

**CAN DO CREATIVES**  
**Being Self Employed**  
**Operating as a business**

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# **CAN DO CREATIVES Being Self Employed**

## **PART 2**

- **Dealing with Tax (incl. 'self assessment')**
  - **National Insurance**
  - **Sole Trader or Company?**

*In pairs ice-breaker:*

**Are you a maker, manager, or mover?**

**Maker** - active creator, technician, **loves working**

**Manager** - organiser, negotiator, **loves systems**

**Mover** - entrepreneur, planner, **loves big ideas**

**Are you a maker, manager, or mover?**

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Which of these are you selling?

Which of these are you weak at?

Most businesses start with being a Maker - active creator

## Basics of tax:

- Income tax year 6th April to 5th April
  - Never mix up tax years
  - Rules change regularly
- The same govt doesn't change them much
  - In 2023 will be bigger changes

Register for 'Self-Assessment' at

<https://www.gov.uk/log-in-file-self-assessment-tax-return/register-if-youre-self-employed>

## **Basics of tax:**

### **PROFIT vs TURNOVER**

Your GROSS income, basically all of your invoices, grants etc in total, is your TURNOVER

**After you deduct all of your ALLOWABLE expenses, that is your PROFIT (or 'net taxable income')**

You are ONLY taxed on your PROFIT

## **Basics of tax:**

You have to fill in a TAX RETURN, or SELF ASSESSMENT

A tax return is a form (paper or online) on which you report details of your taxable income and any capital gains if appropriate, claim tax allowances and tax reliefs

If you are not self-employed, you still have to do a tax return if you earn over £1,000 gross in any tax year

It's your responsibility to inform HMRC that you have received income on which tax is payable

## **Basics of tax:**

TAX RETURN, or SELF ASSESSMENT

Full details at:

<https://www.gov.uk/self-assessment-tax-returns>

(see next session for record keeping)



## Basics of tax:

### Costs you can claim as allowable expenses

office costs, for example stationery or phone bills

travel costs, for example fuel, parking, train or bus fares

clothing expenses, for example uniforms

staff costs, for example salaries or subcontractor costs

things you buy to sell on, for example stock or raw materials

financial costs, for example insurance or bank charges

costs of your business premises, for example heating, lighting,  
business rates

advertising or marketing, for example website costs

training courses related to your business, for example refresher  
courses

## Basics of tax:

More about offsetting (not 'claiming') your expenses:

<https://www.gov.uk/expenses-if-youre-self-employed>

Contact the [Self Assessment helpline](#) if you're not sure whether a business cost is an allowable expense.

<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/self-assessment>

## Basics of tax:

### PERSONAL ALLOWANCE

- Personal allowance £12,500
- Next £37,500 up to £50,000 taxed at 20%
- Above £50,000 taxed at 40%
- (above £150k taxed at 45%)

Online, can see your Personal Tax Account - shows you your overall history accumulated.

## **MAKING A LOSS**

**Common in first year or more**

**Can carry this over to the next year.**

**Can this be good or bad?**

**What if you are already working as an employee?**

*In pairs breakouts:*

**How and when might you think of beginning life as a business, self-employed? What kind of timing would work best for you?**

## **National Insurance:**

National Insurance is a kind of tax but with benefits

It helps to build your entitlement to certain state benefits, such as the State Pension and Maternity Allowance.

You'll usually **need** at least 10 qualifying **years** on your **National Insurance** record to get any State **Pension**. You'll **need** 35 qualifying **years** to get the **full** new State **Pension**. You'll get a proportion of the new State **Pension** if you have between 10 and 35 qualifying **years**.

## **Classes of National Insurance:**

PAYE - Employed

- Class 1 - 12% of salary over £9,500 per year  
Paid by employer - see payslip

Sole Trader:

- Class 2 = £3.05 pw (max 52 weeks = about £150pa)
- Class 4 = 9% of profits over £9,500

It is simply a way of getting more money from you  
Paid by you through tax return

## **Classes of National Insurance:**

Class 3 = voluntary contributions but that is a high amount (£700+ pa), it would be better to make up any missing years as a sole trader.

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The Tax Return calculates your tax and sole trader NI.



**Budgeting for your tax and NI payments**

**Having a 3<sup>rd</sup> bank or savings account**

**Using the HMRC Ready Reckoner Tool**

**<https://www.gov.uk/self-assessment-ready-reckoner>**

## **MAKING TAX DIGITAL**

**<https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital>**

**From 2023 self-employed will have to operate software and report every 3 months**

**List of available software - gradually being expanded**

**<https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax>**

## **Sole Trader or Company - a few basics:**

- Company - at least 1 director and poss some employee/s.
- As a sole trader, you are liable fully as an individual.
  - Company - can do riskier work.
- The Company gets the income. The Company has to employ you, pays you via PAYE and your expenses with real time reporting.
  - Other way to get money out is by dividends - if company has profit, the money can be taken out and is not taxed then you have to pay your own tax.
- Company pays corporation tax at 19%. Also dividend tax.

**Company vs Charity vs CIC / CIO**

**Non-profit vs Social Enterprise**

**A company can apply for many kinds of funding**

**A simple constituted group, not-incorporated, can apply  
for a few**

**An individual or self employed person has very limited  
funding options**

## **NEXT SESSION (Final):**

- >> Record Keeping
- >> Growing your business