

Paying Your Tax

Once you have registered with HMRC notifying that you are self employed, you will then be invited to pay class 2 national insurance contributions by direct debit. This is the basic national insurance contribution you will have to pay each month, however there are certain circumstances where if you are not going to earn above what is the lower earnings limit then HMRC will consider waiving the charge to class 1 contributions. You will need to contact HMRC to obtain a Certificate of Exception.

Self Assessment Liability

At the end of the year a self assessment return will be submitted for you by Taximanager once it has been approved by you. If there is any tax liability you will be advised of the amount to pay. You may already be paying tax/nic through what is known as payments on account, one on 31 January the other on the 31 July. These payments on account are calculated based on your previous years tax liability if this exceeds £1000 in total. These payments on account are taken into consideration when calculating your final liability for the year and the balance becomes payable by 31 January following the tax return end.

E.g. Return for year ending 5 April 2010 - balancing payment due 31 January 2011

Taximanager advises on a weekly basis (as long as you record your entries) what amount you need to set aside to cover your tax bill. Because of the complexities of self employment this is only an estimate and should be used as a guide only but generally this should be enough to cover your tax and class 4 national insurance.

Class 4 National Insurance

Just to explain, this is an additional amount worked out on your self assessment which is based on profits of your trade so will be incorporated in the amount that Taximanager will advise you to pay once your tax calculation has been provided by HMRC, which is known.

What If I Have Not Saved Enough For My Tax Bill?

HMRC have now provided a facility to pay by direct debit.

Paying Self Assessment by Budget Payment Plan

A Budget Payment Plan offers an easier way to pay your Self Assessment tax by allowing you to make voluntary regular payments towards your future tax bill. It's available to customers whose payments are up to date and who pay by Direct Debit.



Paying Self Assessment by Budget Payment Plan (cont.)

The plan is flexible and you can:

- decide the regular weekly or monthly amount you want HMRC to collect
- choose to change your regular payment amount
- suspend payment for a period of up to six months
- cancel the Budget Payment Plan at any time

If you're up to date with your payments and wish to set up a Budget Payment Plan please go to the section below 'Paying by Direct Debit'.

If you currently have an outstanding Self Assessment liability but are interested in setting up a Budget Payment Plan please contact the HMRC Payment Helpline on Tel 0845 366 1204. The Helpline staff will be able to advise you on how to bring your affairs up to date and when you can start a Budget Payment Plan.

Don't delay is the key if you have financial problems then contact HMRC Debt Management straight away.

Useful Links

Visit HMRC website link on paying tax by direct debit:

<http://www.hmrc.gov.uk/payinghmrc/selfassessment.htm#4>

Self employed class 2 National Insurance contributions:

<http://www.hmrc.gov.uk/payinghmrc/class2nics.htm>

National Insurance Contributions Office
Self Employed Services
Longbenton
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NE98 1ZZ

