Sheet A: Do I need to tell HMRC?

Start here. For the 2025/26 tax year (6 April 2025 to 5 April 2026). Checked October 2026.

Please note: this is general information, not tax advice.
Everyone's situation is different. If you're not sure what applies to you, check GOV.UK or talk to a qualified professional.

1. Answer these questions

Each "yes" tells you which sheet to read next. If you answer yes more than once, read each of those sheets. Tax words are explained in the "Words explained" box at the end.

Question	If yes
1. Did you earn money on the side? For example: selling things you made, buying things to sell again, any odd jobs, freelance or gig work, or selling on Etsy, eBay or Vinted.	Read **Sheet B**: side gigs and selling online.
2. Did you get rent? For example: from a lodger, a holiday let, Airbnb, or a house or flat you let out.	Read **Sheet C**: money from property.
3. Is working for yourself your main job? For example: a trade, a shop, a service or a small business.	Read **Sheet D**: sole traders and small businesses.
4. Are you already registered with **HMRC**, and have you done at least one **tax return** that included your business?	Read **Sheet E**: as your business grows, and **Sheet F**: getting the right help.
5. Do you or your partner earn over £60,000, **and** does someone in your home get Child Benefit?	You may have to pay some Child Benefit back. If you're employed, you can usually pay it through your **tax code**, with no tax return *(see links 4 & 5 at the end of this document)*.
6. Did you get other money that wasn't taxed? For example: tips, commission, money from abroad, or a lot of savings interest or **dividends**.	Use HMRC's free online checker *(see link 1 at the end of this document)*.
7. Has HMRC sent you a letter asking for a tax return?	You **must** send one by the date on the letter, even if you think you don't need to.

Not sure if it's a side gig or your main job? Read both Sheet B and Sheet D.

2. The money limits

- **Earning from selling or work (trading income):** £1,000 or less in the tax year is usually tax-free, and you don't need to tell anyone. Over £1,000, you must register for **Self Assessment**. Section 3 explains how. This £1,000 is what you take in **before** taking off any costs.
- **Rent:** £1,000 or less is tax-free. From £1,000 to £2,500, contact HMRC. Over £2,500 profit, or £10,000 or more in rent, register for Self Assessment.
- **A lodger in your own home:** up to £7,500 a year is tax-free under the Rent a Room scheme. Sheet C has the details.
- The £1,000 limits for trading and for rent are separate, so you can have up to £1,000 of each *(link 3)*.

3. How to register for Self Assessment

Who with?	HMRC (HM Revenue and Customs), the government department that collects tax.
Where?	Online at GOV.UK. Search for "Register for Self Assessment" *(link 2)*. It's free, so never pay a website to do it. Can't go online? The same page explains how to register by post or phone.
What you'll need	Your **National Insurance number** and your contact details. If you work for yourself, also the date you started and what your business does. You'll set up a **Government Gateway** account as you go.
What happens next?	HMRC posts you your **UTR**, usually within 2 to 3 weeks, and a code to switch on your online account. Then you can send your tax return.

4. Self-employed or employed?

Calling yourself "freelance" doesn't make you **self-employed** for tax. What counts is how you really work.

Points towards self-employed	Points towards employed
You have several clients, or you're free to take on more	You have one client who is really your boss
You decide how, when and where you work	They set your hours and tell you how to do the work
You can send someone else to do the job	You have to do the work yourself
You use your own tools and could lose money	They give you the equipment, and you get paid no matter what

Not sure? HMRC's free Check Employment Status for Tax tool gives HMRC's view on a particular job *(link 6)*.

Working through your own limited company? Different rules (**IR35**) apply, so talk to an accountant.

5. Key dates

Date	What's due
5 Oct 2026	Last day to register if this is your first tax return. **Now passed.**
31 Oct 2026	Last day for paper tax returns.
31 Jan 2027	Last day to send your tax return online **and** pay any tax you owe *(link 7)*.

Missed 5 October? Don't give up. Register now. If you then send your return and pay by 31 January, you usually won't be fined.

Never told HMRC about money from earlier years? Owning up first usually means much smaller fines than waiting to be found. Talk to a tax adviser or accountant.

6. Getting help and staying safe

- **Can't afford to pay for help?** TaxAid is a charity that gives free, private tax help to people on low incomes *(link 8)*.
- **Beware of scams.** HMRC never texts or emails you about a refund or asks for your bank details. Never share your HMRC login with anyone.

Words explained

HMRC: HM Revenue and Customs, the government department that collects tax.

Tax return: The form you send HMRC each year, usually online, showing what you earned.

UTR: Unique Taxpayer Reference: your 10-digit Self Assessment number from HMRC.

National Insurance number: Your personal number for tax and benefits. It's on payslips and HMRC letters.

Self-employed / sole trader: Working for yourself, not for an employer, without a limited company.

Dividends: Money paid out to people who own shares in a company.

Self Assessment: HMRC's system for people to report income that isn't already taxed, such as money from working for yourself.

Tax year: Runs from 6 April to 5 April the next year. The 2025/26 tax year ended on 5 April 2026.

Government Gateway: The username and password you use to sign in to HMRC online.

Trading income: Money you take in from selling things or doing work for yourself, before taking off costs.

Tax code: The code your employer uses to work out how much tax to take from your pay.

IR35: Rules on whether someone working through their own company is taxed like an employee.

Useful links

1. Check if you need a tax return: https://www.gov.uk/check-if-you-need-tax-return
2. Register for Self Assessment: https://www.gov.uk/register-for-self-assessment
3. Tax-free allowances: https://www.gov.uk/guidance/tax-free-allowances-on-property-and-trading-income
4. High Income Child Benefit Charge: https://www.gov.uk/child-benefit-tax-charge
5. Paying it via your tax code: https://www.litrg.org.uk/announcements/new-way-pay-high-income-child-benefit-charge
6. Check Employment Status for Tax: https://www.gov.uk/guidance/check-employment-status-for-tax
7. Self Assessment deadlines: https://www.gov.uk/self-assessment-tax-returns/deadlines
8. TaxAid: https://taxaid.org.uk/about-us

Prepared by **Martin Schmalenbach, MRS Bookkeeping**, Dolton, Devon · **T:** 07427 931179 · **E:** martin@mrsbookkeeping.co.uk

Sheet B: Side gigs and selling online

For the 2025/26 tax year (6 April 2025 to 5 April 2026). Checked October 2026.

Please note: this is general information, not tax advice.
Everyone's situation is different. If you're not sure what applies to you, check GOV.UK or talk to a qualified professional.

For anyone earning a bit on the side: selling online, making crafts, odd jobs, freelance or gig work, usually alongside a regular job. If working for yourself is your main living, read Sheet D instead. Not sure which sheets in this series apply to you? Start with Sheet A.

1. Do you need to tell HMRC?

The key test is the £1,000 **trading allowance** *(see link 1 at the end of this document)*. It's based on what you take in from sales or work in the tax year, **before** taking off any costs.

- **£1,000 or less:** usually tax-free, and you don't need to tell HMRC.
- **Over £1,000:** you must register for **Self Assessment** and do a **tax return** *(see link 2 at the end of this document)*. Sheet A explains how to register.

The £1,000 covers all your side earnings added together, not each one separately. Needing to do a tax return doesn't always mean paying tax. If your total income is under the £12,570 **personal allowance**, you may owe nothing.

2. Selling your own things, or trading?

Clearing out your own unwanted things isn't trading, and usually isn't taxed. Making or buying things to sell for a profit is **trading**.

Usually **NOT** trading	Usually **IS** trading
Selling your old clothes, toys or furniture	Making crafts, cards or candles to sell
A one-off car boot clear-out	Buying things to sell again ("flipping")
Selling a present you didn't want	Regular paid odd jobs, cleaning, gardening or deliveries

Etsy, eBay, Vinted and similar sites now report to HMRC. Since January 2024, these sites send HMRC details of sellers who make 30 or more sales, or about £1,700 (€2,000), in a calendar year *(link 3)*. This isn't a new tax. But it does mean HMRC can see your sales and check them against its records.

One exception for your own things: selling a single item for more than £6,000 at a profit may mean **Capital Gains Tax** *(link 4)*.

3. Under 18?

Age doesn't change the tax rules. Under-18s have the same £12,570 personal allowance and the same £1,000 trading allowance as everyone else. If a young person takes in more than £1,000 from trading in a tax year, they need to register for Self Assessment, just like an adult.

- **Check each site's age rules.** Many selling sites only let adults open an account, and some let younger sellers use a parent's account or sell with permission. The rules vary and change, so check the site's own terms before you start *(link 5)*.
- **Selling through a parent's account?** The site's report to HMRC will be in the parent's name. Keep a simple record of whose sales are whose, so the right person reports the right income.
- **National Insurance number:** most young people are sent theirs automatically just before they turn 16. You'll need it to register for Self Assessment.
- **Parents and guardians:** a young person can register and do their own tax return, but they'll probably need your help. If they're under 16, check with HMRC about National Insurance, as different rules can apply.

4. Key dates for 2025/26

The big one is **31 January 2027**: send your tax return online and pay what you owe *(link 6)*.

Date	What happens
5 Oct 2026	Last day to register if this is your first tax return. **Now passed.**
31 Oct 2026	Last day for paper tax returns.
31 Jan 2027	Last day to send your tax return online **and** pay any tax you owe.
31 Jul 2027	Second "payment on account", if you have to make them.

Missed 5 October? Don't panic. Register now. If you send your return and pay by 31 January, you'll usually avoid a fine. Your **UTR** comes by post and can take a few weeks, so don't leave it until January.

Late returns cost money, even if you owe nothing. There's an automatic £100 fine the day after the deadline. After 3 months it goes up by £10 a day, up to £900, with more at 6 and 12 months. Paying late adds interest and extra charges.

Watch out for payments on account *(link 7)*. If your tax bill is over £1,000, HMRC usually asks you to pay half of next year's bill in advance too. In your first year, this can mean paying about one and a half times your bill in January, so set money aside.

5. The £1,000 allowance, or your real costs?

You can take off **either** the £1,000 trading allowance **or** your real business costs, but not both. Choose whichever is bigger *(link 8)*.

- **Costs under £1,000?** The allowance is usually simpler and better.
- **Costs over £1,000?** Claim your real costs instead. Typical examples: materials and stock, online sales platform and payment fees, postage and packaging, tools and equipment, business mileage, and a fair share of phone and home costs.

Keep simple records from day one. Write down every sale and every cost, keep receipts, and download the sales reports from each site you use. A separate bank account for your side income makes this much easier. Keep your records for at least 5 years after the filing deadline.

6. Common questions

I only sell a few things a year. Do I need to do anything? Not if you're clearing out your own things, or your trading takings are £1,000 or less. Keep a note of your sales in case anyone ever asks.

A selling site asked for my National Insurance number. Is that a scam? Such platforms are legally required to collect these details, and it doesn't mean you owe tax. To be safe, log in to the site directly rather than clicking a link in an email.

I have a job as well. Does that change anything? Your wages use up your £12,570 tax-free amount first, in which case any side-gig profit is usually taxed at 20% or more. You still only do one tax return.

Can I do the tax return myself? Many people with one simple side income can, for free on GOV.UK. Sheet F in this series covers when it's worth getting help.

What if my side gig grows? If it becomes your main living, read Sheet D. Sheet E covers Making Tax Digital and VAT.

7. Getting help and staying safe

- **Can't afford to pay for help?** TaxAid is a charity that gives free, private tax help to people on low incomes *(link 9)*.
- **Beware of scams.** HMRC never texts you about a refund, and only emails about one from an address ending in hmrc.gov.uk. Be suspicious of any message about a refund, a penalty or an urgent payment, especially one with a link or asking for personal or bank details. If in doubt, go to GOV.UK yourself rather than clicking. Never share your HMRC login with anyone.

Words explained

HMRC: HM Revenue and Customs, the government department that collects tax.

Self Assessment: HMRC's system for people to report income that isn't already taxed, such as money from working for yourself.

Tax return: The form you send HMRC each year, usually online, showing what you earned.

Tax year: Runs from 6 April to 5 April the next year. The 2025/26 tax year ended on 5 April 2026.

Trading: Making or buying things to sell for a profit, or regularly doing paid work for yourself.

Trading allowance: The first £1,000 a year of trading income, which is tax-free.

Personal allowance: The amount of income you can have each year before paying any Income Tax: £12,570 for most people.

UTR: Unique Taxpayer Reference: your 10-digit Self Assessment number from HMRC.

National Insurance number: Your personal number for tax and benefits. It's on payslips and HMRC letters.

Capital Gains Tax: Tax on the profit when you sell something that has gone up in value.

Payments on account: Advance payments towards next year's tax bill, due on 31 January and 31 July.

Platform: A website or app that connects sellers with buyers, such as Etsy, eBay or Vinted.

Useful links

1. Tax-free allowances: https://www.gov.uk/guidance/tax-free-allowances-on-property-and-trading-income
2. Register for Self Assessment: https://www.gov.uk/register-for-self-assessment
3. Selling on a digital platform: https://www.gov.uk/guidance/selling-goods-or-services-on-a-digital-platform
4. Capital Gains Tax on personal possessions: https://www.gov.uk/capital-gains-tax-personal-possessions
5. Selling site age limits (GoHenry): https://www.gohenry.com/uk/blog/financial-education/how-old-do-you-have-to-be-to-sell-online
6. Self Assessment deadlines: https://www.gov.uk/self-assessment-tax-returns/deadlines
7. Payments on account: https://www.gov.uk/understand-self-assessment-bill/payments-on-account
8. Expenses if you're self-employed: https://www.gov.uk/expenses-if-youre-self-employed
9. TaxAid: https://taxaid.org.uk/about-us

Prepared by **Martin Schmalenbach, MRS Bookkeeping**, Dolton, Devon · **T:** 07427 931179 · **E:** martin@mrsbookkeeping.co.uk

Sheet C: Money from property

For the 2025/26 tax year (6 April 2025 to 5 April 2026). Checked October 2026.

Please note: this is general information, not tax advice.
Everyone's situation is different. If you're not sure what applies to you, check GOV.UK or talk to a qualified professional.

For anyone receiving rent: from a lodger in your home, a holiday let or Airbnb, or a house or flat you let to tenants. Not sure which sheets in this series apply to you? Start with Sheet A.

1. Which situation are you in?

Your situation	The main rule	Do you need to tell HMRC?
A furnished room in your own home, let to a lodger or short-stay guests	**Rent a Room scheme:** up to £7,500 a year is tax-free, or £3,750 each if you share the income *(see link 1 at the end of this document)*.	Not if you get £7,500 or less.
Small amounts, for example from a driveway, parking space, garage or storage	**Property allowance:** the first £1,000 a year is tax-free *(see link 2 at the end of this document)*.	Not if you get £1,000 or less.
A holiday let or Airbnb that isn't your home	Taxed like any other let since April 2025.	Yes, if you're over the limits below.
A house or flat let to tenants	Tax on your profit after **allowable costs**.	Yes, if you're over the limits below.

When you need to tell HMRC *(link 3)*:

- **Rent of £1,000 or less** in the tax year: tax-free, and nothing to report.
- **Rent of £1,000 to £2,500:** contact HMRC.
- **Profit over £2,500** (rent minus costs), **or rent of £10,000 or more** before costs: register for **Self Assessment** and do a **tax return** *(link 4)*. Sheet A explains how to register.

2. How your rental profit is taxed

You pay Income Tax on your **rental profit** (the rent you get, minus allowable costs), added to your other income. For 2025/26 that's 20%, 40% or 45%, depending on your total income. Most landlords don't pay National Insurance on rent.

Usually allowable	Not allowable
Letting agent and management fees	Paying off the mortgage itself (the capital)
Repairs and maintenance (like-for-like)	Improvements, for example an extension or upgrade
Landlord insurance, ground rent, service charges	Your own time or work
Bills and council tax you pay for the tenant	Your own personal use of the property
Replacing furniture and appliances in a furnished let	Buying furniture for the first time
Accountant fees, safety certificates	Fines

Mortgage interest works differently. You can't take it off the rent. Instead you get a **tax credit** worth 20% of the interest, taken off your tax bill.

Allowance or real costs, not both. If your costs are small, you can take the £1,000 property allowance instead. If you get over £7,500 under Rent a Room, you can either pay tax on the amount above £7,500, or work out your profit the normal way using your real costs. Choose whichever gives you the lower tax bill.

Own the property with someone else? Each owner usually reports their own share of the rent and costs.

3. Holiday lets, and changes on the way

Holiday lets lost their special tax treatment in April 2025. The "**furnished holiday let**" rules ended, so 2025/26 is the first full year taxed like any other let. In practice, mortgage interest now gets only the 20% credit, and new furniture no longer gets **capital allowances**.

Tax rates on rent are due to go up from April 2027. The November 2025 Budget set separate rates for property income of 22%, 42% and 47% in England, Wales and Northern Ireland. The mortgage interest credit is due to go up to 22%. This doesn't affect your 2025/26 tax return, but it's worth planning for.

Making Tax Digital includes rent. Your rent before costs is added to any self-employed income. Whether **Making Tax Digital** applies to you depends on that total in an earlier "**qualifying year**" *(link 5)*:

- over £50,000 in 2024/25 means you're in from April 2026
- over £30,000 in 2025/26 means you're in from April 2027
- over £20,000 in 2026/27 means you're in from April 2028

So the 2025/26 tax return you're doing now decides whether you're in from April 2027. Sheet E in this series has more.

4. Key dates

Send your 2025/26 tax return online and pay by **31 January 2027** *(link 6)*.

Date	What's due
5 Oct 2026	Last day to register if this is your first tax return. **Now passed.**
31 Oct 2026	Last day for paper tax returns.
31 Jan 2027	Online tax return, any tax you owe, and your first payment on account if one is due.
31 Jul 2027	Second payment on account, if one is due.

Missed 5 October? Register now. If you send your return and pay by 31 January, you'll usually avoid a fine.

Payments on account: if your tax bill is over £1,000, HMRC usually asks for advance payments towards next year's bill too, so consider making suitable provision now *(link 7)*. A late tax return costs an automatic £100 fine, even if you owe no tax.

5. Common questions

I let a room in my own home on Airbnb. Can I use Rent a Room? Usually yes, if the room is furnished and in the home you live in. A separate self-contained flat or annexe doesn't count.

I've let a property for years and never told HMRC. What now? HMRC runs the **Let Property Campaign** (search for that name on GOV.UK) for landlords to come forward. Telling HMRC before they contact you usually means much smaller fines. Get advice from a tax adviser or accountant first.

I'm selling a property I've let out. Anything special? If there's **Capital Gains Tax** to pay, you must usually report the sale and pay within 60 days of completion *(link 8)*.

My rent goes through a letting agent. Do I still need to do anything? Yes. The agent collects the rent, but doesn't do your tax return. That's still your job.

Do I need a bookkeeper or accountant? One simple let can often be handled yourself. Sheet F in this series covers when additional or professional help is worth paying for.

6. Getting help and staying safe

- **Can't afford to pay for help?** TaxAid is a charity that gives free, private tax help to people on low incomes *(link 9)*.
- **Beware of scams.** HMRC never texts or emails you about a refund or asks for your bank details. Never share your HMRC login with anyone.

Words explained

HMRC: HM Revenue and Customs, the government department that collects tax.

Tax return: The form you send HMRC each year, usually online, showing what you earned.

Rent a Room scheme: Lets you earn up to £7,500 a year tax-free from letting furnished rooms in the home you live in.

Allowable costs: Costs you can take off your rent to work out your profit, such as repairs and agent fees.

Tax credit: An amount taken straight off your tax bill. Landlords get one for mortgage interest.

Furnished holiday let: A special category of holiday let with extra tax breaks. It ended in April 2025.

Qualifying year: The earlier tax year whose income decides whether Making Tax Digital applies to you.

Capital Gains Tax: Tax on the profit when you sell something that has gone up in value, such as a let property.

Self Assessment: HMRC's system for people to report income that isn't already taxed, such as rent.

Tax year: Runs from 6 April to 5 April the next year. The 2025/26 tax year ended on 5 April 2026.

Property allowance: The first £1,000 a year of property income, which is tax-free.

Rental profit: The rent you get, minus your allowable costs. This is what you pay tax on.

Capital allowances: Tax relief on buying equipment or furniture for a business.

Making Tax Digital: HMRC's new system of keeping digital records and sending updates every 3 months.

Payments on account: Advance payments towards next year's tax bill, due on 31 January and 31 July.

Let Property Campaign: HMRC's way for landlords to tell it about rent they haven't declared before, usually with smaller fines.

Useful links

1. Rent a Room scheme (HMRC helpsheet HS223): https://www.gov.uk/government/publications/rent-a-room-for-traders-hs223-self-assessment-helpsheet
2. Tax-free allowances: https://www.gov.uk/guidance/tax-free-allowances-on-property-and-trading-income
3. Renting out a property: paying tax: https://www.gov.uk/renting-out-a-property/paying-tax
4. Register for Self Assessment: https://www.gov.uk/register-for-self-assessment
5. When does Making Tax Digital start for me? (LITRG): https://www.litrg.org.uk/tax-nic/making-tax-digital-income-tax/when-does-making-tax-digital-start-me
6. Self Assessment deadlines: https://www.gov.uk/self-assessment-tax-returns/deadlines
7. Payments on account: https://www.gov.uk/understand-self-assessment-bill/payments-on-account
8. Selling a property: 60-day reporting (LITRG): https://www.litrg.org.uk/savings-property/capital-gains-tax/capital-gains-tax-reporting/60-day-reporting-rules-uk-property-disposals
9. TaxAid: https://taxaid.org.uk/about-us

Prepared by **Martin Schmalenbach, MRS Bookkeeping**, Dolton, Devon · **T:** 07427 931179 · **E:** martin@mrsbookkeeping.co.uk

Sheet D: Sole traders and small businesses

For the 2025/26 tax year (6 April 2025 to 5 April 2026). Checked October 2026.

Please note: this is general information, not tax advice.
Everyone's situation is different. If you're not sure what applies to you, check GOV.UK or talk to a qualified professional.

For anyone whose main living comes from working for themselves: a trade, a shop, a craft business or a service. If it's a sideline alongside a regular job, Sheet B may suit you better. Not sure which sheets in this series apply to you? Start with Sheet A.

1. Is this you?

You're a **sole trader** if you work for yourself, keep the profits, and haven't set up a limited company. In law, you and your business are the same, so its profits are your income and its debts are your debts.

- **To start:** register for **Self Assessment** with HMRC *(see link 1 at the end of this document)*. Sheet A explains how. You don't need to register a business name.
- **Each year:** send one **tax return** and pay your Income Tax and National Insurance through it.
- **Got a job too?** You still need to do a tax return. Your wages and your business profit are added together.

2. How your tax bill is worked out

Your bill is **Income Tax** plus **Class 4 National Insurance**, both worked out on your **profit** (your takings minus your allowable costs) for the tax year *(see links 2 & 3 at the end of this document)*.

Profit for the year	Income Tax	Class 4 National Insurance
Up to £12,570	0%	0%
£12,571 to £50,270	20%	6%
Over £50,270	40% (45% over £125,140)	2%

These are the rates for England, Wales and Northern Ireland. Scotland has different Income Tax rates. Any wages from a job use up your £12,570 **personal allowance** first. The personal allowance also gets smaller once your total income goes over £100,000.

Example: £25,000 profit and no other income. Income Tax is 20% of £12,430 = £2,486. Class 4 National Insurance is 6% of £12,430 = £745.80. Total: about £3,232.

Your State Pension. If your profit is over £6,845, the year counts towards your State Pension automatically, with nothing extra to pay. If it's lower, you can choose to pay voluntary **Class 2 National Insurance** of £3.50 a week to protect your record. This is usually worth thinking about *(link 3)*.

3. Records and what you can claim

You can claim costs that are **wholly and exclusively** for the business. If something is used privately too, only claim the business share *(link 4)*.

Usually allowable	Usually not allowable
Materials, stock and tools	Your own wages or drawings
Van or vehicle running costs (business share)	Travel from home to a fixed place of work
Business insurance, phone and software	Fines and penalties
Advertising, website, bank charges	Clothing, unless it's a uniform or protective wear
Accountant or bookkeeper fees	Entertaining clients

Simplified expenses can save paperwork. Instead of working out your actual costs, you can use HMRC's flat rates *(link 5)*:

- **Mileage for cars and vans:** for 2025/26, 45p a mile for the first 10,000 business miles, then 25p (motorbikes 24p). **From 6 April 2026 this goes up to 55p** for the first 10,000 miles. Once you choose this for a vehicle, you must stick with it for that vehicle.
- **Working from home:** £10 a month for 25 to 50 hours, £18 for 51 to 100 hours, £26 for 101 hours or more. Phone and broadband are claimed separately.

Keep records as you go, not created in January. Record every sale and cost, keep receipts and a mileage log, and use a separate bank account for the business. Keep your records for at least 5 years after the filing deadline.

4. Key dates, and paying your bill

Send your 2025/26 tax return online and pay by **31 January 2027** *(link 6)*.

Date	What's due
31 Jan 2027	Your 2025/26 tax return online, any tax you owe, and your first payment on account for 2026/27.
31 Jul 2027	Your second payment on account for 2026/27.

Payments on account catch people out *(link 7)*. If your tax bill is over £1,000, HMRC asks for two advance payments towards next year's bill, each half of this year's bill. So in your first full year, January can bring about one and a half times what you expected. If your income has fallen, you can ask HMRC to reduce them.

Set money aside every time you're paid. Putting 20% to 25% of your profit into a separate savings account covers most basic-rate taxpayers. Can't pay in full? Contact HMRC before the deadline. You can often set up a payment plan online *(link 8)*.

Paying late costs money: an automatic £100 fine for a late tax return, even if you owe nothing, plus interest and extra charges on tax paid late.

5. Common questions

Can I claim for my van? Yes, for the business share. Either claim the running costs (and the cost of buying the van through **capital allowances**), or use the mileage flat rate instead: 45p a mile for 2025/26, 55p from 6 April 2026. Either way, leave out private use. Cars have different rules.

Do I need a separate business bank account? Sole traders don't have to have one by law, but it makes your records far easier, so it's strongly recommended.

My business year doesn't end on 5 April. Does that matter? Since 2024/25 you're taxed on your profits for the tax year itself. Ending your business year on 31 March or 5 April keeps things simplest.

Do I record money when I send an invoice, or when I'm paid? Most sole traders now use the **cash basis** by default: record income and costs when money actually comes in or goes out of your account.

What should I watch as I grow? Three things: **Making Tax Digital** (income before costs over £50,000 now, or over £30,000 from April 2027, based on your 2025/26 tax return), **VAT** (taxable sales over £90,000 in any rolling 12 months, and you must register within 30 days *(link 9)*), and whether a limited company would suit you. Sheet E in this series covers all three.

6. Getting help and staying safe

- **Who can help?** A **bookkeeper** keeps your records straight through the year. An **accountant** suits more complicated affairs. Sheet F in this series explains who does what and how to choose. You can search for licensed accountants and bookkeepers near you in AAT's directory *(link 10)*.
- **Can't afford to pay for help?** TaxAid is a charity that gives free, private tax help to people on low incomes *(link 11)*.
- **Beware of scams.** HMRC never texts or emails you about a refund or asks for your bank details. Never share your HMRC login with anyone.

Words explained

HMRC: HM Revenue and Customs, the government department that collects tax.

Self Assessment: HMRC's system for people to report income that isn't already taxed, such as money from working for yourself.

Tax return: The form you send HMRC each year, usually online, showing what you earned.

Tax year: Runs from 6 April to 5 April the next year. The 2025/26 tax year ended on 5 April 2026.

Sole trader: Someone who works for themselves without a limited company.

Profit: What's left of your takings after taking off your allowable costs. This is what you pay tax on.

Personal allowance: The amount of income you can have each year before paying any Income Tax: £12,570 for most people.

Class 4 National Insurance: National Insurance that sole traders pay on their profit, through their tax return.

Class 2 National Insurance: A small weekly amount you can choose to pay to protect your State Pension if your profit is low.

Wholly and exclusively: Spent only for the business, not for you or your family.

Simplified expenses: HMRC's flat rates you can use instead of working out some actual costs.

Capital allowances: Tax relief on buying equipment or vehicles for your business.

Payments on account: Advance payments towards next year's tax bill, due on 31 January and 31 July.

Cash basis: Recording income and costs when the money actually comes in or goes out.

Making Tax Digital: HMRC's new system of keeping digital records and sending updates every 3 months.

VAT: Value Added Tax, added to the price of most goods and services once a business is registered.

Useful links

1. Set up as a sole trader: https://www.gov.uk/set-up-sole-trader
2. Income Tax rates and allowances: https://www.gov.uk/income-tax-rates
3. Self-employed National Insurance rates: https://www.gov.uk/self-employed-national-insurance-rates
4. Expenses if you're self-employed: https://www.gov.uk/expenses-if-youre-self-employed
5. Simplified expenses: https://www.gov.uk/simpler-income-tax-simplified-expenses
6. Self Assessment deadlines: https://www.gov.uk/self-assessment-tax-returns/deadlines
7. Payments on account: https://www.gov.uk/understand-self-assessment-bill/payments-on-account
8. If you can't pay your tax bill on time: https://www.gov.uk/difficulties-paying-hmrc
9. Register for VAT: https://www.gov.uk/register-for-vat
10. Find an AAT licensed accountant or bookkeeper: https://www.aat.org.uk/businesses-employers/find-accountant-bookkeeper
11. TaxAid: https://taxaid.org.uk/about-us

Prepared by **Martin Schmalenbach, MRS Bookkeeping**, Dolton, Devon · **T:** 07427 931179 · **E:** martin@mrsbookkeeping.co.uk

Sheet E: As your business grows

Making Tax Digital, VAT and limited companies. For the 2025/26 tax year (6 April 2025 to 5 April 2026). Checked October 2026.

Please note: this is general information, not tax advice.
Everyone's situation is different. If you're not sure what applies to you, check GOV.UK or talk to a qualified professional.

For sole traders and landlords whose income is growing. As your takings go up, three things can change: Making Tax Digital, VAT, and whether a limited company would suit you better. Not sure which sheets in this series apply to you? Start with Sheet A.

1. Making Tax Digital for Income Tax

Making Tax Digital (MTD) changes **how** you report to HMRC, not how much tax you pay. You keep digital records, send short updates every 3 months through software, and send your yearly tax return through that software too.

Does it apply to you? It depends on your **qualifying income**: your self-employed takings plus any rent, added together, **before** costs. Wages and pensions don't count. HMRC looks at the figure on the tax return for an earlier year, called the "**qualifying year**" *(see link 1 at the end of this document)*:

You must use MTD from	If your qualifying income was over	On your tax return for
6 April 2026	£50,000	2024/25
6 April 2027	£30,000	2025/26 (the one due by 31 January 2027)
6 April 2028	£20,000	2026/27

What it involves:

- **Digital records** of your income and costs, kept in software that works with MTD *(see link 2 at the end of this document)*. Spreadsheets are allowed if they're linked to HMRC through **bridging software**. Some products are free.
- **Quarterly updates:** running totals, not tax returns, due by **7 August, 7 November, 7 February and 7 May**.
- **One yearly tax return** through the software, still by 31 January. The dates you pay your tax don't change.
- **Sign up** before your start date *(link 3)*.

Fines work on points *(link 4)*. Each missed deadline earns a point. At 4 points you pay a £200 fine, then another £200 for each deadline you miss after that. Late quarterly updates in the 2026/27 tax year earn no points, but this only covers 2026/27.

Can't reasonably use a computer? For example, because of your age, a disability or where you live. You can ask HMRC for an exemption.

2. VAT

You must register for **VAT** when your **taxable sales** go over £90,000 in any **rolling 12 months**, or you expect them to go over £90,000 in the next 30 days alone *(link 5)*. Register within 30 days of going over.

- **It's a rolling test, not your tax year.** At the end of every month, add up your sales for the last 12 months. Busy seasons can tip you over without warning.
- **It's sales, not profit.** A trade with high material costs can reach £90,000 of sales long before its profits look big.
- **Register late and HMRC can backdate it.** It can ask for the VAT you should have charged, which often comes out of your own pocket.
- **Leaving VAT:** you can usually cancel your registration if you expect your taxable sales to fall below £88,000.

Registering by choice below £90,000 can make sense if most of your customers are VAT-registered businesses, or if you buy a lot of equipment. It usually doesn't suit businesses that sell mainly to the public, because they can't claim back the VAT you add.

The Flat Rate Scheme can make VAT simpler if your sales are up to £150,000 *(link 6)*. You pay a fixed percentage of your takings (including VAT), set by your type of trade. Businesses that spend very little on goods must use 16.5%, which often makes the scheme poor value. Check before you join.

VAT-registered businesses already keep their VAT records under Making Tax Digital.

3. Sole trader or limited company?

There's no income level at which a **limited company** automatically becomes the right answer. It depends on your profits, how much you take out, the risks you run, and how much paperwork you're happy with *(link 7)*.

	Sole trader	Limited company
In law	You and the business are the same.	The company is separate from you.
If things go wrong	You're personally responsible for the business's debts.	You can usually only lose what you put in, though lenders often want a personal guarantee.
Tax	Income Tax and Class 4 National Insurance on your profit.	**Corporation Tax** (19% to 25%) on the profit, then personal tax on the salary and **dividends** you take out.
Paperwork	One Self Assessment tax return.	Yearly accounts, **Companies House** filings, a Corporation Tax return, payroll, and your own tax return.
Privacy	Your accounts stay private.	Accounts and directors' details are public at Companies House.
Running costs	Low.	Higher. Most use an accountant.

Tax on dividends went up by 2 percentage points from April 2026, which narrows the gap for many small businesses. Get advice from an accountant before switching, and ideally before your profits reach the point where you're wondering.

4. Common questions

My takings were £32,000 but my profit was only £15,000. Am I in MTD from April 2027? Yes. MTD uses income before costs, so £32,000 is over the £30,000 limit.

I have a job and a small side business. Do my wages count? No. Only self-employed income and rent count towards the MTD limits.

Can I keep using my spreadsheet? Yes, if you pair it with bridging software that sends the figures to HMRC.

Do quarterly updates mean paying tax every quarter? No. They're summaries only. You still pay on 31 January and 31 July.

My sales are getting close to £90,000. What should I do? Check your rolling 12-month total every month, and talk to an accountant about your prices and timing before you go over.

Can someone else do all this for me? Yes. A bookkeeper or accountant can keep your records and send the updates for you, as your **agent**. Sheet F in this series explains how to choose.

5. Getting help and staying safe

- **Can't afford to pay for help?** TaxAid is a charity that gives free, private tax help to people on low incomes *(link 8)*.
- **Beware of scams.** HMRC never texts or emails you about a refund or asks for your bank details. Never share your HMRC login with anyone.

Words explained

HMRC: HM Revenue and Customs, the government department that collects tax.

Qualifying income: Your self-employed takings plus rent, before costs. It decides whether MTD applies to you.

Quarterly update: A short summary of your income and costs sent to HMRC every 3 months under MTD.

Tax return: The form you send HMRC each year, usually online, showing what you earned.

Taxable sales: Sales that VAT applies to. They count towards the £90,000 VAT limit.

Flat Rate Scheme: A simpler way to work out VAT, paying a fixed percentage of your takings.

Corporation Tax: The tax a limited company pays on its profits.

Companies House: The government body where limited companies are registered and file their accounts.

Making Tax Digital (MTD): HMRC's new system of keeping digital records and sending updates every 3 months.

Qualifying year: The earlier tax year whose income decides whether MTD applies to you.

Bridging software: Software that links a spreadsheet to HMRC so you can send MTD updates from it.

VAT: Value Added Tax, added to the price of most goods and services once a business is registered.

Rolling 12 months: Any 12 months in a row, not just the tax year. You check it at the end of every month.

Limited company: A business that is legally separate from the people who own and run it.

Dividends: Money paid out of a company's profits to the people who own its shares.

Agent: Someone, such as a bookkeeper or accountant, that HMRC lets deal with your tax for you.

Useful links

1. When does Making Tax Digital start for me? (LITRG): https://www.litrg.org.uk/tax-nic/making-tax-digital-income-tax/when-does-making-tax-digital-start-me
2. Find software that works with MTD for Income Tax: https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax
3. Signing up for MTD for Income Tax: https://www.gov.uk/guidance/use-making-tax-digital-for-income-tax/signing-up
4. Penalties for MTD for Income Tax: https://www.gov.uk/guidance/penalties-for-making-tax-digital-for-income-tax
5. Register for VAT: https://www.gov.uk/register-for-vat
6. VAT Flat Rate Scheme: https://www.gov.uk/vat-flat-rate-scheme
7. Choose a legal structure for your business: https://www.gov.uk/business-legal-structures
8. TaxAid: https://taxaid.org.uk/about-us

Prepared by **Martin Schmalenbach, MRS Bookkeeping**, Dolton, Devon · **T:** 07427 931179 · **E:** martin@mrsbookkeeping.co.uk

Sheet F: Getting the right help

For the 2025/26 tax year (6 April 2025 to 5 April 2026). Checked October 2026.

Please note: this is general information, not tax advice.
Everyone's situation is different. If you're not sure what applies to you, check GOV.UK or talk to a qualified professional.

For anyone wondering whether to get professional help with their tax, business records or legal affairs, and how to choose someone good. Not sure which sheets in this series apply to you? Start with Sheet A.

1. Do you need help at all?

Many people don't. If you have one simple income, tidy records and you're happy working online, doing your own tax return for free on GOV.UK is often fine.

Help tends to pay for itself when:

- your records are in a muddle, or keeping them is eating up your evenings
- it's your first tax return and you want to get it right
- you have several kinds of income, such as a business, rent, savings and a job
- Making Tax Digital or VAT applies to you (see Sheet E)
- you're thinking about a limited company, buying or selling property, or retiring
- income from earlier years was never declared, or HMRC has written to you with questions
- you'd simply rather spend the time earning or living

A good adviser should save you at least what they cost, in tax, fines avoided, or time.

2. Who does what

Who	What they do	Typical jobs	What to look for
Bookkeeper	Keeps your money records accurate through the year.	Recording sales and costs, checking records against the bank, invoices, VAT returns, payroll, Making Tax Digital updates, often simple tax returns.	Member of AAT, ICB or IAB, and supervised for **anti-money-laundering**.
Accountant	Turns your records into accounts and tax returns, and gives advice.	Year-end accounts, tax returns for people and companies, tax planning, limited company work, business advice.	Chartered (ICAEW, ACCA, ICAS) or an AAT Licensed Accountant. Supervised and insured.
Tax adviser	Specialist tax advice, often on harder problems.	Income from past years that was never declared, HMRC investigations, Capital Gains Tax and Inheritance Tax, property, changing how a business is set up.	Chartered Tax Adviser (CIOT) or ATT member.
Solicitor	Legal advice and legal work.	Contracts, buying and selling property, disputes, sorting out someone's affairs after they die, partnership agreements, wills.	Regulated by the Solicitors Regulation Authority. Check the Law Society's Find a Solicitor.
Will writer	Prepares wills, usually for less than a solicitor.	Simple wills and **lasting powers of attorney**.	Not regulated in England and Wales. Look for a trade body membership and insurance.

Many firms cover more than one role. A bookkeeper and an accountant often work side by side. Complicated estates or business arrangements usually need a solicitor rather than a will writer.

What do all the letters mean? AAT: Association of Accounting Technicians. ICB: Institute of Certified Bookkeepers. IAB: Institute of Accountants and Bookkeepers. ICAEW and ICAS: the chartered accountants' institutes for England and Wales, and for Scotland. ACCA: Association of Chartered Certified Accountants. CIOT: Chartered Institute of Taxation. ATT: Association of Taxation Technicians.

3. Checking qualifications

Many of these job titles aren't protected by law. Anyone can call themselves a bookkeeper, accountant or tax adviser without any qualifications *(see links 1 & 2 at the end of this document)*. In England and Wales, anyone can also offer to write wills *(link 3)*.

Protected: must be qualified and registered	Not protected: anyone can use it
Chartered accountant	Accountant
Chartered tax adviser	Bookkeeper
Solicitor	Tax adviser
	Will writer

Three checks that protect you:

- **1. Professional body.** Ask which **professional body** they belong to, then check its online directory. Members must meet standards, keep their knowledge up to date, and follow a complaints process.
- **2. Money-laundering supervision.** Anyone offering bookkeeping, accounting or tax services must be supervised, either by a professional body or by HMRC *(link 4)*. Ask who supervises them. You can search HMRC's register *(link 5)*.
- **3. Professional indemnity insurance.** This protects you if they make a costly mistake. Professional bodies usually require it.

Expect to be asked for ID. Money-laundering rules mean professionals must check who new clients are. One who skips the checks is a warning sign, not a favour.

4. Questions to ask before you hire

- Which professional body do you belong to, and who supervises you for money laundering?
- Do you have professional indemnity insurance?
- Do you work with people like me, such as tradespeople, landlords or online sellers?
- What exactly does the fee cover? Is it fixed or by the hour, and what costs extra?
- Who will actually do my work, and how quickly do you usually reply?
- Which software do you use, and are you ready for Making Tax Digital?
- Will I get an **engagement letter** setting out what you'll do?
- How do you handle complaints, and what happens if you're ill or retire?

5. Warning signs

- **Asks for your HMRC login.** A proper **agent** gets permission through HMRC's agent services, so they never need your password.
- **No engagement letter** or clear agreement about fees.
- **No ID checks** on you as a new client.
- **Promises big refunds**, or schemes that sound too good to be true.
- **Takes a percentage of a refund as the fee**, especially for claims you don't understand.
- **Pressure to sign up quickly**, or vague answers about qualifications or membership.
- **Beware of scams.** HMRC never texts or emails you about a refund or asks for your bank details.

6. Finding someone

Personal recommendations are a good start, but check qualifications whoever recommends them. These directories help you find and check people:

- **Chartered accountants:** ICAEW *(link 6)* and ACCA *(link 7)*. ICB and ATT also have find-a-member searches on their websites.
- **Licensed accountants and bookkeepers:** AAT *(link 8)*.
- **Tax advisers:** the Chartered Institute of Taxation's guide to choosing one *(link 2)*.
- **Solicitors:** the Law Society's Find a Solicitor *(link 9)*.
- **Can't afford to pay for help?** TaxAid is a charity that gives free, private tax help to people on low incomes *(link 10)*.

About us: MRS Bookkeeping is a bookkeeping practice. It is supervised by HMRC for anti-money-laundering purposes and is a registered HMRC agent. This sheet is written to be even-handed, so please use it to check us too.

Words explained

Bookkeeper: Someone who keeps a business's money records up to date.

Accountant: Someone who prepares accounts and tax returns and gives financial advice.

Chartered: A protected title. Only qualified members of certain professional bodies can use it.

Tax adviser: Someone who gives advice on tax, often on more complicated problems.

Solicitor: A qualified, regulated lawyer.

Will writer: Someone who prepares wills but isn't usually a lawyer.

Professional body: An organisation that sets standards for its members and deals with complaints about them.

Anti-money-laundering supervision: Checks by a professional body or HMRC to stop criminals using advisers to hide money.

Professional indemnity insurance: Insurance that pays out if a professional's mistake costs you money.

Engagement letter: A written agreement setting out what an adviser will do and what it costs.

Agent: Someone, such as a bookkeeper or accountant, that HMRC lets deal with your tax for you.

Lasting power of attorney: A legal document letting someone you trust make decisions for you if you can't.

Useful links

1. Beware advice from an unqualified accountant (British Business Bank): https://www.british-business-bank.co.uk/business-guidance/guidance-articles/finance/beware-advice-from-unqualified-accountant
2. Choosing a tax adviser (Chartered Institute of Taxation): https://www.tax.org.uk/choosing-a-tax-adviser
3. Will writing (Law Society): https://communities.lawsociety.org.uk/february-2026/professional-benefits/6003646.article
4. Money Laundering Regulations: who needs to register: https://www.gov.uk/guidance/money-laundering-regulations-who-needs-to-register
5. HMRC's money-laundering supervision register: https://www.gov.uk/guidance/money-laundering-regulations-supervised-business-register
6. Find a chartered accountant (ICAEW): https://find.icaew.com/
7. Find an ACCA accountancy firm: https://www.accaglobal.com/gb/en/member/find-an-accountant/find-firm.html
8. Find an AAT licensed accountant or bookkeeper: https://www.aat.org.uk/businesses-employers/find-accountant-bookkeeper
9. Find a Solicitor (Law Society): https://solicitors.lawsociety.org.uk
10. TaxAid: https://taxaid.org.uk/about-us

Prepared by **Martin Schmalenbach, MRS Bookkeeping**, Dolton, Devon · **T:** 07427 931179 · **E:** martin@mrsbookkeeping.co.uk