REINZA Training

UK Self Assessment

Complete Tax Return Guide

A Comprehensive Training Manual for
Sole Traders, Freelancers & Landlords

Tax Year 2025/26
(6 April 2025 - 5 April 2026)

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UK Self Assessment: Complete Tax Return Guide

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Introduction

Welcome to This Course

Welcome to the Reinza Training UK Self Assessment Guide. This comprehensive manual has been designed to provide you with all the knowledge and practical skills you need to successfully complete your Self Assessment tax return.

Whether you are a sole trader running your own business, a freelancer providing services to multiple clients, or a landlord receiving rental income from property, this guide will walk you through every step of the process from registration to final submission.

Who Is This Course For?

This course is designed for anyone who needs to complete a UK Self Assessment tax return, including:

- Sole traders and self-employed individuals running their own business
- Freelancers and contractors working for multiple clients
- Landlords receiving rental income from residential or commercial property
- Partners in business partnerships
- Company directors with income outside of PAYE
- High earners (income over £150,000) or those claiming Child Benefit with income over £50,000
- Anyone with untaxed income from investments, savings, or foreign sources

What You Will Learn

By the end of this course, you will be able to:

✓ Understand what Self Assessment is and whether you need to register
✓ Identify all sources of income that must be reported on your tax return
✓ Claim all allowable expenses to reduce your tax bill legally
✓ Calculate and claim capital allowances on business equipment and vehicles
✓ Complete the SA100 form and relevant supplementary pages accurately
✓ Understand Payments on Account and manage your cash flow effectively
✓ Prepare for Making Tax Digital requirements coming in April 2026

✓ Keep proper records to satisfy HMRC requirements and avoid penalties

How to Use This Manual

This manual is structured into eight comprehensive modules, each building upon the previous one. We recommend working through the modules in order, as later concepts rely on understanding earlier material.

Throughout the manual, you will find the following features to help you learn:

Information Boxes

These blue boxes contain important information, tips, and HMRC guidance that you should pay particular attention to.

Warning Boxes

These yellow boxes highlight common mistakes, potential pitfalls, and areas where extra care is needed.

Example Boxes

These green boxes contain worked examples and practical illustrations to help you understand how concepts apply in real situations.

At the end of the manual, you will find appendices containing quick reference tables, checklists, and useful resources that you can refer to when completing your actual tax return.

Module 1: Introduction to Self Assessment

1.1 What Is Self Assessment?

Self Assessment is the system Her Majesty's Revenue and Customs (HMRC) uses to collect Income Tax from individuals whose tax is not fully collected through the Pay As You Earn (PAYE) system. Under PAYE, your employer calculates and deducts tax from your wages before you receive them. However, if you have income that does not go through PAYE, you need to report it yourself through Self Assessment.

The term "Self Assessment" refers to the fact that you are responsible for calculating your own tax liability. You report your income and expenses to HMRC, and either you or the HMRC system calculates how much tax you owe. This is different from the PAYE system where your employer handles everything for you.

Self Assessment was introduced in the UK in 1996/97 and has since become the primary method for collecting tax from the self-employed, landlords, and others with complex tax affairs. Each year, millions of UK taxpayers complete a Self Assessment tax return, either online or on paper.

1.2 Who Must Register for Self Assessment?

You must register for Self Assessment and file a tax return if any of the following situations apply to you during the tax year:

Self-Employed Individuals

If you are a sole trader or run your own business as a self-employed individual, you must register for Self Assessment if your gross trading income exceeds £1,000 in a tax year. This £1,000 threshold is known as the Trading Allowance.

Even if your income is below £1,000, you may choose to register voluntarily to claim business losses against other income or to build up your National Insurance record.

Landlords and Property Owners

If you receive rental income from property, you must register for Self Assessment if your gross property income exceeds £1,000. This £1,000 threshold is called the Property Allowance. Property income includes rent from residential lettings, commercial property, and income from land.

If you let a room in your own home under the Rent a Room Scheme, you have a separate tax-free allowance of £7,500 per year (or £3,750 if sharing the income with a partner). You only need to register if your income exceeds this threshold.

Partners in a Partnership

If you are a partner in a business partnership, you must file a personal Self Assessment return reporting your share of the partnership profits. The partnership itself must also submit a separate Partnership Tax Return (SA800), but this does not remove your individual filing obligation.

Company Directors

If you are a director of a limited company, you generally need to register for Self Assessment unless your only income is your PAYE salary from the company and you have no other taxable income. Most directors who take dividends from their company need to file a return.

High Earners

If your total income exceeds £150,000 in a tax year, you must file a Self Assessment return regardless of whether all your tax has been collected through PAYE. This applies even if you are a regular employee with no self-employment or rental income.

Additionally, if you or your partner claim Child Benefit and either of you has income over £50,000, the higher earner must file a Self Assessment return to pay the High Income Child Benefit Charge.

Investment and Savings Income

You may need to register if you have significant untaxed income from investments or savings, including:

- Dividend income above the £500 Dividend Allowance
- Savings interest above the Personal Savings Allowance (£1,000 for basic rate taxpayers, £500 for higher rate)
- Capital gains above the Annual Exempt Amount (£3,000 for 2025/26)
- Foreign income that is taxable in the UK

1.3 Key Dates and Deadlines

Understanding the Self Assessment calendar is crucial to avoiding penalties. The UK tax year runs from 6 April to 5 April the following year. Here are the key dates you need to know:

Date	Event / Deadline
5 April	End of tax year - Last day to receive income that will be included in current year's return
6 April	Start of new tax year - Begin recording income and expenses for next year's return
5 October	Registration deadline - New taxpayers must register for Self Assessment by this date
31 October	Paper return deadline - If filing on paper, your return must reach HMRC by midnight
31 January	Online return deadline + Payment deadline - Submit online return and pay all tax owed, including first Payment on Account
31 July	Second Payment on Account - Pay the second instalment towards next year's tax bill

Penalty Alert

Missing the 31 January deadline triggers an automatic £100 penalty, even if you owe no tax or have paid what you owe. Additional penalties accrue if you are more than 3 months, 6 months, or 12 months late. Interest is also charged on any tax paid late.

1.4 How to Register for Self Assessment

Registration for Self Assessment is done online through the HMRC website. The process differs slightly depending on your circumstances:

If You Are Self-Employed (Sole Trader)

If you are starting self-employment for the first time, you need to register using the form CWF1 online. This single registration will:

- Register you for Self Assessment
- Register you for Class 2 National Insurance contributions
- Set up your online Government Gateway account (if you don't already have one)

To complete the registration, you will need your National Insurance number, your start date of self-employment, the nature of your business, and your business address.

If You Are Not Self-Employed

If you need to register for Self Assessment but are not self-employed (for example, if you are a landlord, have capital gains to report, or are a high earner), you should register using form

SA1 online.

If You Are a Partner in a Partnership

Partnerships have additional requirements. The partnership itself must be registered for Self Assessment using form SA400, and a nominated partner must be designated to submit the Partnership Tax Return. Each individual partner must also register separately using form SA401 and file their own personal Self Assessment return reporting their share of partnership profits.

1.5 Understanding Your UTR Number

After you register for Self Assessment, HMRC will send you a Unique Taxpayer Reference (UTR) number by post. This 10-digit number is your personal identifier for all Self Assessment matters.

> **Important: UTR Delivery Time**
> Your UTR will typically arrive within 10 working days if you live in the UK, or 21 days if you live abroad. You cannot file your tax return or set up online access without your UTR, so register well before any deadlines.

Your UTR is different from your National Insurance number. While your NI number identifies you for National Insurance and benefits purposes, your UTR is specifically for tax. You will use your UTR when filing your annual tax return, making tax payments to HMRC, contacting HMRC about your tax affairs, and setting up an agent (accountant) to file on your behalf.

> **Keep Your UTR Safe**
> Your UTR is a permanent number - you will keep the same UTR for life, even if you stop being self-employed and later start again. Keep it in a safe place as you will need it every year.

Module 2: Understanding Your Income Sources

2.1 Overview of Taxable Income

Your Self Assessment tax return must include all taxable income received during the tax year, which runs from 6 April to 5 April. Different types of income are reported in different sections of the return, and some may require supplementary pages to be completed.

It is essential that you report all your income, even if you think tax has already been paid on it. HMRC has extensive powers to check your return against information it receives from employers, banks, and other sources. Failing to report income, even unintentionally, can result in penalties and interest charges.

2.2 Self-Employment Income

If you are self-employed as a sole trader, you report your business income on supplementary page SA103. There are two versions of this form:

- SA103S (Short) - For businesses with turnover below £85,000 and simple affairs
- SA103F (Full) - For larger businesses or those with more complex situations

What to Report

Your self-employment income section must include:

- Turnover - Your total business income before any expenses are deducted
- Allowable expenses - Costs incurred wholly and exclusively for business purposes
- Net profit - The difference between turnover and allowable expenses
- Capital allowances - Tax relief claimed on business equipment and vehicles

The Trading Allowance

The Trading Allowance provides £1,000 of tax-free trading income. If your total gross trading income (before expenses) is £1,000 or less, you do not need to register for Self Assessment or report this income.

If your gross income is slightly above £1,000, you have a choice: deduct your actual business expenses from your income, OR deduct the £1,000 Trading Allowance instead of actual expenses.

Example: Trading Allowance Decision

Sarah earns £3,000 from freelance writing. Her actual expenses total £400. Option 1: £3,000 - £400 = £2,600 taxable profit. Option 2: £3,000 - £1,000 = £2,000 taxable profit. Sarah should choose the Trading Allowance as it gives a lower taxable profit.

2.3 Property Income

Rental income from UK property is reported on supplementary page SA105. This includes income from:

- Long-term residential lettings (assured shorthold tenancies)
- Furnished Holiday Lettings (with special rules)
- Commercial property rentals
- Income from land (such as grazing rights)

The Property Allowance

Similar to the Trading Allowance, the Property Allowance provides £1,000 of tax-free property income. If your gross property income (before expenses) is £1,000 or less, you do not need to report it.

Rent a Room Scheme

If you let out a furnished room in your own home, you may be eligible for the Rent a Room Scheme. This provides a tax-free allowance of £7,500 per year (or £3,750 if you share the income with a partner).

Note: Rent a Room Changes

The Rent a Room Scheme only applies to furnished accommodation in your main home. It does not apply to separate properties or unfurnished lettings.

2.4 Dividends and Savings Interest

Investment income from dividends and savings interest is reported on the main SA100 form. Understanding the allowances and tax rates is crucial for calculating your liability correctly.

Dividend Income

Dividends are payments made by companies to their shareholders from company profits. If you own shares in companies (including shares in your own limited company), any dividends you receive are taxable income.

Tax Band	Dividend Rate Name	2025/26 Rate
Basic Rate	Dividend Ordinary Rate	8.75%
Higher Rate	Dividend Upper Rate	33.75%
Additional Rate	Dividend Additional Rate	39.35%

For tax year 2025/26, the Dividend Allowance is £500. This means the first £500 of dividend income you receive is tax-free, regardless of which tax band you fall into.

Savings Interest

Interest earned on savings accounts, current accounts, and other deposits is taxable. However, the Personal Savings Allowance (PSA) provides tax-free interest depending on your tax band:

Tax Band	Personal Savings Allowance
Basic Rate Taxpayer	£1,000
Higher Rate Taxpayer	£500
Additional Rate Taxpayer	£0 (no allowance)

2.5 Capital Gains

If you sell assets for more than you paid for them, you may have a capital gain that needs to be reported on supplementary page SA108. Capital gains tax applies to:

- Shares and investments (excluding ISAs and pensions)
- Property (other than your main residence)
- Valuable personal possessions worth over £6,000 (such as art, jewellery, antiques)
- Business assets
- Cryptocurrency

Annual Exempt Amount

For tax year 2025/26, the Annual Exempt Amount (AEA) for capital gains is £3,000. This means you can make gains of up to £3,000 in a tax year before any capital gains tax is due.

Capital Gains Tax Rates

Asset Type	Basic Rate	Higher Rate
Residential Property	18%	24%
Other Assets (shares, etc.)	18%	24%

Property Gains - 60 Day Reporting

If you sell UK residential property that is not your main home (such as a buy-to-let), you must report and pay any capital gains tax within 60 days of completion. This is a separate requirement from your annual Self Assessment return, though the gain must still be reported on your return.

Module 3: Allowable Expenses for Sole Traders

3.1 The "Wholly and Exclusively" Rule

The fundamental principle for claiming business expenses is that they must be incurred "wholly and exclusively" for the purposes of your trade, profession, or vocation. This is a legal test established by tax legislation and interpreted through case law.

In practical terms, this means:

- The expense must be genuinely for business purposes, not personal benefit
- If an expense has both business and personal elements, only the business portion can be claimed
- You must be able to justify why the expense was necessary for your business

HMRC's Approach

HMRC will consider the purpose of the expenditure, not its effect. Even if an expense ultimately benefits your business, it may not be allowable if the primary purpose was personal. Keep records of why each expense was necessary for business purposes.

3.2 Office and Premises Costs

If you operate from business premises (not your home), you can claim the full cost of:

- Rent and business rates
- Utilities (electricity, gas, water) for business premises
- Business insurance premiums
- Security costs
- Cleaning and maintenance
- Office supplies and stationery
- Postage and courier costs

3.3 Working from Home

Many sole traders work from home, either fully or partially. You can claim a proportion of your household costs as a business expense, but the method you choose will affect how much you can claim and the records you need to keep.

Method 1: Simplified Expenses (Flat Rate)

The simplified expenses method uses a flat rate based on the number of hours you work from home each month. This is the easiest method as it requires minimal record-keeping.

Hours Worked from Home per Month	Flat Rate per Month
25 to 50 hours	£10
51 to 100 hours	£18
101 hours or more	£26

Example: Simplified Expenses

James works from home for his freelance web design business. He works approximately 40 hours per week from home. That is 160+ hours per month, so he can claim £26 per month = £312 per year using simplified expenses.

Method 2: Actual Costs

Alternatively, you can calculate the actual business proportion of your household costs. This method can result in a higher deduction but requires more detailed records.

Costs you can include in your calculation:

- Mortgage interest (not capital repayments) or rent
- Council tax
- Gas and electricity
- Water rates
- Broadband and telephone (business use portion)
- Home insurance
- General repairs and maintenance

Capital Gains Tax Warning

If you designate part of your home as used exclusively for business, that portion may not qualify for Principal Private Residence (PPR) relief when you sell your home. This could result in a capital gains tax liability. To avoid this, most advisors recommend that any home office space should also be used for personal purposes occasionally.

3.4 Travel and Vehicle Costs

Travel expenses are one of the most commonly claimed and commonly challenged areas of business expenses. Understanding what qualifies as business travel is essential.

What Qualifies as Business Travel

Allowable business travel includes:

- Travel to visit clients or customers
- Travel to temporary workplaces (locations you work at for less than 24 months)
- Travel to buy stock or supplies
- Travel to attend business meetings, conferences, or training
- Travel between different business premises

Claiming Vehicle Costs

If you use your own vehicle for business, you can claim the costs using one of two methods:

Method 1: Approved Mileage Rates

HMRC publishes approved mileage rates that you can use to claim for business miles. These rates cover all vehicle running costs including fuel, insurance, servicing, and depreciation.

Vehicle Type	First 10,000 miles	Over 10,000 miles
Cars and Vans	45p per mile	25p per mile
Motorcycles	24p per mile	24p per mile
Bicycles	20p per mile	20p per mile

> **Important: You Cannot Switch Back**
> Once you start using the mileage rate method for a vehicle, you cannot switch to actual costs for that same vehicle. You would need to dispose of the vehicle and acquire a new one to change methods. Choose carefully.

3.5 Professional and Financial Costs

You can claim the following professional expenses:

- Accountancy and bookkeeping fees
- Tax advice and Self Assessment filing fees
- Legal fees for business contracts (not capital purchases)

- Professional body membership fees and subscriptions
- Professional indemnity insurance
- Trade publication subscriptions
- Bank charges on business accounts
- Interest on business loans and overdrafts
- Bad debt write-offs (amounts owed to you that are irrecoverable)

3.6 Expenses You CANNOT Claim

The following expenses are never allowable, even if they seem business-related:

Non-Allowable Expense	Reason
Personal expenses	Fails "wholly and exclusively" test
Entertainment and hospitality	Specifically disallowed by tax law
Fines and penalties	Public policy - cannot subsidise law-breaking
Ordinary clothing	Everyday clothes have dual purpose
Initial professional training	Acquiring skills is capital, not revenue
Capital expenditure	Claim capital allowances instead
Drawings (money you take from business)	Personal income, not business expense

Module 4: Allowable Expenses for Landlords

4.1 Property Business Expenses Overview

Landlords can deduct expenses that are incurred wholly and exclusively for the purposes of their rental business. The rules for property expenses are similar to self-employment expenses but have some important differences, particularly around finance costs.

All your UK rental properties are treated as a single business for tax purposes. This means you can offset a loss on one property against profit on another.

4.2 Fully Deductible Property Expenses

The following costs can be claimed in full as property expenses:

Management and Professional Fees

- Letting agent fees for property management
- Tenant-finding fees and advertising for tenants
- Accountancy fees for rental accounts and tax returns
- Legal fees for renewing leases (up to 50 years), evicting tenants, or resolving tenant disputes
- Inventory clerk fees

Property Running Costs

- Buildings insurance
- Contents insurance (for furnished lettings)
- Landlord liability insurance
- Ground rent (for leasehold properties)
- Service charges (for flats/apartments)
- Council tax during void periods (when property is empty)
- Utilities if paid by landlord (normally only during voids)

4.3 Repairs vs Improvements - The Critical Distinction

One of the most important concepts in property taxation is the difference between repairs and improvements. Getting this wrong is one of the most common errors landlords make.

Repairs (Allowable as Revenue Expense)

A repair restores an asset to its original condition without improving it. Repairs are fully deductible as an expense in the year they are incurred. Examples include:

- Fixing a broken boiler
- Replacing broken windows with equivalent windows
- Repainting walls and ceilings
- Fixing roof tiles
- Replacing worn carpet with similar carpet

Improvements (Not Deductible - Capital Expenditure)

An improvement enhances the property beyond its original condition or adds something new. Improvements are capital expenditure and cannot be deducted as a revenue expense. Examples include:

- Building an extension
- Adding a new bathroom or en-suite
- Converting a loft into living space
- Replacing single-glazed windows with double-glazing
- Installing central heating where none existed

> **The "Modern Equivalent" Rule**
> When replacing something, you can claim a repair even if the replacement is of better quality due to technological advancement. For example, replacing an old standard boiler with a modern condensing boiler is still a repair because the condensing boiler is now the modern equivalent - you cannot buy like-for-like.

4.4 Replacement of Domestic Items Relief

For furnished residential lettings, you can claim relief when you replace furniture, furnishings, or household appliances. This is called the Replacement of Domestic Items Relief.

Items covered include:

- Moveable furniture (beds, sofas, tables, chairs, wardrobes)
- White goods (fridge, freezer, washing machine, dishwasher, cooker)
- Carpets, curtains, and blinds
- Kitchenware and crockery

Important: Replacement Only

You can only claim this relief for replacing an item, not for the initial furnishing of a property. If you buy a property unfurnished and then furnish it, those initial costs are not deductible.

4.5 Mortgage Interest Restriction

One of the most significant changes to property taxation in recent years is the restriction on mortgage interest relief for individual landlords. This change was phased in between April 2017 and April 2020 and is now fully in effect.

How the Restriction Works

Individual landlords (including partnerships of individuals) can no longer deduct mortgage interest as an expense from their rental income. Instead, they receive a tax reduction (credit) equal to 20% of their finance costs.

Example: Mortgage Interest Restriction

David has rental income of £15,000 and allowable expenses (excluding mortgage interest) of £3,000. His mortgage interest is £6,000. Under current rules: Taxable profit = £15,000 - £3,000 = £12,000, with a 20% tax reduction on £6,000 = £1,200 credit. If David is a 40% taxpayer, he now pays £4,800 tax on rental profit (£12,000 × 40%) minus £1,200 credit = £3,600.

Note for Limited Companies

The mortgage interest restriction does not apply to properties owned by limited companies. Companies can still deduct mortgage interest as a business expense in full.

Module 5: Capital Allowances

5.1 What Are Capital Allowances?

Capital allowances are the tax equivalent of depreciation. When you buy equipment, vehicles, or other assets for your business, you cannot claim the cost as a day-to-day expense. Instead, you claim capital allowances to get tax relief on the expenditure over time (or immediately under certain schemes).

Capital allowances apply to:

- Plant and machinery - equipment used in your business
- Vehicles used for business purposes
- Integral features of business premises (electrical systems, heating, air conditioning)
- Fixtures in buildings

5.2 Annual Investment Allowance (AIA)

The Annual Investment Allowance is the most generous capital allowance available. It allows you to deduct the full cost of qualifying plant and machinery in the year of purchase, up to the AIA limit.

Current AIA Limit

The AIA limit is currently £1,000,000 per year. This limit is permanent and applies to most businesses regardless of size.

What Qualifies for AIA

Most plant and machinery qualifies for AIA, including:

- Computers, laptops, and IT equipment
- Office furniture (desks, chairs, filing cabinets)
- Machinery and tools
- Vans and commercial vehicles
- Business equipment and appliances

Cars Do NOT Qualify for AIA

Cars are specifically excluded from the Annual Investment Allowance. Different rules apply to cars based on their CO_2 emissions - see section 5.4.

Example: Using AIA

Emma is a self-employed photographer. She buys a new camera for £3,000 and a computer for £1,500. Both items qualify for AIA, so Emma can deduct the full £4,500 from her profits in the year of purchase.

5.3 Writing Down Allowances (WDA)

For expenditure that exceeds your AIA limit, or for items that don't qualify for AIA (like cars), you claim Writing Down Allowances instead. WDA allows you to deduct a percentage of the reducing balance each year.

Pool Type	WDA Rate	Includes
Main Rate Pool	18%*	Most plant & machinery, cars 1-50g/km CO2
Special Rate Pool	6%	Integral features, long-life assets, cars over 50g/km CO2

*Note: The main rate pool WDA is reducing from 18% to 14% from April 2026.

5.4 Capital Allowances on Cars

Cars have special rules for capital allowances. They do not qualify for the Annual Investment Allowance, and the rate of writing down allowance depends on the car's CO_2 emissions.

CO2 Emissions	Allowance Type	Rate
0g/km (Electric)	First Year Allowance	100%
1-50g/km (Low emission)	Main Rate Pool	18% WDA
Over 50g/km	Special Rate Pool	6% WDA

Business Use Proportion

You can only claim capital allowances on the business use proportion of a car. If you use your car 70% for business and 30% personally, you can only claim 70% of the allowances.

Example: Electric Car Allowances

Tom is a self-employed consultant. He buys a new electric car for £40,000 and uses it 80% for business. As the car has 0g/km emissions, it qualifies for 100% First Year Allowance. Business use proportion: £40,000 × 80% = £32,000. Tom can deduct £32,000 from his profits in the year of purchase.

Module 6: Completing the SA100 Form

6.1 Overview of the SA100

The SA100 is the main Self Assessment tax return form. It collects your personal information, summarises your income from all sources, and calculates your overall tax position. Most people complete the return online using HMRC's website or commercial software.

The main SA100 form captures:

- Your personal details and tax reference numbers
- Employment income (from P60s)
- Interest and dividend income
- UK pension income
- Other income not reported elsewhere
- Tax reliefs and deductions you are claiming
- Student loan repayment information

6.2 Supplementary Pages

Depending on your circumstances, you may need to complete one or more supplementary pages in addition to the main SA100:

Form	Use For
SA102	Employment income - report salary, benefits, and expenses from each employer
SA103S/F	Self-employment income - Short for turnover under £85,000, Full for larger businesses
SA104S/F	Partnership income - report your share of partnership profits
SA105	UK property income - rental income from UK property
SA106	Foreign income - income from overseas sources
SA108	Capital gains - gains from selling assets like shares or property

6.3 Filing Online vs Paper

The vast majority of Self Assessment returns are now filed online. Here is a comparison of the two methods:

Aspect	Online	Paper
Deadline	31 January	31 October
Tax Calculation	Automatic	HMRC calculates
Confirmation	Instant acknowledgement	Wait for processing
Amendments	Easy to amend online	Submit new paper form

Top Tip: Keep Records

Always keep copies of your submitted return and all supporting documents for at least 5 years (6 years if self-employed). HMRC can enquire into your return for up to 4 years, or longer if they suspect fraud.

Module 7: Payments on Account Explained

7.1 What Are Payments on Account?

Payments on Account are advance payments towards your next tax bill. If your Self Assessment tax bill is over £1,000, HMRC will usually require you to make two advance payments during the year, based on your previous year's tax liability.

7.2 How They Work

Each Payment on Account is 50% of your previous year's tax bill. These payments are made on:

- 31 January - First Payment on Account (along with any balance due from the previous year)
- 31 July - Second Payment on Account

Example: Payments on Account
Your 2024/25 tax bill is £5,000. On 31 January 2026: Pay £5,000 (2024/25 balance) + £2,500 (first Payment on Account for 2025/26). On 31 July 2026: Pay £2,500 (second Payment on Account). On 31 January 2027: Any balance owed for 2025/26, plus new Payments on Account.

7.3 When Payments on Account Apply

You must make Payments on Account if:

- Your Self Assessment tax bill was more than £1,000, AND
- Less than 80% of your total tax due was collected at source (e.g., through PAYE)

7.4 Reducing Payments on Account

If you expect your income to be lower this year, you can apply to reduce your Payments on Account. This can be done through your online HMRC account.

Caution
If you reduce your payments and your actual tax bill is higher than expected, you'll pay interest on the underpayment. Only reduce if you're confident your income will be lower.

7.5 Payment Methods

You can pay your Self Assessment tax bill using several methods:

- Direct Debit - Set up through HMRC online (can spread payments)
- Bank transfer - Using your UTR as reference (allow 3 working days)
- Debit card online - Through HMRC website
- At your bank - With a paying-in slip from HMRC

Budget Payment Plan

You can set up a Budget Payment Plan to spread your tax payments throughout the year via weekly or monthly Direct Debit, helping with cash flow management.

Module 8: Making Tax Digital & Record Keeping

8.1 Making Tax Digital for Income Tax (MTD ITSA)

Making Tax Digital is HMRC's initiative to modernise the tax system. From April 2026, self-employed individuals and landlords with qualifying income over £50,000 will need to keep digital records and submit quarterly updates to HMRC.

8.2 MTD Implementation Timeline

Date	Who Must Comply
April 2026	Self-employed/landlords with income over £50,000
April 2027	Self-employed/landlords with income over £30,000
April 2028	Self-employed/landlords with income over £20,000

8.3 What MTD Requires

- Digital records - Keep records using MTD-compatible software
- Quarterly updates - Submit income and expense summaries every 3 months
- End of Period Statement (EOPS) - Finalise each income source
- Final Declaration - Submit by 31 January (replaces SA100)

8.4 Current Record Keeping Requirements

Even before MTD, you must keep accurate records. Required records include:

- All sales and income
- All purchases and expenses
- VAT records (if VAT registered)
- PAYE records (if you have employees)
- Details of business assets
- Bank statements and paying-in slips

8.5 How Long to Keep Records

Type	Retention Period

Self-employment records	5 years from 31 January submission deadline
Personal tax records	22 months from end of tax year
Capital gains records	5 years from submission deadline
VAT records	6 years

Getting Ready for MTD

Even if you're not yet required to use MTD, it's wise to start using cloud accounting software now (such as Xero, QuickBooks, or FreeAgent). This will make the transition smoother when your obligation begins.

8.6 Penalties for Poor Record Keeping

HMRC can charge penalties if your records are inadequate:

- Up to £3,000 for inadequate records
- Additional penalties if inaccurate returns result from poor records
- Interest on any underpaid tax

Appendix A: Tax Rates and Allowances 2025/26

Income Tax Bands

Band	Income Range	Rate
Personal Allowance	£0 - £12,570	0%
Basic Rate	£12,571 - £50,270	20%
Higher Rate	£50,271 - £125,140	40%
Additional Rate	Over £125,140	45%

National Insurance (Self-Employed)

Class	Rate
Class 2	£3.45 per week (if profits exceed £12,570)
Class 4	6% on profits £12,570-£50,270; 2% above £50,270

Key Allowances

Allowance	2025/26
Personal Allowance	£12,570
Trading Allowance	£1,000
Property Allowance	£1,000
Rent a Room Allowance	£7,500
Dividend Allowance	£500
Personal Savings Allowance (Basic Rate)	£1,000
Personal Savings Allowance (Higher Rate)	£500
Capital Gains Annual Exempt Amount	£3,000
Annual Investment Allowance	£1,000,000

Appendix B: Self Assessment Checklist

Before You Start

- ✓ Gather your Unique Taxpayer Reference (UTR)
- ✓ Collect P60/P45 from employers
- ✓ Gather records of self-employment income and expenses
- ✓ Collect property income and expense records
- ✓ Obtain dividend vouchers and interest statements
- ✓ Gather capital gains disposal records
- ✓ Collect pension contribution statements
- ✓ Gather Gift Aid donation records

During Completion

- ✓ Complete all relevant supplementary pages
- ✓ Check all figures match your records
- ✓ Claim all allowable expenses
- ✓ Apply correct capital allowances
- ✓ Check calculations are correct

After Submission

- ✓ Save confirmation/receipt
- ✓ Note amount of tax due
- ✓ Set reminder for payment deadline
- ✓ Store all records securely for 5-6 years

Appendix C: Useful Resources

HMRC Online Services

- HMRC Self Assessment login: www.gov.uk/log-in-file-self-assessment-tax-return
- Register for Self Assessment: www.gov.uk/register-for-self-assessment
- Payment options: www.gov.uk/pay-self-assessment-tax-bill

HMRC Helplines

- Self Assessment helpline: 0300 200 3310
- Payment enquiries: 0300 200 3401
- Opening hours: Monday to Friday, 8am to 6pm

Reinza Training Support

- Website: www.reinza.com
- Email: training@reinza.com
- Tax Services: www.reinza.com/tax

— End of Manual —

Thank you for choosing Reinza Training