HM Revenue & Customs

Self-employment (short) notes

Tax year 6 April 2012 to 5 April 2013

Contacts

To download the form and related helpsheets go to: **hmrc.gov.uk/sa103s**

For further information about Self Assessment go to: **hmrc.gov.uk/sa** or **hmrc.gov.uk/sacontactus**

Who should use the Self-employment (short) pages?

The *Self-employment (short)* pages are designed for more straightforward businesses where turnover (the total takings, fees, sales or money earned by your business) is less than £77,000 a year (or would be if you were trading for a full year).

You must not use the *short* pages if:

- your annual turnover was £77,000 or more
- you have changed your accounting date
- your 'basis period' – the self-employed period for which you are taxable – is not the same as your accounting period. This may happen in the early years of trading, if you change your accounting date and possibly when you cease to trade. Helpsheet 222 *How to calculate your taxable profits* explains basis periods.
- your business ceased during the year to 5 April 2013 and the period for which you made up your accounts (your accounting period) for 2011–12 did not end on 5 April 2012 and you are entitled to overlap relief. Helpsheet 222 explains overlap relief
- the results of your accounts, made up to a date in the year to 5 April 2013, have been declared on a previous tax return
- you provide your services under contracts for professional or other services and have made an entry for adjustment income in earlier returns
- you are a practising barrister (advocate in Scotland)
- your business is carried on abroad
- you want to claim capital allowances for items apart from equipment and machinery
- you want to claim 'overlap relief'
- you are a farmer, market gardener or a creator of literary or artistic works and you want to claim averaging
- you want to make an adjustment to your profits chargeable to Class 4 NICs (for example, if your profits include earnings as an employee)
- you were within the Managing Deliberate Defaulters (MDD) programme for any part of the year.

Instead, you must complete the *Self-employment (full)* pages. For a copy go to **hmrc.gov.uk/forms/sa103f.pdf** and for the *Self-employment (full) notes* go to **hmrc.gov.uk/worksheets/sa103f-notes.pdf** or you can get these from the Self Assessment Orderline.

Completing the Self-employment (short) pages

You do not have to draw up formal accounts each year but you must keep sufficient records to support the information you enter on these pages, so we get a full and fair picture of your business. You must keep your records until at least 31 January 2019, in case we ask to see them.

If you do not have accounts, Helpsheet 222 *How to calculate your taxable profits* will tell you how to work out your taxable profit and explains how that profit is taxed. If you do have accounts, Helpsheet 229 *Information from your accounts* gives practical help on filling in the *Self-employment* pages.

We expect you to provide final figures of your income and expenses. If you include any estimated or provisional figures, please identify them in box 19 'Any other information' on page TR 7 of your tax return and say why they are estimated or provisional and how you arrived at the figures. If you have included provisional figures, you must also say when you expect to provide final figures. In the unlikely event that it is impossible to provide any final figures by your filing deadline, you should also complete box 1, box 5 if appropriate, and provide estimates in boxes 8, 20 or 21, 27 and 30 or 31. Say why you are not able to, and the date by which you will provide the final figures, in box 19 'Any other information' on page TR 7.

If you have more than one business you need to complete a set of *Self-employment* pages for each business even if you have one set of accounts covering all your businesses. See Helpsheet 220 *More than one business*.

If you were a construction worker and the person for whom you worked has told you that you were not self-employed for a particular contract, and they have deducted tax from the payments made to you under Pay As You Earn, please contact us.

Business details

Box 4 *If you are a foster carer or shared lives carer*

If you are a foster carer or shared lives carer, how you fill in the *Self-employment (short)* pages will depend on the method of return completion you choose. Helpsheet 236 *Qualifying care relief: Foster carers, adult placement carers, kinship carers, staying put carers and parent and child arrangements* explains this. You can find more information on our website. Go to **hmrc.gov.uk**

Box 5 *If your business started after 5 April 2012*

You will be taxable on any profits for the period from the date you started working for yourself up to 5 April 2013. Use the *Self-employment (full)* pages, not the *Self-employment (short)* pages for 2012–13 if your accounts are not made up to 5 April 2013.

Box 6 *If your business ceased before 6 April 2013*

You will be taxable on any profit for the period beginning on the day after your basis period for 2011–12 ended up to the date your business ceased. You may be entitled to a tax relief called 'overlap relief' if your accounting date was not 5 April. If you think that you are entitled to this relief, fill in the *Self-employment (full)* pages, not the *Self-employment (short)* pages.
If your business began on or after 6 April 2012 you will be taxed on the entire profits of the business.

Ceasing self-employment for Class 2 NICs purposes

You must also phone the National Insurance Self-Employment Helpline on **0845 915 4655** to tell them the date you stopped working for yourself. If you no longer need to pay Class 2 NICs, they will arrange to stop your bills.

Box 7 *Date your books or accounts are made up to*

Every business must keep records – by law. It is usual to keep your business records year by year and to draw up your accounts to the same date each year. You can find more information at **hmrc.gov.uk/factsheet/record-keeping.pdf** That date will be your 'end of year date' or your

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'accounting date'. It can be any date but, as the tax year ends on 5 April, you may find it easier to use 5 April.

If the date in box 7 is after 5 April 2013, you cannot use the pages because your accounting period will not be the same as the period for which you are taxable (see the note for box 5). You must complete the *Self-employment (full)* pages instead.

Business income

Box 8 *Your turnover – the takings, fees, sales or money earned by your business*

Your total sales, takings, fees or money earned by your business for the period up to the date in box 7 may sometimes be referred to as your turnover.

This includes:
- cash or cheques (including income from construction work)
- fees, tips and commissions
- the value of any payments 'in kind' – that is not payment by cheque or cash – for work done or goods sold.

It is the money due to you up to your end of year – whether or not you have actually been paid. It does not include Business Start-up Allowance – that goes in box 29.

Box 9 *Any other business income not included in box 8*

Include business income that does not form part of your business turnover, such as:
- rental income from letting part of your business accommodation that has become temporarily surplus
- taxable New Deal payments
- payments you receive for a right to cross your land (way leaves).

Do not include income in box 9 if you are planning to include it elsewhere on your tax return. For example, business bank interest received which you will include on page TR 3 of your tax return.

You should enter income from another trade or business on a separate *Self-employment* page.

Allowable business expenses

Boxes 10 to 19

Expenses will vary from business to business – but you will be able to find a place for all of your business expenses in the categories covered by boxes 10 to 18. Some expenses are not allowable for tax purposes – for example, entertaining clients, even if such entertainment directly led to new business.

Some expenses are only partly allowable. For example, if you use your car for both business and private motoring, you can only claim the business costs against tax. (There is more information on motor expenses in the next paragraph.) You may work from home or use a room in your home as an office. You can only claim the business percentage of the costs of running your home (heat, light and so on) as a business expense. If your records contain your total expenses you will have to work out the private use proportions and deduct those amounts before you enter the figures for allowable business expenses in boxes 10 to 18.

You may be able to calculate your motor expenses using a fixed rate for each business mile instead of actual motoring costs. If you use this method you must not claim capital allowances on the vehicle. You will find information on using mileage rates in Helpsheet 222 *How to calculate your taxable profits*.

Do not include in these boxes the cost, or the depreciation or reduction in value, of any equipment or machinery you use in the business. Instead, claim tax allowances called 'capital allowances' on these items (see the notes for boxes 22 to 25). But do include their running costs here.

You may enter your total allowable business expenses in box 19 rather than giving a more detailed breakdown.

Tax allowances for vehicles and equipment (capital allowances)

You can claim tax allowances, called capital allowances, for the costs of purchasing, and improvements to, vehicles and equipment – such as vans, tools, computers, business furniture, cars that you use in your business (even if the items were purchased under hire purchase). The costs of such items are not allowable as expenses in working out your taxable profits. The type of capital allowance that you can claim depends on the assets you have and other circumstances – see the notes for boxes 22 to 25 below. You must not claim capital allowances for:

- the costs of things that it is your trade to buy and sell as you can claim for these as business expenses
- the interest and other fees that you may be charged for purchasing items under hire purchase. These charges should be separated out and included in box 16.

The notes below only apply if you have a 'standard' 12-month accounting period and summarise the allowances available. If your accounting period is longer or shorter than a year or began before 6 April 2012, or if you want to know more about capital allowances, please refer to Helpsheet 252 *Capital allowances and balancing charges*, or contact us or your tax adviser.

The notes and examples will help you to work out these allowances and the figures to include in boxes 22 to 25. Helpsheet 252 also has more advice and examples.

Business and private use

Where you use an item of equipment for both business and private purposes, you should reduce the allowances you claim by the amount of your private use. To do this, calculate the capital allowances due for each item which has any private use separately using a 'single asset pool' and reduce the allowances you claim by the private use proportion (see Example 2 on page SESN 5 and Example 4 on page SESN 8 of these notes).

Box 22 *Annual Investment Allowance*

You can claim an Annual Investment Allowance (AIA), if you bought equipment (but not cars) on or after 6 April 2012 up to an annual amount of £25,000 (before 6 April 2012 this amount was £100,000). Legislation will be introduced in Finance Bill 2013 to increase the maximum amount of the AIA from £25,000 to £250,000 for a temporary period of two years from 1 January 2013.

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There are transitional rules to work out the maximum amount of AIA for the period 6 April 2012 to 5 April 2013 as follows.

Your maximum AIA for the period is calculated in two parts:

(a) the AIA entitlement, based on the previous £25,000 annual cap for the portion of a year falling before 1 January 2013, and

(b) the AIA entitlement, based on the new £250,000 cap for the portion of a year falling on or after 1 January 2013.

Example 1

For the chargeable period from 6 April 2012 to 5 April 2013 you calculate your maximum AIA entitlement based on:

(a) the proportion of a year from 6 April 2012 to 31 December 2012, that is,
$^{9}/_{12}$ x £25,000 = £18,750, and

(b) the proportion of a year from 1 January 2013 to 5 April 2013, that is,
$^{3}/_{12}$ x £250,000 = £62,500.

The maximum AIA for this transitional period would therefore be the total of (a) + (b) = £18,750 + £62,500 = £81,250. However, in relation to period (a) no more than a maximum of £25,000 (which was the maximum AIA claimable for the period before the increase to £250,000) of expenditure can be claimed as AIA.

If your accounting period is different or longer or shorter than 12 months, or you have spent more than your AIA, then please see Helpsheet 252.

Where you use an item of equipment for both business and private purposes, you must reduce the AIA claimed by the private use proportion.

Example 2

Gordon buys some tools for £5,000 and a van costing £10,000. The tools are used only for the business. The van is used 60% for business and 40% for private motoring. If both the van and the tools were used solely for business purposes Gordon could claim the full amount as AIA.

However, because the van is used 40% for private purposes, Gordon must restrict the amount of AIA that he claims on the van to reflect his private use. This means that the AIA he can claim for the van is £6,000 (£10,000 less 40% private use).

His total AIA claim is £11,000 (£5,000 for the tools plus £6,000 for the van).

Enter the total amount of AIA claimed in box 22.

Box 23 *Allowance for small balance of unrelieved expenditure*

If the balance in your 'main pool' and/or in your 'special rate pool' (see the notes for '18% writing down allowance' and '8% writing down allowance' on page SESN 6):

- after adding any new expenditure, less your claim to AIA
- together with any balance carried forward from any previous year
- less any amount you got from disposing of the equipment you no longer use

is £1,000 or less, you may claim that whole amount, or part of it, as a 'small pools allowance' instead of the 18% or 8% writing down allowance. Enter the amount of this allowance in box 23. The balance to carry forward will be nil.

Example 3

John spent £1,500 on equipment and brought forward a pool of £700 from 2011-12. He can claim the full £1,500 as AIA and the £700 pool brought forward as small pools allowance.

Box 24 *Other capital allowances*

You may also be entitled to claim other types of capital allowances depending on the cost, type of asset, and qualifying conditions, such as:

- 18% writing down allowances
- 8% writing down allowances
- 100% first year allowances
- balancing allowance
- restricted annual allowance for cars costing more than £12,000 bought before 6 April 2009.

Please read the notes starting below and Helpsheet 252 *Capital allowances and balancing charges* for more details. Enter the total of these other types of allowances in box 24.

18% writing down allowance

Where you have spent more than the maximum amount of AIA in a year on equipment (on or after 6 April 2009) or you have purchased a car with CO_2 emissions of 160g/km or less, add all the expenditure together to make a 'main pool' of costs. Deduct:

- any Annual Investment Allowance (AIA) up to the maximum amount (excluding any cars) that you are including in box 22
- any equipment that is not 'main rate', that is, it qualifies for 8% or 100% allowances
- any items which should go into a 'single asset pool' (such as assets partly used for non-business purposes.

From this total deduct the proceeds from any disposals of equipment that you may have made during the year. To this balance add the value of any unrelieved main pool expenditure, carried forward from the previous year.

You can then claim a writing down allowance (WDA) of 18% on the resulting balance. For example, if you have spent £45,000 on main rate equipment in May 2012 and have claimed £25,000 of this as AIA, the balance of £20,000 qualifies for a 18% annual allowance of £3,600, which you should include in box 24. You should carry forward the amount remaining in the main pool after the 18% allowance has been deducted (that is, £20,000 minus £3,600 = £16,400) to the following year.

8% writing down allowance

Some items will only be eligible for writing down allowances at 8% and these items go into a separate 'special rate' pool. The most common items are cars purchased on or after 6 April 2009 with CO_2 emissions of over 160g/km, and expenditure on certain integral features of a building or structure such as electrical systems. You can use your AIA wholly or partly against expenditure qualifying for 8% WDA (excluding cars).

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100% allowance

You may also qualify for a 100% first year allowance if you have bought certain energy-saving or environmentally beneficial equipment for use in the business. They are available for the purchase of:

- designated energy-saving and water-efficient technologies for use in your business (even if you have otherwise used up your AIA)
- new and unused cars with low CO_2 emissions of less than 110g/km (if the car has private use you can only claim for the amount due to business use)
- equipment for refuelling vehicles with natural gas, biogas or hydrogen fuel
- new and unused zero-emission goods vehicles (from 6 April 2010).

If you claim 100% allowance the value of the item which you take to the appropriate pool is nil. Go to **hmrc.gov.uk/manuals/camanual/CA23153.htm** for more information.

Disposals

If you dispose of or sell an item, or no longer use it in the business, deduct the sale proceeds of any pool item you sell, or the market value of items that you keep for private use (up to the cost of the item), from the balance in the pool the item was in, before you calculate the writing down allowance on the balance. (If you previously claimed the full cost of the asset as AIA the value of the asset would be reflected in the appropriate pool as nil.)

Balancing allowance

If you sell an item in a single asset pool (including a pool for a car – see below), and the sale proceeds are less than the unrelieved pool value or cost of the item, you can claim the difference as an allowance called a 'balancing allowance' and you should include this with other allowances in box 24.

You can only claim a balancing allowance in relation to the main or special rate pool in the year your business permanently ends.

Balancing charge

If you dispose of a pooled asset(s) for more than the remaining unrelieved value in that pool, a balancing charge on the difference will arise and should be included in box 25, as further explained under the 'box 25' heading on page SESN 9.

Cars

Expenditure on cars does not qualify for AIA. The types of allowances that you are entitled to, and the amount that you can claim, depend on when the car was bought, the cost, and whether you use it for private purposes.

Restricted annual allowances for cars costing more than £12,000 bought before 6 April 2009

If you bought a car costing more than £12,000 before 6 April 2009, you cannot claim more than £3,000 writing down allowance in any one year for it. You have to restrict the 18% writing down allowance to a maximum of £3,000 and then reduce it further if there is any private use of the car (see below). Put each car costing more than £12,000 in a separate 'single asset pool' and do a separate calculation for each one for as long as you own it, or until 6 April 2014 (whichever is earlier).

Private use

If you have a car which you use for business and for private use, the cost or value of it has to go into a separate single asset pool. Calculate the appropriate allowances due (but not AIA) depending on when the car was bought, the cost and (if the car was bought on or after 6 April 2009) the CO_2 emissions. You must then reduce the allowances to the business use proportion.

Example 4

In January 2009 Joe bought a car for £25,000. The car is used 60% for business and 40% for private motoring. The car did not go into the main pool because it cost more than £12,000 and did not qualify for AIA. The cost is pooled in a single asset pool.

Because the car cost more than £12,000, Joe can only claim writing down allowances (WDA) up to a maximum of £3,000 a year (not 20% or 18% of its value if that would be more than £3,000).

2011–12	**Car pool**	**Allowance claimed**
Value brought forward	£19,000	
WDA 20% (£3,800) *so restrict to £3,000*	(£3,000)	£3,000 x 60% = £1,800
Value carried forward	£16,000	
2012–13		
Value brought forward	£16,000	
WDA 18% (less than £3,000) *so no restriction*	(£2,880)	£2,880 x 60% = £1,728
Value carried forward	£13,120	

Because Joe uses the car 40% for private purposes, the WDA claimed has to be restricted to the 60% business use proportion. The allowance claimed is added to the allowances in box 24.

Cars bought on or after 6 April 2009

For cars bought on or after 6 April 2009, the rate of allowances you can claim depends on the car's carbon dioxide (CO_2) emissions. Expenditure on cars with no private use with CO_2 emissions:

- over 160g/km should be put into the special rate pool and will qualify for writing down allowances at 8%
- of 160g/km or less should go into the main pool and will qualify for writing down allowances at 18%
- of 110g/km or less if bought new and unused qualify for a 100% first year allowance. If bought second-hand the expenditure goes into the main pool.

You can find more information about capital allowances for cars and worked examples in Helpsheet 252 *Capital allowances and balancing charges*.

Fixtures

From April 2012 if you purchase or sell a property which contains fixtures (such as kitchen fittings, electrical or heating systems), you must agree the part of the purchase price to be attributed to those fixtures with the other party to the sale. Normally, you should fix your mutual agreement by means of a joint election (called a 'section 198' or 'section 199' election), which you must notify to HMRC within two years of the date of transfer.

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This written election sets out the agreed value of the fixtures and gives enough information to identify buyer and seller, the fixtures and the property transferred. As a seller, the amount you can bring in to any pool as your disposal value will be the same amount as the amount the buyer can bring in as his acquisition value for capital allowance purposes.

It is likely to be very much easier to agree the part of the purchase price to be attributed to the fixtures as part of the actual sale/purchase negotiations, when both sides have maximum negotiating power. If, exceptionally, the parties are unable to reach an agreement, then either party can refer the matter to a First Tier Tribunal, within two years, for an independent determination. If one of the specified ways of determining the value of the fixtures in business property has not been used, **then the purchaser will be unable to claim allowances on this expenditure.** If you are thinking of buying or selling or leasing a business property containing fixtures, for which capital allowances may be available, you should contact your tax adviser.

Box 25 *Total balancing charges – where you have disposed of items for more than their tax written-down value*

When you sell an item on which you have claimed capital allowances on, deduct the amount you received for it (the sale proceeds) up to the cost of the item from the pool value brought forward or cost. Likewise, if you give away, or no longer use an item for business purposes, deduct the current market value of the item (up to its original cost) from the pool value. If the sale proceeds or the market value of the item is more than the unrelieved balance in the pool value or cost, the difference is called a 'balancing charge' and is taxable. Enter the total of any balancing charges in box 25.

Example 5

Fred has a pool brought forward of nil for 2012-13 as all his previous expenditure was written off by claiming AIA and small pools allowance. He sells a lathe for £11,000.

His capital allowance computation for 2012-13 is:

Value brought forward	£0
Disposal proceeds	£11,000
Balancing charge	£11,000

Fred must include this balancing charge of £11,000 in box 25.

Calculating your taxable profits

Box 26 *Goods and/or services for your own use*

If you, or your family or friends, take any stock or manufactured goods out of your business, you must include here the value (and not the cost to you) of what was taken out, unless you have already included such value in your turnover.

If you have included gross expenses in boxes 10 to 18, that is, you did not take off any disallowable expenses there, enter those disallowable amounts here in box 26.

Total taxable profits or net business loss

Use the Working Sheet below to get the figures for boxes 27, 30 or 31.

Working Sheet for boxes 27, 30 or 31

Start with your net profit figure *box 20* or net loss figure *box 21*	A	
Add Items that increase your profit (or reduce your loss) Balancing charges *box 25*	B	
Goods and/or services for your own use *box 26*	C	
Total *box A + box B + box C*	D	
Minus Items that reduce your profit (or increase your loss) Capital allowances *box 22 + box 23 + box 24*	E	
Net business profit *Box D minus box E - if the result is positive copy to box 27*	F	
Or net business loss *Box D minus box E - if the result is negative copy to box 31*	G	
Minus Losses brought forward *(up to the amount in box 27)*	H	
Total *box F minus box H*	I	
Add Any other business income *(box 29)*	J	
Total taxable profits from this business - *copy to box 30* *Box I + box J*	K	

Losses, Class 2 and Class 4 NICs and CIS deductions

If you are self-employed you normally pay Class 2 and Class 4 NICs. For more information go to **hmrc.gov.uk/ni/intro/basics.htm** or phone the National Insurance Self-employed Helpline on **0845 915 4655**.

Boxes 32 to 34 *Losses*

There are rules about how losses are set off and time limits for loss claims. You must make some claims by 31 January 2015. We do not usually accept late claims. You may want to ask for professional advice, or to ask us for Helpsheet 227 *Losses*, which has more information and a Working Sheet to help you keep track of your losses.

If you have already made a claim for the 2012–13 loss you should still include the loss in the relevant box on your tax return.

If your claim is against income or gains of an earlier year, or if you are repeating a claim you have already made, you should provide details in box 19 on page TR 7 of your tax return.

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Box 35 *If you are exempt from paying Class 4 NICs*

You do not have to pay Class 4 National Insurance contributions if:

- on 6 April 2012 you were
  - — at or over State Pension age at the beginning of the year of assessment (including if you reach State Pension age on 6 April), or
  - — under 16, or
- during 2012–13 you were not resident in the UK for tax purposes (if you are not sure please contact us or your tax adviser).

To find out your State Pension age go to **gov.uk**

If you are a trustee or a diver or diving instructor you may also not have to pay; please contact us if you think this applies. If you are exempt, please put 'X' in box 35. Do not complete box 36.

Box 36 *If you have been given a 2012–13 Class 4 NICs deferment certificate*

If you are employed as well as self-employed, the National Insurance Contributions and Employer Office (NIC&EO) may agree to defer some of your Class 4 National Insurance contributions until your overall contributions can be determined. If they agree to your application for deferment, they will send you a certificate of deferment (form CA2703 *Granted deferment of liability for Class 2 and Class 4 National Insurance contributions*). Only put 'X' in box 36 if NIC&EO has already given you a certificate of deferment. If you want to apply for Class 4 NICs deferment please contact us.

Box 37 *Deductions on payment and deduction statements from contractors*

If you are a subcontractor in the construction industry, enter the total deductions made by your contractors from payments you received in the year 6 April 2012 to 5 April 2013. The deductions are shown on payment and deduction statements that your contractors should have given to you. Do not send these with your tax return. Even if you have already claimed a repayment of your CIS deductions, you should include the total deductions made during the year in box 37. (Enter in box 1 of the 'Finishing your tax return' section of your tax return the amount of repayment received, or set off against other tax due.)

If you make an entry in box 37, do not forget to include in box 8 your gross receipts from all contractors (that is, the full amount of the payments you received before taking off the CIS deductions).

Information

- Go to hmrc.gov.uk/contactus
- Phone the SA Helpline on **0845 9000 444**.
- Phone the SA Orderline on **0845 9000 404** for paper copies of the helpsheets and forms.