



Help is on Hand!

**Commencement of
Trade for
Independent Sales
Advisors and
Contractors**

Introduction

Many people who start as ISAs (Independent Sales Advisors) haven't been in business before. The tax rules and National Insurance regulations can appear quite frightening.

The following is a summary of what you need to do in order to comply with the various regulations required when you become self-employed.

Registering as Self Employed

When you become self-employed for the first time, you have to notify HM Revenue & Customs that you have done so. There is a link included in this pack at the end.

The form asks for the following details:

- Name
- Address (this should be your home address)
- Date of birth
- National Insurance Number
- Date of starting to trade
- Type of business (sales and marketing)

You should register from your home address and complete the form before 5 October following the end of the tax year in which you start to trade. If you do not do so, you may be liable to a fine of £100.

Self Employed Taxation

Once you have registered as self-employed, please be aware you will have an obligation to submit annual self-assessment tax returns. When you become self-employed, you will start to pay tax through the self-assessment tax system. Sometime after you have told HM Revenue & Customs that you are self-employed, they will send you a tax return to complete. It may be wise to seek the services of an accountant to assist you in preparing your tax return.

Payment of tax – personal tax and any National Insurance is due by the 31st January following the end of the tax year. If the liability is over £1,000 then HMRC will request payments on account to be made, which is the tax liability in two instalments – (1) on the 31st Jan (2) on the 31st July. You won't pay tax on the first £12,570 of your income.

Self Employed National Insurance

Self-employed people are required to pay 2 types of National Insurance. The first type of National Insurance is called Class 2. The current rate of Class 2 National Insurance is £3.05 per week and HM Revenue & Customs will start to charge for this from the date that you become self-employed. If your profits are below £6,475 per annum, you will not need to pay any Class 2 NI.

The second type of National Insurance is called Class 4.

Class 4 National Insurance is charged at a rate of 9% on profits between £9,501 and £50,000 and an additional 2% on profits over £50,000.

Books and Records

As a self-employed person, you are legally required to keep proper books and records. This means you need to keep all receipts when you make a purchase and keep a record of your income. Here is some guidance on how this can be done.

Guidance For Using The Add Up Accounting Book

Payments

- 1) Create an Add Up Book on excel and use 1 tab per month labeled Month 1 to Month 12 on tabs at the bottom of your screen. You need to rename Month 1 as the first month you began trading i.e. April 2022, and so on.
- 2) The top part of the spreadsheet is named 'Payments' (These are things you have purchased to help with your business). In here you should record all your purchases, noting the Date, Supplier, Total spent and then decide the type of purchase by placing it under the relevant column representing what the purchase was for. Please see below EXAMPLE spreadsheet detailing this for month July. You can use a software programme called "Expensify" to collate your receipts and collate your mileage tracker, which will summarise your expenses to save you time.

Date	Supplier / Details	Total	Purchases	Motor Expenses	Adverts / Promotions	Printing / Postage & Stationery	Travel Expenses	Phone – Business Use %	Business Bank Account Charges	Meeting Expenses	Client Training Course	Misc Expenses
03-Jul	Hilton Hotel	£ 25.00									£ 25.00	
03-Jul	Train Fare	£ 68.00					£ 68.00					
03-Jul	Tablet Hire Charge	£ 5.00										£ 5.00
05-Jul	Post Office - Stamps	£ 3.84				£ 3.84						
07-Jul	Business Mileage	£ 11.61		£ 11.61								
10-Jul	Tablet Hire Charge	£ 5.00										£ 5.00
14-Jul	Products & Carriage	£ 109.95	£ 104.00			£ 5.95						
14-Jul	Literature	£ 18.00			£ 18.00							
16-Jul	Train Fare	£ 50.00					£ 50.00					
17-Jul	Tablet Hire Charge	£ 5.00										£ 5.00
18-Jul	Internet Connection / Dongle	£ 34.50						£ 34.50				
20-Jul	Signage for Event	£ 40.00										£ 40.00
24-Jul	Coffee, Tea and Biscuits	£ 7.20								£ 7.20		
24-Jul	Mobile Phone Charges	£ 22.50						£ 22.50				
24-Jul	Tablet Hire Charge	£ 5.00										£ 5.00
27-Jul	Branded Materials	£ 25.00			£ 25.00							
27-Jul	Envelopes	£ 2.85				£ 2.85						
28-Jul	Business Bank Account Charges	£ 12.00							£ 12.00			
29-Jul	Cost of Event for Sales	£ 20.00			£ 20.00							
31-Jul	Tablet Hire Charge	£ 5.00										£ 5.00
		£ 475.45	£ 104.00	£ 11.61	£ 63.00	£ 12.64	£ 118.00	£ 57.00	£ 12.00	£ 7.20	£ 25.00	£ 65.00

Receipts

- 1) The next section is titled 'Receipts' and here you should record all Sales (your invoices), detailing Date, Customer Name (who you are invoicing), Total and analyse it into different types of sales. You also record your commission receipts in here.

Date	Customer	Total	Income
03-Jul	A B C Marketing Limited	£ 450.00	£ 450.00
03-Jul	Jerry's Bar - DJ	£ 150.00	£ 150.00
05-Jul	Joneses Bar - Bar Work	£ 85.00	£ 85.00
07-Jul	Smith Restaurant - Waitering	£ 50.00	£ 50.00
14-Jul	Ebay Income	£ 120.00	£ 120.00
10-Jul	A B C Marketing Limited	£ 900.00	£ 900.00
17-Jul	Jerry's Bar - DJ	£ 100.00	£ 100.00
17-Jul	A B C Marketing Limited	£ 570.00	£ 570.00
20-Jul	Joneses Bar - Bar Work	£ 75.00	£ 75.00
24-Jul	A B C Marketing Limited	£ 890.00	£ 890.00
30-Jul	Ebay Income	£ 20.00	£ 20.00
31-Jul	A B C Marketing Limited	£ 620.00	£ 620.00
Total		£ 4,030.00	£ 4,030.00

Mileage

- 1) In this section, you will need to record mileage for business trips/meetings etc. This information will be used to calculate your mileage for tax allowable motor expenses.

BUSINESS MILEAGE RECORD				
COMPANY NAME:		Your details here		
NAME OF CLAIMANT:		Your details here		
VEHICLE REGISTRATION NO.:				
MAKE & MODEL OF VEHICLE:				
DATE	FROM	TO	REASON FOR JOURNEY	MILEAGE
07th July 2021	EC1V	Croydon	Attendance at event - Croydon Whitgift	12.9
08th July 2021	EC1V	Croydon	Attendance at event - Croydon Whitgift	12.9
*** Please note the new rates of 45p for the first 10 000 business miles and 25p per mile thereafter apply			TOTAL MILEAGE	25.8
			45 p PER MILE	
			TOTAL CLAIM	£11.61
Previous cumulative mileage b/f				
Add total mileage for period			25.8	
New cumulative mileage total			25.8	
DATE OF CLAIM				
SIGNATURE.....				

REGISTERING AS SELF EMPLOYED

When you commence trade as a self-employed person, you must register for Self-Assessment, and complete your annual tax return. You can use the figures you have collated (described above) to use as your income, and the record of items you have bought as your purchases.

You can register as self-employed from your home address via this link below. You will need to firstly set up an account with HMRC (if you haven't already), you will then receive a letter from HMRC with your Unique Taxpayer Reference (UTR) number within 10 days. You will need your UTR no. to file a tax return. You will then receive another letter with an activation code for your account.

If you have been self-employed in the past, you can use a CFW1 form to re-activate your UTR No..

Filing deadline – 31st January after the end of the tax year. There is a £100 fine if the return is not filed by this date.

It's very important that you keep all receipts safe that are related to your business, it will save you money in the long term!

<https://www.gov.uk/register-for-self-assessment/self-employed>

Working for yourself

Useful tools and resources

Invoicing – Accounting



Xero



FreeAgent



Expensify

<https://apps.apple.com/us/app/xero-accounting/id441880705>

<https://apps.apple.com/gb/app/freeagent-mobile-accounting/id975591071>

<https://apps.apple.com/us/app/expensify-receipts-expenses/id471713959>

Self-Assessment



Untied



QuickBooks



Coconut

<https://apps.apple.com/gb/app/untied-personal-tax-app/id1458630284>

<https://apps.apple.com/us/app/quickbooks-self-employed/id898076976>

<https://apps.apple.com/gb/app/coconut-tax-for-self-employed/id1318768066>

Resources



UK Gov
Working for yourself



Listen to Taxman Self
Employed



Simply Business
Tips

www.gov.uk/working-for-yourself

<https://listentotaxman.com/uk-tax/topic/self-employed>

<https://www.simplybusiness.co.uk/knowledge/articles/2022/02/going-self-employed/>