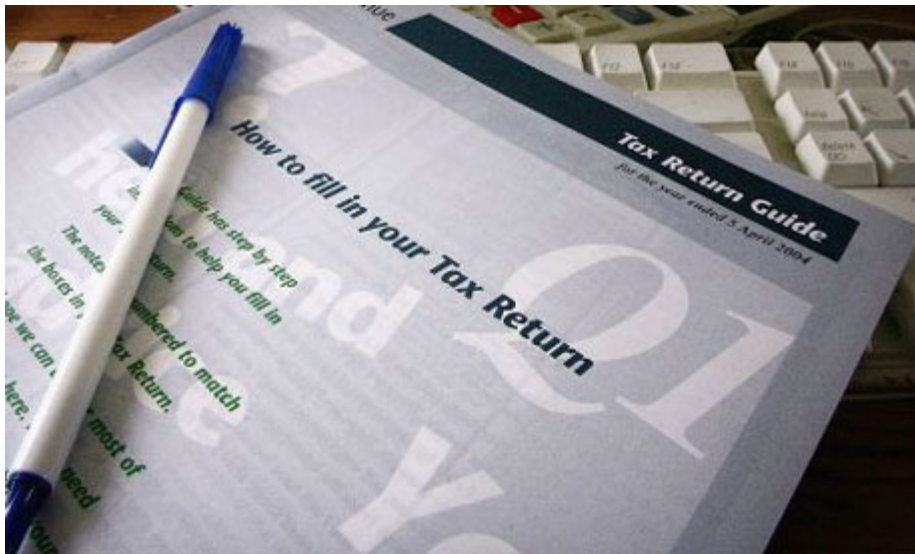


<https://uk-taxreturn.co.uk/index.php/tax-guide-for-self-employed-driving-instructors/>

Tax guide for self employed Driving Instructors

Self assessment tax return help for Driving Instructors

How do I register? / What expenses and allowances am I allowed to claim?/ Is it difficult completing a tax return online?/ How much tax will I have to pay?



These are important questions. This guide sets out the basics for getting your tax affairs in order and filling in your self-assessment tax return.

Tax penalties were increased last year, so filing your tax return promptly and getting it right first time is more important than ever.

TAX RETURN GUIDE FOR DRIVING INSTRUCTORS

Registering with HM Revenue & Customs

Selecting the right form

If you believe you need to complete a tax return, you must inform HM Revenue & Customs (HMRC). There are mainly two forms to use; selecting the right one will depend on your reasons for needing a return:

- If you're newly self-employed, click on the link below.

<https://www.gov.uk/log-in-file-self-assessment-tax-return/register-if-youre-self-employed>

Most HMRC registrations can now be done online on their website..

The information required in these forms is fairly straightforward, such as full name, date of birth and address. You will also need your National Insurance number.

If you're registering as self-employed, you will also need to provide details about your self-employment, such as when you started, your address, the nature of your work, etc.

If you're completing the registration process using paper forms, the address that you need to send them to once complete can be found on the form. You should always keep a copy of the form and note the date that you sent it.

What next

HMRC will send you a confirmation of registration and provide you with your unique taxpayer's reference, or UTR. This is a unique reference for your tax affairs. You should quote this on any payments you make or any correspondence to HMRC. They will also ask you for this or your National Insurance number if you ever phone them with a query.

The basics of the tax return

A tax return should disclose your taxable income and gains for the relevant tax year. A tax year starts on 6 April and ends on the following 5 April. Also note that all of your taxable income and gains must be declared on a tax return – even if they have been taxed before you received them (or 'taxed at source'), such as employment income or bank interest.

Submitting the tax return

Following the end of the tax year, tax returns must be submitted to HMRC. You can submit your return on paper; this must be done by 31 October following the end of the tax year. Alternatively, you may choose to file your return online, in which case the deadline is extended to the 31 January, following the end of the tax year.

Failing to file your return on time will result in an automatic £100 fine, with further penalties depending on the length of delay. Last year, the penalty rules changed. Previously, if the tax you had to pay on 31 January was less than £100, then your penalty would be reduced to whatever was owed. But this has been scrapped and the £100 penalty is now fixed and automatic.

Paying any tax due

Any tax you owe must be paid by or on the 31 January following the end of the tax year. There are a number of ways you can pay HMRC, such as Direct Debit, Bank Giro, online banking etc.

As mentioned above, income that has already been taxed must still be declared on your tax return. However, the tax already paid at source will be deducted before arriving at the final tax bill.

Be aware that if your tax liability is over £1,000 or not much of your tax is collected at source, you may be required to make an instalment for next year's tax as well on 31 January. Again, delaying paying HMRC could cost you interest and late payment penalties.

Record-keeping

There are varying lengths that a Driving Instructor should keep its documents for, for different areas of tax. However, six years is the longest of them all, so it would be best practice to stick to this time frame.

HMRC is not very precise about the format of records a business should keep. They are indifferent as to whether a trader should use a manual cashbook or sophisticated bookkeeping programme. Many of our clients simply add up their receipts and enter their transactions directly on to our online forms which are used by us to complete their tax returns, some upload their spreadsheets to their own client login on our website.

When starting out, you may want to begin with simple spreadsheets, a basic record of income and expenses or a cashbook and very quickly you should be able to identify what format your business needs its records in.

Claiming business expenses

Below is a comprehensive list of the most common expenses Driving Instructors can claim.

Vehicle running costs

Fuel

Repairs & Maintenance

Road tax, insurance & MOT

Cleaning vehicle

Parking & Tolls

Other expenses include

Telephone & Mobile Phone

- Internet
- Advertising
- Postage & stationery
- Fares & Travelling expenses
- Use of home as office
- Franchise fees
- Computer consumables
- Continuing professional training (But not initial training fees to become an instructor. See note below)
- Bank charges on business account
- Accountancy fees

- Wages (See notes below)
- Other sundry items

Please Note : If you use your vehicle for your own personal use then you need to factor this in when any expenses are claimed. For example if you calculate that you use your vehicle 20% of the time for personal or family use, then you would need to reduce any relevant vehicle running expenses by 20%.

CAPITAL ALLOWANCES

If the car has dual controls it may qualify for 100% Annual Investment Allowance claim, if this is the case you can claim up to the full cost of the price in the year of purchase – adjusted for reasonable private use.

If the car does not have dual controls the rates are as set out below.

New and unused, CO2 emissions are 50g/km or less (or car is electric) 100%. New and unused, CO2 emissions are between 50g/km and 110g/km 18%. Second hand, CO2 emissions are 110g/km or less (or car is electric) 18%. New or second hand, CO2 emissions are above 110g/km 6%

All claims need to be adjusted for private use as appropriate.

If you have any other assets that you bought specifically for your work you may also be able to claim capital allowances for them too.

NOTES ON EXPENSES

Training

There are harsh rules about what training costs can be offset for tax purposes if they are for the proprietor. Unfortunately the initial training fees to become a qualified Driving Instructor are not allowable.

Pre-owned assets

If you transfer a personal, pre-owned asset to the business, you may be able to obtain tax relief for it.

Family wages

Family wages has long been an area of abuse by individuals, so the rules regarding wages paid to family members have tightened. You may still pay family members wages, but they must actually be doing some work for the business and their wages be physically paid – ie HMRC will want to see a bank payment or receipt of cash paid to them. Furthermore, you should still consider national minimum wage rules, young workers regulations, and tax and national insurance implications etc.

Conclusion

Starting out in business and completing your first tax return can be pretty daunting. As you can see, from registration with HMRC through to completing your tax return can be a lengthy and complex area.

A tax advisor or accountant could deal with all of this process for you, and although you do not need either of these to deal with your own affairs, there can be real benefits in using a professional.

Firstly, a professional should ensure that you comply with legislation and HMRC guidance. Cutting corners can save you money in the short-term, but could be costly in the long-term if you were to incur penalties for one reason or another.

Furthermore, a good tax professional should be able to save you tax. They may review your affairs, and identify areas in which changes can be made in order for your affairs to become more tax efficient.

KWA tax returns online – Our service

The thought of having to complete a Tax Return can be quite a daunting task as well as time consuming. For just **£130** (after tax relief £104) we can prepare and file your Tax Return for you without any fuss. Simply provide us with the information we ask for then leave the rest to us.

Disclaimer

This article is intended to inform rather than advise and is based on legislation and practice at the time. Taxpayers' circumstances do vary and if you feel that the information provided is beneficial it is important that you seek professional advice before implementing.. If you take, or do not take action as a result of reading this article, we will accept no responsibility for any financial loss incurred.