/ard/documents.asp?AID=1987&SID=11&FID=37233>

Bonus Module: What to do if you're ever investigated by the HMRC

The HMRC are now taking a tough stance on tax errors that are 'small'.

They will make a list of items they will wish to see. This will encompass EVERYTHING.

THEIR job is to 'disallow' as much as possible...YOUR job is to 'allow' as much as possible.

What to do

- Always be courteous
- Acknowledge any letters in writing. Ensure that you 'register post' it or have it 'signed for'. (There are many instances where online someone on behalf of the HMRC has signed for something and they said they haven't received it...!!!)
Aside: I was once told..."Just because you sent it by special delivery and it has been signed and received doesn't mean the accounts were in there...!!!"
- Answer all their questions, even if they are 'outside the scope' of investigation.
- Provide them with all the documentation they request. Any penalties could be reduced if they think you are being cooperative.
- Do not answer questions which will open you up for further questioning. Keep strictly to the facts. They will ask the same questions a few times from different angles.
- Make them a pot of tea.....but keep vigil...you're GUILTY until they say your innocent...!!!

Remember these things

1. You can argue your case but if the HMRC doesn't want to accept it and you feel you have a good case you can threaten to take it to a tax tribunal. This will test how strong the HMRC case is.

2. Provided your expenses were primarily wholly & exclusively for the purpose of your business, it doesn't matter if you derived some personal benefit from it.
3. If you made a research and development trip abroad, make sure you can demonstrate how it helped your business and that it wasn't just a jolly ole 'knees up' with the boyz....& galz...!!
4. Eg. Say you went to Lanzarote to visit a client in the summer, for a bona fide business purpose. You might as well enjoy yourself in your spare time! As this was just a fortuitous and pleasant side effect from the main business purpose and reason that you went there for.
5. When you are 'entertaining' a business colleague out for a slap up meal, ensure you have an agenda, time, date, business discussed, finance, business development, who you were with etc. This info should accompany the receipt to ensure no further investigation necessary.
6. Keep your records neat and tidy....when these are presented to the HMRC this will reflect the amount of digging they will or will not do. Good record keeping = less digging and demonstrates that you are not hiding stuff.
7. Don't try and claim for 100% of everything! Eg 100% of your mobile phone bill. Or 52 weeks of travel expenses...!! It is better, in my experience to claim 90% - 95% allowing for that odd personal call or 46 – 48 weeks of travel expenses allowing for holidays.
8. As I've said before...the tax law is a grey area...keep backups of all paperwork...and argue your case if you feel you are right.

In brief ...the areas which have a high inspection rate are:

- Travel
- Meals
- Entertainment
- Business Mileage
- Home as Office
- Phone calls

Just make sure you have adequate backup for whatever you claim in these areas.