

Tax help series

Working for yourself - what you need to know

When you start working for yourself, it's important to get your tax and National Insurance contributions (NICs) sorted out right from the start.

In this factsheet we tell you about:

- how and when to register for Self Assessment
- your Unique Taxpayer Reference (UTR) number
- National Insurance contributions (NICs) and tax
- the Construction Industry Scheme (CIS)
- Value Added Tax (VAT)
- what you have to pay and when
- completing your tax returns
- the records you need to keep.

When to register

You need to register with us as soon as you start working for yourself. You need your National Insurance number to register. If you don't have a National Insurance number or you don't know what it is, go to www.hmrc.gov.uk/ni/intro/number.htm

How you register

To tell HMRC you have started in business, taken on an employee for the first time or if you need to register for VAT, you can use HMRC's online tax registration service, which you will find on the HMRC website at

www.hmrc.gov.uk/registerselfassessment

The service allows you to register for the following business taxes:

- Self Assessment
- PAYE
- Corporation Tax
- VAT.

Once you have enrolled to use either HMRC's Corporation Tax or Self Assessment online service you can set up a Business Tax Dashboard. You can use your dashboard to see the tax position for your business across different business taxes as it brings together information from your HMRC online services.

Your Unique Taxpayer Reference (UTR) number

After you have first registered, we will send you a letter which contains your 10 digit UTR number. Your UTR is the reference number for your record on our Self Assessment tax system. Please note that it is not proof of self-employment. You will need to use this number whenever you contact us about your tax.

National Insurance contributions (NICs)

If you are self-employed you have to pay Class 2 National Insurance contributions (NICs). This is a flat rate amount you pay by Direct Debit or by a bill issued twice each year.

Do it online

For interactive help and advice in one place specifically designed for small businesses go to, the 'My New Business' pages on Businesslink.gov.uk at businesslink.gov.uk/mynewbusiness

You'll find lots of free interactive material and videos to help guide and support you. For example, it will help you to work out the expenses that you can claim and takes you through how to file your tax return online. If you register with 'My New Business' you can tailor the material you want to see and you will be guided to the help available for your circumstances.

Class 2 NICs count towards your basic State Pension, Incapacity/Employment and Support Allowance, Bereavement Benefits and Maternity Allowance. They do **not** count for Jobseeker's Allowance. You pay Class 2 NICs until you reach State Pension age, or you stop working for yourself. You can get the current NICs rates at www.hmrc.gov.uk/rates/nic.htm

Paying your National Insurance contributions (NICs) by Direct Debit

The most convenient way to pay Class 2 NICs is by Direct Debit:

- it is easy to set up - just fill in the form and send it to us.
- you can apply to pay self-employed National Insurance contributions (NICs) by Direct Debit online at www.hmrc.gov.uk/pdfs/ca5601.pdf

Two Direct Debit choices are available:

- monthly Direct Debit payments which will be collected monthly in arrears on the second Friday of every month
- or you can pay six monthly in arrears with collections being made on the second Friday of January 2012 and July 2012.

We will send you a letter in March each year, listing the dates and amounts to be collected during the tax year.

If you cannot pay by Direct Debit, we'll send you six monthly payment requests in October 2011 and April 2012. You must pay the requests within 13 weeks.

Tax

The tax year runs from 6 April to the following 5 April. If you're self-employed, you need to fill in a Self Assessment tax return every year. You can fill it in online, or we can send you a paper form.

If you are due to pay tax, you need to pay two instalments in January and July each year, which are estimated from your last tax return. Then you pay any additional actual amount due the following January.

Key dates for doing your tax return and paying what you owe are:

- 31 October - deadline for most paper tax returns
- 31 January - deadline for online tax returns, and some paper returns where you cannot fill in the return online
- 31 January - deadline to pay what you owe for the last tax year plus the first instalment of estimate due towards this year's tax bill, if one is due. We call this your first payment on account
- 31 July - deadline for your second instalment of estimate due towards this year's tax bill, if one is due. We call this your second payment on account.

Construction Industry Scheme (CIS)

You can check to see if the sort of work that you do comes under CIS at www.hmrc.gov.uk/cis

If your work does fall under the scheme, you will need to register at www.hmrc.gov.uk/cis (but only after you have completed your registration for self-employment and obtained your UTR number).

Value Added Tax (VAT)

VAT is a tax charged on most goods and services that VAT registered businesses provide in the United Kingdom (UK). It is also charged on goods and some services that are imported from countries outside the European Union (EU), or brought into the UK from other EU countries.

Customers with particular needs

If you need extra help, please let us know. For example, if:

- English is not your first language
- you would like us to visit you at home because it is difficult for you to get to one of our offices
- you would like us to use a certain format to communicate with you, for example, Braille or Text Relay.

If you use Text Relay by

- textphone, dial **18001 + number**
- phone, dial **18002 + number**.
- you would like us to visit you at home because it is difficult for you to get to one of our offices.

Avoid a penalty

Most people avoid a penalty by filing their tax return on time. Make sure you send us your return and pay us on time. To find out what the penalties are and to check your deadlines, go to www.hmrc.gov.uk/sa/deadlines-penalties.htm

More help and advice

If you are thinking of working for yourself or have just started, we offer free workshops where you'll get practical advice on:

- record keeping
- business expenses and capital allowances
- filling in your Self Assessment tax return.

To find out more, go to

www.hmrc.gov.uk/bst or phone **0845 603 2691**

What if you are unhappy with our service

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain.

If you want to know more about making a complaint, go to

www.hmrc.gov.uk/complaints-appeals

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information, go to www.hmrc.gov.uk/charter

You must register for VAT if your turnover for the previous 12 months is over a specific amount, or threshold, although you may register voluntarily at any time. For more information on VAT, including the current VAT registration thresholds, go to businesslink.gov.uk/vat

The records you need to keep

Keeping accurate and up to date records is a legal requirement and is essential to provide you with information about how your business is performing. Good records also help when obtaining finance and preparing tax returns, so it is important to get a proper system in place from the beginning.

For more information about keeping records see factsheet TH FS1 *Keeping records for business - what you need to know*, available at www.hmrc.gov.uk/factsheet/record-keeping.pdf

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Customer Information Team
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