



Self Employed Times Tips to save Tax !

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Peter Clare an ex-Senior District Tax Inspector advises the Self Employed.



I've spent half my career targeting the taxpayer and the second half defending them, in particular the self employed .

In the excitement of running your own business , many people forget to correctly plan for their tax matters. After all, we are far too busy making a living to worry about Tax—that only comes with profit ? First tip –don't upset the Taxman.

There are many instances I can give of the Taxman penalising the self employed for being late in complying or ignoring reminders and demands. However the worst situation is if this leads to a Tax Investigation.

Once started, an Investigation will normally go back into affairs over the last 6 years and invariably any back tax could double with fines, penalties and interest being added .

It's true that the Taxman does not have enough resources to examine every Tax Return but many investigations start from a tip-off from a disgruntled customer, work colleague or even a jealous neighbour. Simply ignoring the Taxman or treating your accounts and tax payments with contempt will eventually radio-activate your name on the HMRC computer.

Finally, 10 per cent of all Tax Returns each year go into the "query" bin with a lack of answers or response , some 3 per cent will become full-scale investigations.

Email :peter@peterclare.com

How you can save hundreds of pounds in Tax – legally !

- **Keep good records.** You should meticulously record all your start-up and ongoing expenses, even the ones where you do not have a receipt ! Making a loss is good news for you if you properly account for it and carry it forward to your profitable years.
- **Timing is important..** If you are Self Employed trader you must register within the first three months or you can face a fine. Your first Tax bill is due for payment the following January IF you started your business BEFORE April 5th and the January AFTER that if started since April 5th.
- **Business Mileage:** Keep records of exact business mileage. You may find this more beneficial than claiming your motoring expenses. At the moment, you can claim 40p per mile for the first 10,000 miles and 25p per mile thereafter as an alternative to fuel and running expenses. The Taxman prefers Business Mileage especially when your vehicle has a large element of personal use. A driver is able to claim 40 pence per mile for up to 10,000 miles when he has only spent perhaps just over £2,000. **That's a case of legally being able to claim more money than you have spent.**

Newly self employed

After about six months of deliberation I've taken the plunge and started my own business. I want to make sure that I do everything properly and yet I'm worried about how I should calculate my potential tax bill and I'd rather put money aside than have the worry. What do I need to do other than register as self employed with the Taxman ? I could also do with some tips for saving money as I want to conserve my cash to invest in the business as far as possible.

- **Claim all your costs:** Many businesses simply do not claim all their costs especially those incurred in starting the business. Just as an example, you have started as an electrician. Your tools that you have purchased are essential for your business and need to be introduced as an asset at market value even if you do not have all the receipts.
 - **Computer Costs.** It is more than likely that your new business will require some computer use. Make sure you claim the total purchase cost less a percentage for private family use, if applicable., A computer is treated as business equipment and as such first year capital allowances mean that 50% of the cost to the business can be offset against profits in the first year.
 - **Own Use :** It is inevitable that some business related expenses will have an element of private as well as business use. Examples of this are telephones, broadband costs and motoring expenses. Allow a reasonable percentage for private use. However, if you have a personally funded car as well as a van, it is easy to demonstrate that there is no private use .
 - **Use of Home .** If you have a spare room at home, by using it exclusively as an office, you may be able to claim a pro-rata of household bills such as mortgage interest, house insurance, rates as well as heat and light bills. Seek further advice whether this suits your circumstances.
 - **Cash items :** You CAN claim for legitimate incidental un-receipted expenses such as parking and toll fees and other out of pocket expenses..
 - A good and easy to use book-keeping package such as our FREE EASYTAX system. This will be worth its weight in gold as it will remind you to claim everything that you are allowed. No special accounting, spreadsheet or computer knowledge is needed. If you can't use it, the chances are someone close to you can! Whilst an accountant will transcribe your receipts, no-one knows or cares about your livelihood as much as you.
- To summarise, the name is **Self Assessment**. You will find it much easier to sleep at nights when you can defend your interests from a position of knowledge of what you can, and cannot, claim. The EasyTax package gives the comfort of a professional accountant checking and preparing your tax return for a wholly affordable price.
- I would like to wish you every success in your business. By following these tips you should be well on the path to maximising your profits.

Is free to download at www.easytaxuk.com

EasyTax

You can then buy a licence for **£49.99** to complete your own accounts and tax returns.

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