

If the income collected or compiled corresponds to a time period earlier than the reference period, basic adjustments must be applied to update the data to the income reference period.

The self-employment income is broken down into:

- Gross cash profits or losses from self-employment (including royalties) (PY050G).
- Value of goods produced for own consumption (HY170G).

Gross cash benefits or losses from self-employment (including royalties) (PY050G)

It includes:

- Net operating profit or loss accruing to working owners of, or partners in, an unincorporated enterprise, less interest on business loans.
- Royalties earned on writing, inventions and so on, not included in the profit/loss of unincorporated enterprises.
- Rentals from business buildings, vehicles, equipment, etc., not included in the profit/loss of unincorporated enterprises, after deduction of related costs such as interest on associated loans, repairs and maintenance and insurance charges.

It does not include:

- Directors' fees earned by owners of incorporated enterprises (which are included under 'gross cash or near cash employee income' (PY010G)).
- dividends paid by incorporated enterprises (which are included under 'Interest, dividends, profits from Capital investment in an unincorporated business' (HY090G)).
- profits from capital invested in an unincorporated enterprise in which the person does not work ('sleeping partners') (these profits are included under 'Interest, dividends, profits from capital investment in an unincorporated business' (HY090G)).
- Rent from land and receipts from boarders or lodgers (which are included under 'Income from rental of a property or land' (HY040G)).
- Rentals from dwellings not included in the profit/loss of unincorporated enterprises (which are included under 'Income from rental of a property or land' (HY040G)).

Income from self-employment must be calculated as:

- Market output (gross revenue to turnover, including the value of goods produced by the enterprise but consumed by the self-employed person or his/her household).
- Plus, market value of goods and services bought for the unincorporated enterprise but consumed by the entrepreneur and his/her household members.
- Plus, property income received in connection with financial and other assets belonging to the enterprise,
- Minus intermediate consumption (raw material costs, costs of sales, distribution costs, maintenance costs, administrative expenses, etc.).
- Minus compensation of employees (wages, salaries and social security contributions for employees)
- Minus taxes on production and import taxes.
- Minus interest paid on business loans.
- Minus rents paid on land and other non-produced tangible assets rented by the enterprise,
- Minus consumption of fixed capital.
- Plus, subsidies.

In practice if the self-employed person or business prepares annual accounts for tax purposes, the gross income benefits/losses must be calculated as net operating benefits (profits) /losses shown on this tax account for the most recent 12-month period, before deduction of taxes on income and compulsory social insurance contributions.

In the absence of annual accounts, either for tax purposes or as a business account, the alternative approach to measure self-employment income must be to collect the amount of money (and goods) drawn out of the business for personal use (for consumption or saving, including the market, value of goods produced or purchased by the business but taken for personal use).

Net cash benefits or losses from self-employment (including royalties) (PY050N)

The net income component corresponds to the gross income components but the tax at source, the social insurance contributions or both (if applicable) are deducted.

Comments

Royalties: Royalties are regarded as income from self-employment because they are a return to the royalty-holder for effort expended.

Difficulties in detecting the self-employed: Who are the self-employed? The guidelines for interpretation for