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YOUR
QUESTIONS
ANSWERED

TAX RETURNS 101

TaxScouts

HOW DO YOU REGISTER AS SELF-EMPLOYED?

First of all, you need to get a Unique Taxpayer Reference (UTR) number. Your UTR number is something that HMRC uses to identify you as a taxpayer and they send it to you when you register for Self Assessment (basically, when you declare to HMRC that you're earning untaxed income).

You should do this as soon as possible. The deadline to register is 5th Oct the tax year after you start your business.

Here are some of the scenarios when you might need to file a tax return:

- Self-employed
- Investor (shares, crypto, property etc.)
- You earn over £100k
- Construction worker
- Landlord
- You're employed but have a side hustle, which earns you more than £1,000 in income in any year

Once you're sent your UTR number, it will never change. So if you lose it – and don't worry, it happens to the best of us – you'll be re-sent the same number.

OK – HOW DO I GET MY UTR NUMBER?

Here's what you'll have to do – and be aware that once you get your UTR number sent, there's more. It needs to be activated as well so don't forget to follow all five of these steps:

1. Register for HMRC's online service – make sure you have these bits to hand
 - National Insurance number
 - Home address
 - The date you launched your self-employed business
 - Business address and phone number
2. HMRC send your UTR number in the post (usually takes ~ 1 week)
3. Enroll for Self Assessment
4. HMRC will send your UTR activation code in the post (also usually takes ~ 1 week)
5. Activate your account to access Self Assessment
 - You have 28 days to use it before it expires

WHAT INFO DO YOU NEED TO HAVE TO SUBMIT YOUR TAXES?

You need a record of your income and expenses.

You don't need to show documents when you file your tax return, but HMRC will ask for them if they ever audit you.

You must keep records for 6 years.

WHEN YOU SUBMIT TAX INFO AS SELF- EMPLOYED, DO YOU PAY NI AND TAX AT THE SAME TIME?

Yes.

The self-employed taxes are the same as the ones regular employees have to pay: Income Tax and National Insurance contributions.

You're just paying them differently. Instead of the employer doing it for you, you have to calculate them, file a Self Assessment tax return, and pay the taxes yourself.

WHAT CAN I EXPENSE?

What you can claim will depend on your situation, sources of income, and the tax-free allowances which you're already claiming.

The two most common sources of income where it makes sense to claim expenses are for self-employment and rental income, but it is possible to claim certain expenses from other sources of income too.

However, in some cases you might want to claim some flat allowances instead:

- You can claim a flat £1,000 instead of self-employment or property expenses (if you're a landlord)
- You can claim the Rent a Room Scheme (£7,500) instead of property expenses (if you're a live-in landlord)
- You can claim flat rate expenses the Mileage Allowance if you drive a lot (instead of petrol receipts) or the Home Office Allowance if you work from home (instead of calculating the percentage of your home that you use for work)

In all of these examples, you don't need to worry about expense receipts.

ARE MUSICAL INSTRUMENTS TAX DEDUCTIBLE?

What qualifies for a tax deduction varies from job to job. For example, as a musician, purchasing a new guitar would be accepted by HMRC as necessary expenditure, but this wouldn't be the case if you're a builder trying to do so.

So are musical instruments tax deductible?

In short, yes, as long as you can demonstrate to HMRC that the expenditure was incurred as a direct result of your work as a musician or performer.

More information [here](#).

WHAT CAN I EXPENSE AS A FREELANCE GRAPHIC DESIGNER?

As a freelance graphic designer and a sole trader in general, you're able to reduce your overall tax bill by deducting your business expenses.

These can be anything that you bought purely for your work as a freelance graphic designer. The most important thing to remember is that you must keep a record of everything you spend as evidence for HMRC.

Here's a list of things that you can expense for your graphic design work:

- Design software subscriptions
- Studio rental
- Camera equipment
- Equipment insurance
- Your computer/laptop
- Printer
- Website
- Travel expenses
- Training costs
- Accounting costs

HOW DO I DECLARE MY SEISS GRANT?

If you received a grant in the 1st, 2nd or 3rd rounds of SEISS, the amount must be declared in the 2020/21 return.

Rounds 4 and 5 will be dealt with in the 2021/22 return.

You are asked in the return to reconfirm that you claimed correctly.

If you need a hand with any of this, get in touch with TaxScouts!

HOW DO YOU ESTIMATE YOUR SELF-EMPLOYED TAX BILL?

The amount of tax you pay will depend on how much you earn. Usually, you will need to pay two types of tax - Income Tax and National Insurance.

Income Tax:

- Between £0 and £12,570, you pay 0% tax
- Between £12,571 and £50,270, you pay 20% tax
- Between £50,271 and £150,000, you pay 40% tax
- Above £150,001, you pay 45% tax

As a self-employed professional, you will also need to pay Class 2 or Class 4 National Insurance:

- Class 2: if you earn over £6,515 a year, you'll pay a flat £159 per year;
- Class 4: if you earn over £9,568 a year, you'll pay 9% in National Insurance (or 2% if you earn over £50,270)

Most people put aside 30% of their earnings to pay for tax in their first year and 25% thereafter.

Increase these amounts by 5% if you are making more than £50k profit, and even more if you are making more than £100k profit.

CAN YOU CLAIM BACK VAT FROM EXPENSES IF YOU'RE SELF-EMPLOYED?

You can usually reclaim the VAT paid on goods and services bought for use in your business.

If a purchase is also for personal or private use, you can only reclaim the business proportion of the VAT.

If you're VAT-registered and make VAT returns, you don't use the same Self Assessment Income Tax process. It involves additional registration and admin

You are obliged to do this if you are turning over more than £85k per year - if less, you can register voluntarily but you don't have to (whether it's a good idea or not depends on your business).

HOW CAN TAXSCOUTS HELP ME?

TaxScouts is an online UK provider of personal tax services:

- Personal tax return, where an accredited UK accountant completes and files your tax return for you. All online and for a one-off flat fee of £119, all in.
- Personal tax advice service, which includes a 1:1 phone or video call with one of our accredited UK accountants. Expert, personalised and confidential service for £99, all in.

Get 10% off on your first service by [using this link](#)

OTHER TOOLS

TaxScouts has loads of Tax Calculators here, including:

- UK Income Tax
- Salary After Tax
- Pension Tax Relief
- National Insurance
- Employed and self-employed tax and others

