

The Self Assessment checklist

Your steps to a stress-free Self Assessment journey.

Sole trader and partnerships edition



freeagent

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This guide is designed for anyone who is either doing business as a sole trader or is part of a partnership or Limited Liability Partnership (LLP), and isn't preparing their accounts using the cash basis.

Not sure that you've got everything covered in your Self Assessment tax return?

FreeAgent's Chief Accountant, Emily Coltman, has developed a checklist to guide you through the key topics for Self Assessment and help you stay on top of things.

About the author

Emily Coltman FCA is FreeAgent's Chief Accountant and she is passionate about translating accounting-speak into plain English!

A graduate of the University of Cambridge, Emily has been working with small businesses since the year 2000 and is dedicated to helping their owners lose their fear of "the numbers" and the taxman.

She is the author of three e-books: 'Refreshingly Simple Finance for Small Business', 'Micro Multinationals' and 'Very Awkward Tax.'

Disclaimer: Emily is a great accountant, but this guide is not a substitute for advice from your own accountant, tailored to your own business. This information does not constitute accounting advice.



1. Getting started and getting registered

Self Assessment is HMRC's method of collecting tax from self-employed people in the UK. Every year, self-employed people file a return outlining their profit from the previous tax year, and pay any tax that they owe. Here are the key dates for Self Assessment for the upcoming 2020/20 tax return:

Self Assessment tax year This is the period you are filing the tax return for.	6 th April 2019 – 5 th April 2020
Paper filing deadline	31 st October 2020
Online filing deadline	31 st January 2021

Do I need to file a Self Assessment tax return?

Are you a:

- sole trader partner in an LLP
 partner in a partnership

Were you trading at any point between 6th April 2019 – 5th April 2020?

- Yes No

If you've ticked any of the business type boxes and answered "yes" for the second question, you need to file a Self Assessment tax return by 31st January 2021. If you don't file before the deadline, you'll be fined at least £100 by HMRC.

Am I really trading as a business according to HMRC?

If you're just selling some products on a website like eBay or Etsy and aren't sure if you're really operating a business, [read this guide](#)¹ to find out if HMRC would consider you to be legally "trading". If you don't fit the criteria for officially trading, you don't need to register as a sole trader or file a tax return.

Which version of the Self Employment section of my tax return should I fill out?

If you have an annualised turnover of less than £85,000, you may be able to use the short version of the Self Employment section of your tax return. There are a few other factors that may mean that you will still need to fill in the full version – for details, see [HMRC's guidance](#).²

How many tax returns will I need to file?

If you're a sole trader, you're in luck – you just need to file your own tax return. If you're in a partnership, then each partner must file a tax return of their own. In addition, one partner (who is designated by HMRC as the nominated partner) must also file a tax return for the partnership itself. The partnership's tax return shows its income less its costs, leaving profit, which is then shared between the partners as they agree – the partners don't have to take equal shares of the profit. Each partner's tax return shows their share of the profit.

Example tax return filing for partnerships and LLPs:

In this example, Amy is the nominated partner.

	Partnership tax return	Amy's tax return	Ian's tax return
Who files the tax return?	Amy	Amy	Ian
Share of profit reported	100%	50%	50%
Share of profit taxed	0%	50%	50%

Essentially, the partnership reports all of the profit earned, but the partners themselves pay the taxes.

Related links:

1. <http://bit.ly/1MrQr2G>
2. <http://hmrc.gov.uk/worksheets/sa103s-notes.pdf>

What registration do I need to do?

If you have a Government Gateway ID from a previous year's tax return, you're all set – you can skip this section of the guide! If you don't have this ID or don't know what it is, read on:

Sole traders

- For new businesses: [register your new business and register to file your tax returns online](#).¹
- For existing businesses: [register to file your tax returns online](#).²

Partnerships

- Nominated partner: [register both yourself as nominated partner and the partnership in one process](#).³
- Other partner(s): [register separately online](#).⁴

LLPs

- Each partner must [register with HMRC](#).⁵
- If you're a partner in an LLP, Companies House will notify HMRC when you register the LLP, so you don't need to register the LLP with HMRC yourself.

Once you've registered, HMRC will send you a letter that contains your 10-digit Unique Tax Reference (UTR).

Related links:

1. <https://www.freeagent.com/guides/self-assessment/video-how-do-you-register-for-self-assessment/>
2. <https://www.gov.uk/log-in-file-self-assessment-tax-return>
3. <https://www.gov.uk/government/publications/self-assessment-register-a-partnership-for-self-assessment-sa400>
4. <https://www.gov.uk/government/publications/self-assessment-register-a-partnership-for-self-assessment-sa400>
5. <https://www.gov.uk/government/publications/self-assessment-register-a-partnership-for-self-assessment-sa400>

What happens once I've registered to file my tax return?

Once you've registered to file your tax return online, HMRC will issue you with a 12-digit user ID, which is also called your "Government Gateway ID". Keep this safe! Rather than writing it on a piece of paper which might get lost, consider saving it in a password system like 1Password. You will be prompted to set a password to accompany this ID as you're registering. HMRC will then send you an activation PIN in the post, which takes at least seven days to arrive.

Once that arrives, you need to log in using your Government Gateway ID and password, and key in the activation PIN.

Handy facts

1. The deadline for filing is 31st January 2021.
2. It takes seven business days for your activation PIN to arrive, so request it now!

Your final checklist for step one

- You have confirmed that you need to file a tax return for the 6th April 2019 – 5th April 2020 period.
- Your business is registered with HMRC.
- You have a Government Gateway ID or have registered for one.
- You have a Unique Tax Reference (UTR).

2. Your business income

What business income should I include in my tax return?

Assuming that you prepare your accounts to 5th April every year, you should include all of your business income from 6th April 2019 to 5th April 2020. Talk to an accountant if you are unsure.

Include:

- Any sales that you invoiced your customers for during these dates.
- Any sales that you completed the work for during these dates but haven't yet invoiced for.
- Any other sales to customers.
- Any private sales of goods (on sites such as eBay or Gumtree) that relate to your business. Example: if you're a florist by trade and you sold a pot plant on eBay.



Don't include:

- Any private sales of goods that don't relate to your business.
- Any interest that you've received from the bank, even on business bank accounts.

This will go on another section of your tax return, not in the Self Employment section.

Other things to consider:

Some other income types may count as part of your sales, depending on your personal circumstances. They could include:

- any grants that you've received for your business
- any royalties that you've received

Because this is individual to you, you should check with an accountant to see how to declare this income.

Handy facts

1. Add up your income from 6th April 2019 to 5th April 2020.
2. Include all of your sales – including those you haven't yet been paid for.
3. Don't include private income or bank interest.

Your final checklist for step two

- You have added up all of your income from the 6th April 2019 to 5th April 2020 period.
- You have an easily accessible record of each invoice or transaction.

3. Business expenses

What expenses should I claim for?

Here's a checklist of common expenses that businesses claim for:

Office and stationery costs

- Paper
- Stationery and pens
- Ink cartridges
- Postage – stamps
- Postage – recorded delivery
- Other office supplies used for business

Business travel

- Bus tickets
- Train tickets
- Plane
- Mileage (including miles travelled)

Hosting and technology

- Web applications
- Broadband (the business element)
- Phone bills (the business element)

Membership and subscriptions

- Professional associations
- Trade associations
- Federation of Small Business

Insurance

- Business insurance
- Home insurance (the business proportion)
- Car insurance (only if you're not claiming mileage – don't ask us why!)

What expenses should I claim for? (cont.)

Cost of sales

- Materials to make your goods
- Accessories to make your goods

Training costs

- Training to update existing expertise only – not to acquire new skills

Bank charges

- Business bank account charges
- Business bank account unauthorised overdraft charges
- Business bank account bounced cheque charges

Bank interest

- Business bank loan interest
- Business bank account interest paid

What expenses shouldn't I claim for?

You can only claim expenses if HMRC allows you to. Here are some common “non-allowable” expenses that you should watch out for:

Travelling expenses

You can only claim the cost of business travel, not private travel. Don't forget to claim the cost of business journeys in your own car. For more information about what you can claim for in relation to business journeys [read our handy guide](#).¹



Food and drink expenses

HMRC is very strict with sole traders and partners about claiming food costs. You can only claim the cost of food and drink while you're out and about on business, and then only in certain circumstances. [Visit the HMRC website for more details](#).²

Clothing expenses

You can only claim the expense of buying clothing if it's for a recognisable “uniform” such as a nurse's or fireman's uniform, or if it's for “protective” clothing like a builder's site boots.

You can also claim the expense of buying clothing if you're an entertainer such as a musician or magician and the clothing is your “costume”. Otherwise you can't claim the cost of clothing, even if you only wear it for your business.

Accountancy fees

If you use an accountant you can include the cost of them preparing your accounts, but not the cost of them preparing and filing your tax return, so you should ask your accountant for a separate bill for each different service. Otherwise, ask them to give you an itemised bill.

Related links:

1. <http://bit.ly/1MrQPOs>
2. <https://www.gov.uk/hmrc-internal-manuals/business-income-manual/bim47705>

What can I claim if I'm working from home?

If you work from home you can include some of your home running costs as part of your business costs. To find out more, [take a look at our infographic](#).¹

Capital allowances

If you've bought any new, large items of equipment that are going to be useful to your business for more than about a year (for example, a new computer), you can claim capital allowances on these items.



Capital allowances go in a separate box from your normal day-to-day running costs on your tax return.

For more information about how capital allowances work, [FreeAgent is here to help](#).²

Do I need to keep a copy of my receipts?

You will need to keep your receipts for this tax year until 31st January 2027. HMRC is happy for you to keep digital copies, rather than hard copies. The only paperwork you have to keep original copies of is any paperwork that shows a tax deduction other than VAT, such as a bank interest certificate or dividend voucher.

If you're keeping digital copies, any document that has information on both the front and back (e.g. a bill with terms and conditions on the back) should be scanned on both sides.

If you only receive an email receipt then that is fine as a digital copy – just make sure you save it!

Related links:

1. <http://bit.ly/1MrQTOm>
2. <http://bit.ly/1MrQXO3>

More about expenses

- Check out the expenses resource page on our [website](#).¹
- Visit the HMRC website for guidance:
 - for the full [Self Employment section](#) of your tax return.²
 - for the short [Self Employment section](#) of your tax return.³
- Talk to an accountant.

Related links:

1. <http://bit.ly/1MrR2Ba>
2. <http://hmrc.gov.uk/worksheets/sa103f-notes.pdf>
3. <http://hmrc.gov.uk/worksheets/sa103s-notes.pdf>

Your final checklist for step three

- You have added up your “allowable” expenses for the tax year.
- You have reviewed the “non-allowable” expenses to make sure you’re not claiming them.
- You have declared any purchases of large items that will be useful to your business for more than a year as capital purchases, and have claimed capital allowances.
- You have physical or digital copies of your receipts in a safe place that will stay safe until 31st January 2027!

4. Other income

Your Self Assessment tax return has other sections apart from the Self Employment section. These cover areas like your basic information, employment income, rental income, and so on. This section will walk you through the common types of other income that you should consider.

What other income do I need to declare?

Employment income

If, as well as running your own business, you have a job where you're paid a salary, you'll need to declare your employment tax and income figures.

Forms you'll need:

- Your P60 from your employer in the year 6th April 2019 – 5th April 2020.
- Your P11D from your employer in the year 6th April 2019 – 5th April 2020. (You'll only receive this form from your employer if you've received any benefits, or were paid back for expenses that you incurred.)

You'll use the information from these two forms in the optional Employment section of your tax return. Use the starred fields on your P60 to fill in your tax return. For your P11D, the box numbers you should use on your tax return are shown in brown or blue. You'll also need to have a note of any expenses you actually incurred when doing your job, but which you weren't paid back for; the P11D only shows expenses that your employer paid you back for.

Bank interest and taxes

To fill in the bank interest boxes in the main section of your tax return, you need to collect all your bank interest certificates. At the end of the tax year your bank will send you a certificate showing how much interest you've received on each of your accounts and how much tax you've paid on that interest.

Handy facts

1. If you're employed, you need to put the salary and tax figures from your P60 in your tax return.
2. Bank interest goes in the main section of your tax return, not in the Self Employment section – even if the interest is on a business bank account.
3. You should include any dividends that you have received on shares during the tax year on the main section of your tax return.

Collect bank interest and tax information from:

- business bank accounts
- any joint business accounts – take half the interest and tax for joint accounts
- personal accounts used for business
- personal joint accounts – take half the interest and tax for joint accounts

If you're in a partnership, remember that you will also need to include your share of the interest on any partnership bank accounts.

If you have a bank account with the Spanish bank Santander, you may have received Spanish interest. If your foreign interest level is below £2,000 and you have no other foreign income, you don't have to put this as foreign bank interest. Instead, it can go in with your UK bank interest in the same box. If your foreign interest level is above £2,000, you'll need to fill in a separate "foreign income" page on your tax return.

Add up all the interest (taking half of the interest received on any joint accounts), and all the tax (again take 50% of the tax on interest on joint accounts) and put these two figures into your tax return.

Don't include ISAs on your tax return as they are already tax-free!

Shares, dividends and other incomes

Finally, add up any other income that you have received. Here's a list of common types of other income to consider:

- Dividends on any shares owned in limited companies. Count any dividends received between 6th April 2019 and 5th April 2020. If you own any shares in foreign companies, you can put any dividends received on those shares in this section, provided that the total of those dividends amounted to £300 or less. If your foreign dividends amounted to more than £300 you must fill in a separate "foreign income" page on your tax return.
- Profit from renting out a property.
- Income from a trust.

Your final checklist for step four

- If you're employed, have your employment forms P60 and P11D to hand.
- Collect bank interest certificates for all of your bank accounts.
- Add up any other income that you may have, like shares of rental profit.

5. Filing

Now that you've collected all the information to fill in your tax return, you're ready to complete and file it! Remember that if you're the nominated partner in a partnership, you'll need to file the partnership's tax return as well as your own.

Where can I file my tax return?

There are a number of ways to file your tax return. Most sole traders can file directly to HMRC either through FreeAgent or HMRC's free portal. Here's some additional information about each of these options:



Web-based software.

Web-based software works both on desktop and mobile.

Supports all pages of the Self Assessment tax return.

Supports the Main Return, Self Employment, Employment and Tax Adjustments pages.

All pages must be completed manually.

FreeAgent can complete up to 90% of the Self Employment page for most sole traders.

If you're the nominated partner in a partnership, you will have to buy commercial software, such as Tax Calc (<http://taxcalc.co.uk>) to prepare and file the partnership's tax return.

What other information will I need for filing?

Here's a checklist of information that you'll need to have to hand before you file:

- Your full name and address
- Your date of birth
- Your National insurance number
- Your HMRC login details (Government Gateway ID and password)
- Your 10-digit Unique Tax Reference (UTR)

When you're confident that your return is complete and accurate, send it to HMRC online using your Government Gateway ID and the password you registered with, and keep the email confirmation you receive so that you can prove you filed your return.

Remember that you must successfully file your tax return with HMRC by 31st January 2021. Don't leave filing till the last minute because HMRC's servers get very busy right at the end of January, and this isn't an acceptable excuse for late filing! HMRC will fine you £100 if you file late, even if you have no tax to pay or have paid your tax in full.

Handy facts

1. The filing deadline is 31st January 2021.
2. Don't leave filing till the last minute because HMRC's website gets very busy in the last few days of January.
3. If you file even one day late you will be fined £100.

How do I pay my tax?

Avoid interest and penalties by paying your tax and National Insurance by 31st January 2021. If your tax and NI bill is over £1,000, you may also have to make a payment on account on 31st July 2021. More details about payments on account are available on the [FreeAgent accounting glossary](#).¹

If you need to pay, you won't do it when you file the return, you'll pay separately by bank transfer or another means. Your tax return software or HMRC's online portal will tell you how much you have to pay. HMRC's payment and bank account information is [available online](#).²

When you pay, make sure you enter your 10-digit Unique Tax Reference number in the reference field.

Related links:

1. <https://bit.ly/2KEuBJD>
2. <http://www.hmrc.gov.uk/payinghmrc/selfassessment.htm>

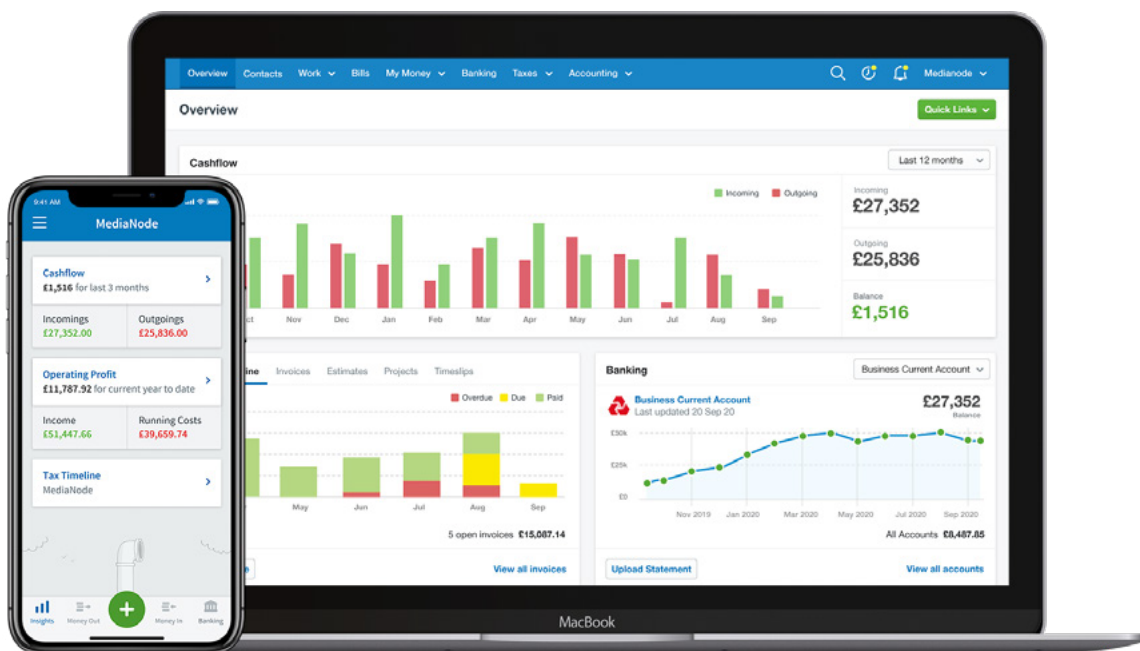
Your final checklist for step five

- Choose how you'll file your tax return – via a commercial package (such as FreeAgent) or HMRC's own website.
- Have everything in your “other information” checklist ready.
- Be ready to pay your tax and National Insurance to HMRC.
- File!
- Give yourself a pat on the back!



Self Assessment, sorted

- FreeAgent supports the Main Return, Self Employment, Employment and Tax Adjustment pages.
- Automatically completes up to 90% of your Self Employment form.
- Built-in support helps you understand and complete the form.
- Detailed tax breakdown shows exactly how your tax liability is calculated.
- Tax timeline shows how much you owe and when you need to pay.



What else can you do with FreeAgent?

- **Send professionally designed invoices and estimates.** You can even set FreeAgent to chase late invoice payments!
- **Manage your expenses wherever you are.** Track costs and expenses easily and record out-of-pocket expenses on the go.
- **Automatically import transactions from your bank account.** To save even more time, FreeAgent automatically recognises and reconciles similar transactions.
- **Create monthly payslips for employees and submit RTI** directly to HMRC when you run your payroll.

Try for free at freeagent.com