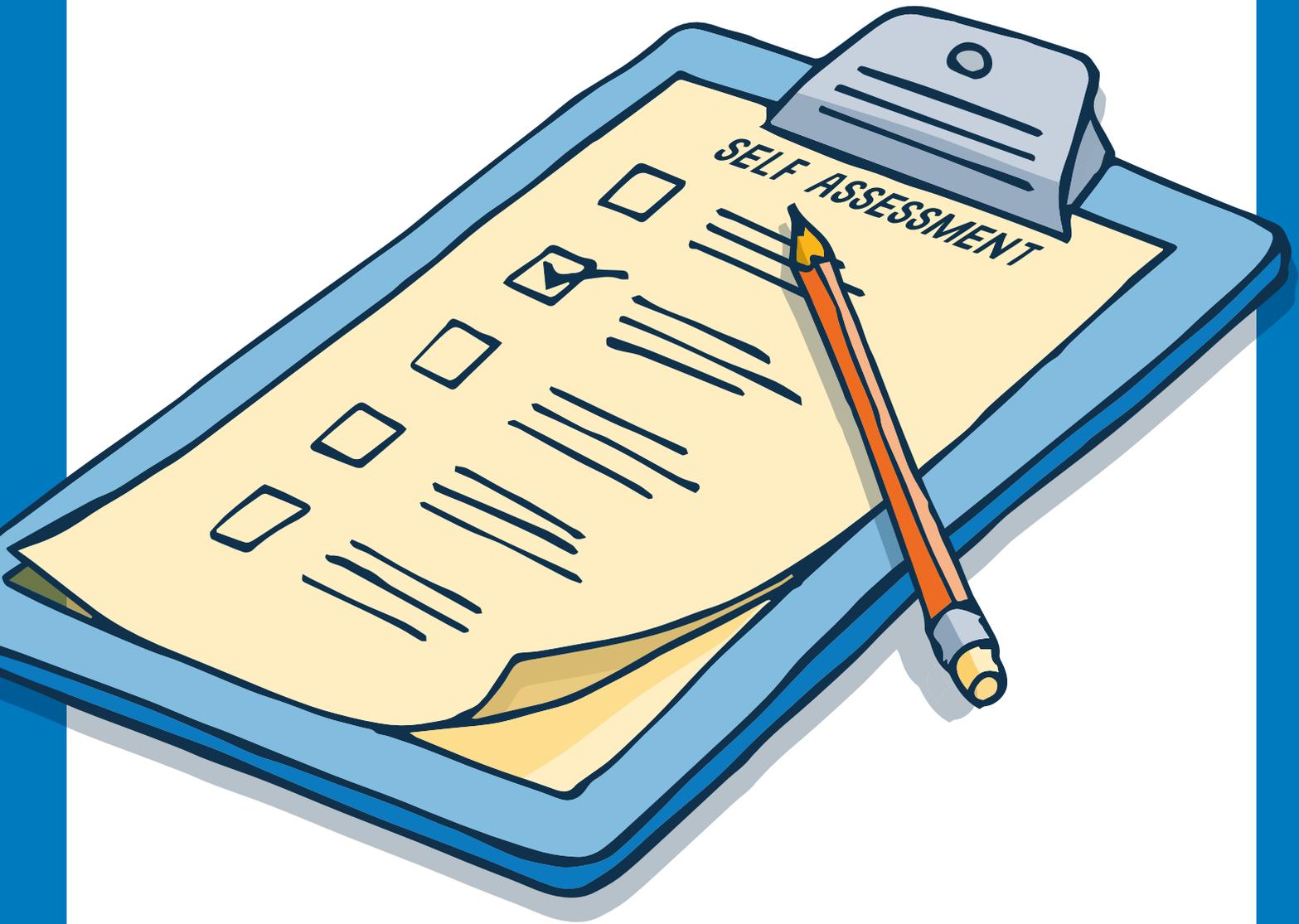


The Self Assessment Checklist

for sole traders and partnerships



November 2015

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freeagent

Your steps to a stress-free Self Assessment journey

This guide is designed for anyone who is either doing business as a sole trader or is part of a partnership or Limited Liability Partnership (LLP), and isn't preparing their accounts using the cash basis.

Not sure that you've got everything covered in your Self Assessment tax return?

FreeAgent's Chief Accountant, Emily Coltman, has developed a series of checklists that guide you through the key topics for Self Assessment to help you stay on top of things.



About the author

Emily Coltman FCA is FreeAgent's Chief Accountant and she is passionate about translating accounting-speak into plain English!

A graduate of the University of Cambridge, Emily has been working with small businesses since the year 2000 and is dedicated to helping their owners lose their fear of "the numbers" and the taxman. She is the author of three e-books: "Refreshingly Simple Finance for Small Business", "Micro Multinationals", and "Very Awkward Tax."

Created by **FreeAgent**

This guide was created by FreeAgent, who provide an online accounting system designed especially for small businesses and freelancers. With FreeAgent you can manage expenses and track time, send professionally designed invoices, automatically chase payment, forecast tax commitments, and track your profit and cash flow. To try it out free for 30 days, visit freeagent.com.

1. Getting started and getting registered

Self Assessment is the HMRC's method of collecting tax mainly from self-employed people in the UK. Every year, self-employed people file a return outlining their profit from the previous tax year, and pay any tax that they owe.

Here are the key dates for Self Assessment for this tax return:

Self Assessment tax year this is the period that you are filing the tax return for	6 th April 2014 - 5 th April 2015
Paper filing deadline	31 st October 2015
Online filing deadline	31 st January 2016

Do I need to file a Self Assessment tax return?

Are you a:

sole trader partner in a partnership partner in an LLP

Were you trading at any point between 6th April 2014 - 5th April 2015?

Yes No

If you've ticked any of the business type boxes and "yes" for question two, you need to file a Self Assessment tax return by 31st January 2016. If you don't file before the deadline, you'll be fined £100 by HMRC.

Handy facts

1. The deadline for filing online is 31st January 2016.
2. It takes 7 business days for your online tax return registration to arrive, so do it now!

Am I really trading as a business according to HMRC?

If you're just selling some products on eBay or Etsy and aren't sure if you're really operating a business, read this guide¹ to find out if HMRC would consider you to be legally "trading." If you don't fit the criteria for officially trading, you don't need to register as a sole trader or file a tax return.

Which version of the self employment section of my tax return should I fill out?

If you have an annualised turnover of less than £81,000, you may be able to use the short version of the Self Employment section of your tax return. There are a few other factors that may mean that you need to fill in the full version - for details, see HMRC's guidance.²

How many tax returns will I need to file?

If you're a sole trader, you're in luck - you just need to file your own tax return. If you're in partnership, then each partner must file a tax return of their own. In addition, one partner (who is designated by HMRC as "the nominated partner") must also file a tax return for the partnership itself. The partnership's tax return shows its income less its costs, leaving its profit, which is then shared between the partners as they agree - the partners don't have to take equal shares of the profit. Each partner's tax return shows their share of the profit.

Example tax return filing for partnerships and LLPs

Amy and Ian run a shop. Amy is the nominated partner.	Partnership tax return	Amy's	Ian's
Who files the tax return?	Amy	Amy	Ian
Share of profit reported	100%	50%	50%
Share of profit taxed	0%	50%	50%

Essentially, the partnership reports all of the profit earned, but the partners themselves pay the taxes.

Related Links

1. <http://bit.ly/1MrQr2G>
2. <http://hmrc.gov.uk/worksheets/sa103s-notes.pdf>

What registration do I need to do?

If you have a Government Gateway ID from previous years' tax returns, you are all set! You can skip this section of the guide. If you don't have this ID or don't know what it is, read on:

Sole traders

- For new businesses: register your new business and file your tax return at the same time.¹
- For existing businesses: register to file your tax returns online.²

Partnerships

- Nominated partner: register both yourself as nominated partner and the partnership in one process.³
- Other partner(s): register separately online.⁴

LLPs

- Each partner must register with HMRC.⁵
- If you're a partner in an LLP, when you register the LLP with Companies House, they will notify HMRC, so you don't need to register the LLP with HMRC.

What happens when I've registered to file my tax return?

Once you register to file your tax return online, HMRC will issue you with a 12-digit user ID, which is also called your "Government Gateway ID". Keep this safe. Rather than writing it on a piece of paper which might get lost, consider saving it in a password system like 1Password.

You choose the password to accompany this ID as you're registering. HMRC then sends you an "activation PIN" in the post, which takes at least 7 days to arrive. Once that arrives, you need to log in using your Government Gateway ID and password, and key in the activation PIN.

Related Links

1. <https://online.hmrc.gov.uk/registration/newbusiness/introduction>
2. <https://online.hmrc.gov.uk/registration>
3. <https://online.hmrc.gov.uk/registration/newbusiness/introduction>
4. <https://online.hmrc.gov.uk/shortforms/form/SA401>
5. <https://online.hmrc.gov.uk/shortforms/form/SA401>



Your final checklist for step 1

- You have confirmed that you need to file a tax return for the 6th April 2014 - 5th April 2015 period.
- Your business is registered with HMRC.
- You have a Government Gateway ID or have registered for one.

2. Your business income

What business income should I include in my tax return?

You should include all of your business income from 6th April 2014 to 5th April 2015.

Include:

- Any sales that you invoiced your customers for during these dates
- Any sales that you completed the work for during these dates but haven't yet invoiced for
- Any other sales to customers
- Any private sales of goods (like eBay or Gumtree) that relate to your business

Example: if you're a florist by trade and you sold a pot plant on eBay

Don't include:

- Any private sales of goods that don't relate to your business
- Any interest that you've received from the bank, even on business bank accounts

This will go on another section of your tax return, not in the Self Assessment section

Other things to consider:

Some other income types may count as part of your sales, depending on your personal circumstances. They could include:

- any grants that you've received for your business
- any royalties that you've received

Because this is individual to you, you should check with an accountant to see how to declare this income.

Handy facts

1. Add up your income from 6th April 2014 to 5th April 2015.
2. Include all of your sales - including those you haven't yet been paid for.
3. Don't include private income or bank interest.



Your final checklist for step 2

- You have added up all of your income from the 6th April 2014 to 5th April 2015 period.
- You have an easily-accessible record of each invoice or transaction.

3. Business expenses

What expenses should I claim for?

Here's a checklist of common expenses that businesses claim for:

Office & stationery costs

- Paper
- Stationery and pens
- Ink cartridges
- Postage - stamps
- Postage - recorded delivery
- Other office supplies used for business

Business travel

- Mileage (including miles travelled)
- Bus tickets
- Plane tickets
- Train tickets

Hosting & technology

- Web applications
- Broadband (the business element)
- Phone bills (the business element)

Memberships & subscriptions

- Professional associations
- Trade associations
- Federation of Small Business

Insurance

- Home insurance - the business proportion
- Business insurance
- Car insurance - only if you're not also claiming mileage (don't ask us why!)

Cost of sales

- Materials to make your goods
- Accessories to make your goods

Training costs

- Training to update existing expertise only - not to acquire new skills

Bank charges

- Business bank account charges
- Business bank account unauthorised overdraft charges
- Business bank account bounced cheque charges

Bank interest

- Business bank loan interest
- Business bank account interest paid

What expenses shouldn't I claim for?

You can only claim expenses if HMRC allows you to. Here are some common "non-allowable" expenses that you should watch out for:

Travelling expenses

You can only claim the cost of business travel, not private travel. Don't forget to claim the cost of business journeys in your own car. For more information about what you can claim for business journeys visit our handy guide.¹

Food and drink expenses

HMRC is very strict with sole traders and partners about claiming food costs. You can only claim the cost of food and drink while you're out and about on business, and then only in certain circumstances. Visit the HMRC website for more details.²

Clothing Expenses

You can only claim the expense of buying clothing if the clothing is a recognisable "uniform" such as a nurse's or fireman's uniform, or if it is "protective" clothing like a builder's site boots. You can also claim if you are an entertainer such as a musician or magician and the clothing is your "costume". Otherwise you can't claim the cost of clothing, even if you only wear it for your business.

Accountancy fees

If you use an accountant you can include the cost of them preparing your accounts, but not of preparing and filing your tax return, so you should ask your accountant for a separate bill for each different service. Otherwise, ask them to give you an itemised bill.

Related Links

1. <http://bit.ly/1MrQPOs>
2. <http://hmrc.gov.uk/manuals/bimmanual/BIM47705.htm>

What can I claim if I'm working from home?

If you work from home you can include some of your home running costs as part of your business costs. To find out more, take a look at our infographic.¹

What about big purchases? Is that a capital allowance?

If you've bought any new large items of equipment that are going to be useful to your business for more than about a year, for example a new computer, you can claim capital allowances on these items. Capital allowances go in a separate box from your normal day-to-day running costs on your tax return.

For more information about how capital allowances work, FreeAgent is here to help.²

Related Links

1. <http://bit.ly/1MrQTOm>
2. <http://bit.ly/1MrQXO3>

Do I need to keep a copy of my receipts?

You will need to keep your receipts for this tax year until 31st January 2022. HMRC is happy for you to keep soft copies, rather than hard copies. The only paperwork you have to keep original copies of is any paperwork that shows a tax deduction other than VAT, such as a bank interest certificate or dividend voucher.

If you're keeping soft copies and the document has writing on both sides (e.g. a bill with terms and conditions on the back), then you must scan both sides of the document.

If you only receive an email receipt then that is fine as a soft copy. Just make sure you save that receipt!

More help about expenses

- Check out the expenses category on our website.¹
- Visit the HMRC website for guidance:
 - for the full Self Employment section of your tax return.²
 - for the short Self Employment section of your tax return.³
- Talk to an accountant.

Related Links

1. <http://bit.ly/1MrR2Ba>
2. <http://hmrc.gov.uk/worksheets/sa103f-notes.pdf>
3. <http://hmrc.gov.uk/worksheets/sa103s-notes.pdf>



Your final checklist for step 3

- You have added up your “allowable” expenses for the tax year.
- You have reviewed the “non-allowable” expenses to make sure you’re not claiming them.
- You have declared any purchases of large items that will be useful to your business for more than a year as capital purchases, and have claimed capital allowances.
- You have hard or soft copies of your receipts in a safe place that will stay safe until 31st January 2022!

4. Other income

Your Self Assessment tax return has other sections apart from the Self Employment section. These cover areas like your basic information, employment income, rental income, and so on. This section will walk you through the common types of other income that you should consider.

What other income do I need to declare?

Employment income

If you have a job where you're paid a salary, as well as running your own business, you'll need to declare your employment tax and income figures.

Forms you'll need:

- Your P60 from your employer in the year 2014 - 2015
- Your P11D from your employer in the year 2014 - 2015

You'll only receive this form from your employer if you've received any benefits, or were paid back for expenses that you incurred.

You'll use the information from these two forms in the optional Employment section of your tax return. Use the starred fields on your P60 to fill in your tax return. For your P11D, the box numbers you should use on your tax return are shown in brown or blue. You'll also need to have a note of any expenses you actually incurred when doing your job, but which you weren't paid back for; the P11D only shows expenses that your employer paid you back for.

Bank interest and taxes

To fill in the bank interest boxes in the main section of the tax return, you need to collect all your bank interest certificates. At the end of the tax year your bank will usually send you a certificate showing how much interest you've received on each of your accounts and how much tax you've paid on that interest.

Handy facts

1. If you're employed, you need to put the salary and tax figures from your P60 in your tax return.
2. Bank interest goes in the main section of your tax return, not in the Self Employment section even if the interest is on a business bank account.
3. You should include any dividends that you have received on shares during the tax year on the main section of your tax return.

Bank interest and taxes (continued)

Collect bank interest and tax information from:

- Business bank accounts
- Any joint business accounts - take half the interest and tax for joint accounts
- Personal accounts used for business
- Personal joint accounts - take half the interest and tax for joint accounts

Don't include:

- ISAs - they are already tax-free

If you're in partnership, remember that you will also need to include your share of the interest on any partnership bank accounts.

If you have a bank account with Santander (formerly Abbey), this means you've received Spanish interest. But if your foreign interest level is below £2,000 and you have no other foreign income, you don't have to put this as foreign bank interest (if it is above £2,000, you'll need to fill in a separate "foreign income" page on your tax return). Instead, it can go in with your UK bank interest in the same box.

Add up all the interest (taking half of the interest received on any joint accounts), and all the tax (again take 50% of the tax on interest on joint accounts) and put these two figures into your tax return.

Shares, dividends, and other income

Finally, add up any other income that you have received. Here's a list of common types of other income to consider:

- Dividends on any shares owned in limited companies. Count any dividends received between 6th April 2014 and 5th April 2015. If you own any shares in foreign companies, you can put any dividends received on those shares in this section, provided that the total of those dividends amounted to £300 or less. If your foreign dividends amounted to more than £300 you must fill in a separate "foreign income" page on your tax return.
- Profit from renting out a property
- Income from a trust



Your final checklist for step 4

- If you're employed, have your employment forms P60 and P11D to hand.
- Collect bank interest certificates for all of your bank accounts.
- Add up any other income that you may have, like shares or rental profit.

5. Filing

Now that you've collected all the information to fill in your tax return, you're ready to complete and file it! Remember that if you're the nominated partner in a partnership, you'll also need to file the partnership's tax return as well as your own.

Where can I file my tax return?

There are a number of ways to file your tax return. Most sole traders can file directly to HMRC either through FreeAgent or HMRC's free portal. Here's some additional information about each of these options:



Web-based software	Web-based software (works on both mobile and desktop)
Supports all pages of the Self Assessment tax return.	Supports the Main Return, Self Employment, Employment and Tax Adjustments pages
All pages must be completed manually	FreeAgent can complete up to 90% of the Self Employment page for most sole traders

If you're the nominated partner in a partnership, you will have to buy commercial software, such as Tax Calc (<http://taxcalc.co.uk>) to prepare and file the partnership's tax return.

What other information will I need for filing?

Here's a checklist of information that you'll need to have to hand before you file:

- Your full name and address
- Your National Insurance number
- Your 10-digit Unique Tax Reference
- Your date of birth
- Your HMRC login

When you're confident that your return is complete and accurate, send it to HMRC online using the logon ID and password you registered with, and keep the email confirmation you receive so that you can prove you filed your return.

Remember the return must be successfully filed with HMRC by 31st January 2016. Don't leave filing till the last minute because HMRC's servers get very busy right at the end of January, and this isn't an acceptable excuse for late filing! HMRC will fine you £100 if you file late, even if you have no tax to pay or have paid your tax in full.



Handy facts

1. The filing deadline is 31st January 2016.
2. Don't leave filing till the last minute because HMRC's website gets very busy in the last few days of January.
3. If you file even one day late you will be fined £100!

How do I pay my tax?

Avoid interest and penalties by paying your tax and National Insurance by 31st January 2016. If your tax and NI bill is over £1,000, you may also have to make a payment on account on 31st July 2016. More details about payments on account are available on the FreeAgent blog.¹

Your tax return software or HMRC's online portal will tell you how much you have to pay. If you need to pay, you won't do it when you file the return, you'll pay separately by bank transfer or another means. HMRC's payment and bank account information is available online.² When you pay, make sure to use your 10-digit Unique Tax Reference number in the reference field.

Related Links

1. <http://bit.ly/1MrR63X>
2. <http://www.hmrc.gov.uk/payinghmrc/selfassessment.htm>



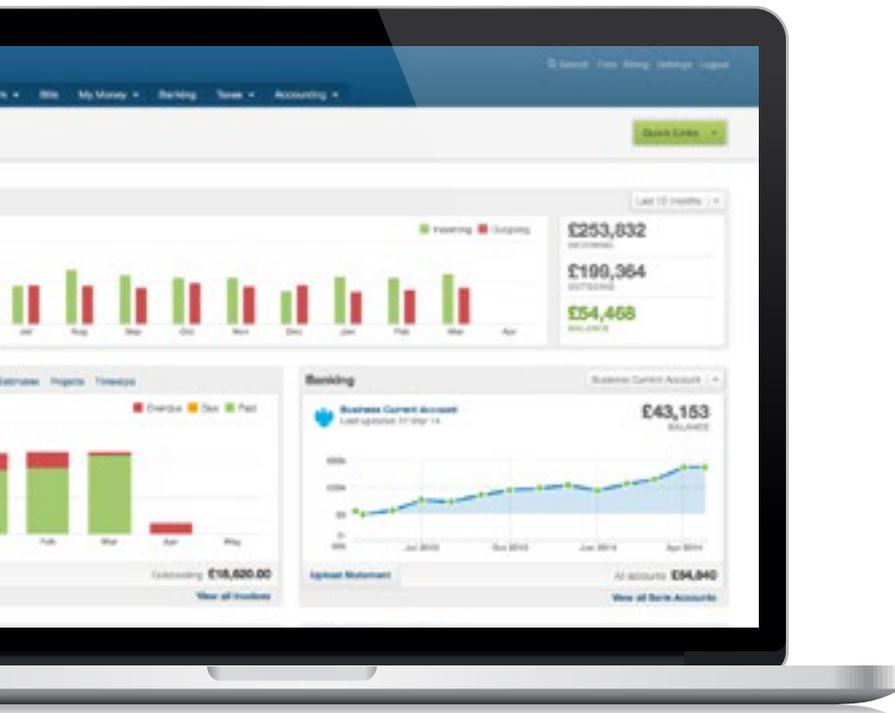
Your final checklist for step 5

- Choose how you'll file your tax return - via a commercial package (such as FreeAgent) or HMRC's own website.
- Have everything in your "other information" checklist ready.
- Be ready to pay your tax and National Insurance to HMRC.
- File!
- Give yourself a pat on the back!



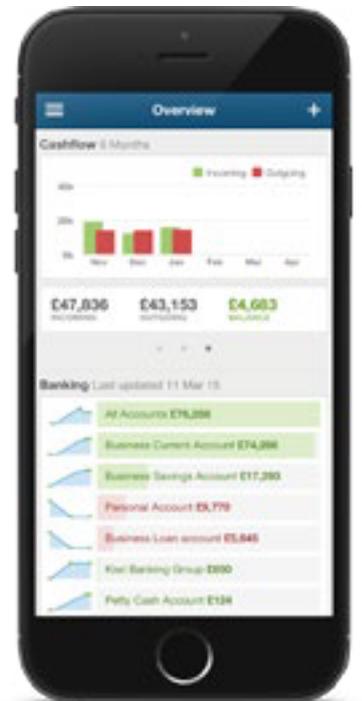
Self Assessment, sorted

- Detailed tax breakdown shows exactly how your tax liability is calculated.
- Tax timeline shows dates for Self Assessment payments and how much is due.
- Supports the Main Return, Self Employment, Employment and Tax Adjustments pages.
- Automatically completes up to 90% of your Self Employment form for sole traders.
- Built-in support helps you understand and complete the form.
- Most Sole Traders can file their return directly to HMRC.



What else can you do with FreeAgent?

- Send professionally designed invoices and estimates. You can even set invoices to chase payment themselves!
- Automatically import transactions from your bank account. To save even more time, FreeAgent automatically recognises and reconciles similar transactions.
- Manage your expenses wherever you are. Track costs and expenses easily and record out-of-pocket expenses, even on the go.
- Create monthly payslips for employees. Submit RTI directly to HMRC when you run your payroll.



Sort out your finances at freeagent.com

