



## Guide to Sole Traders / Self Employed

### 1. What Is a Sole Trader?

A Sole Trader owns and runs a business on their own. They can employ people and still be a Sole Trader, but they have to make all of the decisions by themselves, and they remain personally responsible for all debts the company runs up. All Sole Traders are Self Employed. For Self Employed Partnerships see the Partnerships section.



### 2. What Returns Do I Need to File as a Sole Trader / Self Employed?

You will be sent a Self-Assessment Tax return by the HMRC in May / June. You have until 31st October to file it by post or 31st January the following year to file it online. Late returns are charged with an automatic penalty of £100, with further charges if it is over 3 months' late. Late payment of tax will be charged interest. You do not have to complete formal yearly accounts, but it is recommended that you prepare regular reports to monitor your business's performance.

### 3. What Records Do I Need to Keep?

- A record of all sales and takings, including cash receipts – e.g. till rolls, sales invoices.
- A record of all purchases and expenses, including cash purchases, e.g. receipts, purchase invoices.
- A record of all of these transactions in your bank account, e.g. bank and credit card statements, cheque book stubs, paying-in slips.

- A record of all employees, CIS payments and VAT if applicable.
- An annual stock check is also required if you hold stock.

We recommend these records are kept for 6 years.

#### **4. What Will Happen If I Don't Keep Accurate Records?**

The HMRC can ask to see your records up to 6 years after they are filed. If they find any missing documents or mistakes, they can demand the underpaid tax, and can also charge you heavy penalties. Further penalties are payable for VAT registered companies.

#### **5. Why Get Clear Cut Accounts Involved?**

The HMRC have complex rules and regulations, but there are many allowable items that small businesses can claim on their return to reduce the tax they pay. We know the rules, and we can ensure that you claim for all your allowable expenses, to minimise the tax you pay, without breaking any rules.

At Clear Cut Accounts we realise that you should be spending your time running your business. By showing you the best way to attack your accounts and finances, we can reduce the time you take on paperwork - freeing you up to spend more time making money, and beating your competitors!

From day one - we will listen to you and set up the kind of system you are comfortable with - either paper, spreadsheet based or an easy-to-use accounting software.

#### **6. What Services Do We Offer?**

- We can do everything - take all your records and receipts, create a 'set of books' for you, and do your Self-Assessment Return, filing it online for you as your agent; or
- We can set you up to do some of your accounts yourself on paper schedules or spreadsheets. Our tailor-made solution will take a minimal amount of your time through the year, but will give you regular data to help you run and grow your business; It will also reduce the fees we charge you for future returns - as a lot of the preparation work will have been completed.
- We can set you up and train you on easy-to-use cloud accounting software, such as FreeAgent or Xero. Having a new system to your books can seem daunting - but it can also revolutionise the way you run your business, giving you live up-to-date data and drastically reducing the time it takes to do paperwork. Situated on the cloud, it is also a safe and secure

way to keep your data - which will be completely protected if anything was to happen to your PC in the office. We can obtain licences, and set you up with a monthly Direct Debit plan to spread our costs across the year. See our FreeAgent or Xero sections on our website for more details.

Whichever option you choose, we will explain what your figures mean, what you can do to improve profit and minimise the tax you pay, and offer advice on how to grow and develop the company in the future. We'll even talk to the HMRC on your behalf!

Our rates are shown on our website [www.clearcutaccounts.co.uk](http://www.clearcutaccounts.co.uk).

## 7. Other Services We Can Provide

We realise every business is different, and have a wide variety of requirements. In addition to the above core services, we can also provide the following services:

- Company Registration for Start-ups
- VAT Registration and Returns
- CIS Registration and Returns
- Employing People / Payroll
- Company Directors Dividend Payments
- Providing regular Business Information - P&L, Balance Sheet, Credit Control, Profitability.

Please get in touch for a no obligation chat.

