Fearless FINANCIALS

Completing Your Self Assessment:
A Fearless How-To Guide

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Introduction

When you're self-employed, tax returns might feel overwhelming. Kind of in the name, "Sole Trader", it can feel as if you've got to work out a lot of important details by yourself. Further still, if you're a creative business owner, you're likely haunted by the notion you're not very good with numbers.

Firstly, if that's you, go ahead and read this blog on smashing that perception before you go any further. You owe it to yourself.

Done that? Grand. Now, let's get stuck in!

What is Self Assessment?

Self Assessment is the system used by HMRC to collect income tax from self-employed people (sole traders). It also applies to people who receive other untaxed income in the UK, like dividends from your own company, dividends from other companies and income from property.

For this guide, we're going to make the assumption you're:

- A sole trader. You may have some PAYE income on the side, or you've received income before you started self-employment
- Earning under £85,000 in income over 12 months, this is the VAT registration threshold
- Doing your Self Assessment on a cash basis (more on this later)

Looking ahead: Making Tax Digital is coming!

From April 2026, if your self-employment and/or property income is over £50,000, you'll need to use digital record-keeping and submit quarterly updates.

Even if you're not affected immediately, now's a great time to start building good digital habits. Using accounting software like FreeAgent (free with some business bank accounts) or Xero makes your self-assessment easier - and they're MTD-ready when you need them.

When should I do my Self Assessment?

It's never too early to begin preparing your Self Assessment.The submission and payment deadline for the 2024/25 tax year is 31st January 2026. Whatever the tax year, we'll always recommend **starting the process as soon as possible after the tax year ends in April and by November at the latest.**

Here's why:

- December's a hectic month. January's best spent planning for the new year, not scrambling for receipts and risking penalties for late submission.
- Getting it squared away early eliminates the stress of looming deadlines.
- You can break your tax task-list into chunks. It won't be overwhelming.
- You can take your time! You can be as detailed as possible and reduce chances of human error.
- You're likely to save yourself money because you have time to dig into every nook and cranny.
- You have time to save for the tax bill if you don't have enough squirelled away already.

The very first step is to make sure you can actually sign in to HMRC's Self Assessment services. If you already have those things in place, you can jump to Stage 2.

Important
The following information is general guidance, not tailored tax advice. If you have any specific questions about your Self Assessment, we'd be more than happy to help. Our contact details are at the end of this guide.

Step 1. Accessing Self Assessment online

You'll need a Government Gateway ID, your Unique Taxpayer Reference (UTR), an activation code and you have to register for Self Assessment services.

01

Government Gateway ID

You can register for your Government Gateway ID by following these steps. You will get a 12 character ID number emailed to you and you will set your password. Keep these safe (we recommend using a password manager for this such as Lastpass).

02

Register for Self-assessment here

This is where you (or your accountant) will file your tax return. Give yourself plenty of time to complete this step! You'll need an activation code which HMRC only sends by post and can take 2 weeks to arrive (7-10 working days).

03

Your UTR

HMRC gives a different reference number to every Self Assessment taxpayer so they can keep track of their tax records. Once you've got this number, it stays with you (just like your National Insurance (NI) number). Your UTR is a 10 digit number and will be sent to you by letter.

Step 2. Hunt and Gather

So you get the most accurate numbers (and therefore the most accurate tax owed), you'll need the following records for your self-employed work.

Bank statements If you are not already using digital bookkeeping/accounting software (see below), then make sure you download all statements from the debit and credit card accounts used for the business.

Sales Invoices Find the invoices you have sent for work you've completed, and when they have been paid. If you're using cash basis only, count those that you've been paid for within the tax year you're filing. Here's a [description](#) of what cash basis means.

Grant / funding letters These are needed to demonstrate the period and activities the funding covers, especially if you receive funding in advance which hasn't been all spent in one tax year. The funding letter and budget can help prove that you can split the income over more than one year.

Mileage If you do a lot of business travel and you don't use a mileage app (like [driversnote](#)) then you need a record of distance travelled, evidence and accompanying receipts.
Mileage is claimed at 45p/mile for the first 10,000. Beyond that, it's 25p/mile.

Digital receipts You have to keep a record of all receipts in the instance HMRC asks to see them. The easiest way is with apps and software. If you're using bookkeeping software or digital banking, it's likely you can attach a photo or digital copy of receipts to specific transactions. If you use Monzo or Starling you can assign the receipt to a transaction. As an extra measure, back them up to Google Drive. With software like FreeAgent or Xero, you can email receipts. They'll show up on the platform.

We'll always recommend going digital. However, if you use hardcopies, separate them into months before going any further! Remember to download any online purchases or emailed store receipts too (this includes platforms like Amazon where order invoices will be saved to your online account).

Keep any emailed business expenses in a folder titled "receipts" in your inbox.

Cash book (if applicable) If you are a cash based business then HMRC sees you as a higher risk as cash is harder to track than digital payments. If you've got a numbered receipt book that's a good way to prove that you have reported all your income. This might apply for yoga teachers, musicians, performers etc.

We really encourage the use of cloud-based digital accounting software like [FreeAgent] or, if your business is more complicated, [Xero]. They are phenomenally useful tools for creative business owners, helping you stay on top of your transactions as they come in, instead of frantically rifling through bags of receipts as the deadline creeps up.

If you have a business bank account with RBS or Natwest (including their free digital bank, [Mettle]) you can get FreeAgent for free - and it's MTD-ready for when you need it! This is our top recommendation for sole traders.

Important
You need to keep all records for 7 years! HMRC reserves the right to ask about any given tax year within that time frame.

Tip for next year
Go digital and get FreeAgent! It's hands down one of the best things you'll do for your business and gets you ready for MTD.

Employment Records

If you're actively employed as well as self-employed and paid through PAYE, you'll need your P60 for your Self Assessment. You'll receive one every April or May. Your P60 tells you how much your take home income and tax was for each year from an individual employer.

If you left a job during the tax year, you'll need your P45. This should have been sent to you soon after you left the position.

You'll need either of these forms for every employer you've had during the previous tax year. Sometimes, but not always, HMRC automatically inputs the information from these forms into your Self Assessment. Even if the information is there, we recommend checking it to your records.

Step 3. Money, money, money

It's always more impressive to HMRC if you've actually got a system. It tells them, "these are the proactive steps I took to maintain accuracy", meaning if you make a mistake, the consequences are likely lower as you tried to do it right versus higher fines etc for fraudulent activity.

After you've gathered your documents together, it's time to go through your bank account. You need to work out what came in, what went out, and categorise your transactions.

Although we will always recommend going digital due to MTD, here's a way you can do it through Excel (or similar).

Categories for income

- Collect all of your bank, cash and PayPal statements and transactions into one place
- Download them to Excel (if you don't have a digital system already)
- Categorise each line in your bank statement
  - Note the type of income (sales, grant, loan etc)
  - Note the source (bank transfer, PayPal, cash book)
  - Note the date of when you received it
  - Note where it went

Example

£250	Sales	PayPal	Bank account	20th August 2024
£400	Sales	J. Smith	Cash book	21th August 2024

Categories for expenses

- Filter your workbook for expenses and categorise each line
  - Note the type of expense (what it is)
  - Note the source (who you paid)
  - Note how you paid it
  - Note your evidence of payment
  - Note the date of when you paid it

Example

Amount	Type of expense	Paid to	How I paid	Evidence	Date received
£49.99	Internet	Virgin Media	DD bank account	12 month contract	12th February 2024
£300	Ingredients	Bagel&Co	Bank transfer	Emailed invoice	10th May 2024

Grants

We work with a lot of creatives who have been given project grants, which are classed as taxable income by HMRC. A grant isn't designed to be profitable, it's meant to facilitate the function of your business, purely to cover your operational costs.

The thing is, if you have received a grant during one tax year, but haven't spent it all because it's meant to pay for things beyond that same tax year, it will look like income on your return. In this instance, completing your tax return on an accrual basis might work better for you. Reach out to us and we'll help you work that through.

Tip for next year

Always have a separate account for your business. It will be so much easier when it comes to monitoring transactions. It doesn't need to be a business account if you're a sole trader, legally you're not required to have one.
Even better, nowadays there are loads of digital banks (like Mettle) that can help you categorise what you spend!

Step 4. Can You Claim It?

After you've had a few days off from the nitty gritty of Step 4, it's time to work out how much you can take off your tax bill. This means you need to add up all of the claimable expenses to come to one number that will be deducted from tax owed.

Whilst not a full scale list, there are 10 line items you can usually claim on your Self Assessment Tax Return. Remember, this isn't tailored advice, and there might be further tax breaks available to you that we can implement.

The 10 main allowable expenses

1.Cost of goods bought for resale or goods used

2. Car, van, and travel expenses

You can only expense travel (mileage, train tickets etc) if it's a location you don't travel to regularly. If, for example, you're contracted to work for someone for 3 months, you can't claim. In terms of attaching any personal use onto a business trip, HMRC are particularly hot on this. You can only claim for the portion of the trip that was for business. You can't choose to stay an additional night to see some friends, that would fall under personal use. If you're going by car, you can assign 0.45p/mileage for under the first 10,000 miles. Unfortunately sole traders can't claim for cycling!

3. Wages, salaries and other costs

4. Rent, rates, power & insurance costs

Working from home is extremely common these days. This [brilliant guide] from FreeAgent will help work out how much you can reasonably claim.

5. Repairs and maintenance of property and equipment

6. Accountancy, legal and other professional fees

So you know, some professional services like Xero, PayPal or Stripe, don't fall under this category. They fall under "other allowable expenses". Unfortunately, nowadays you can't charge for accounting services (although you will save on tax by using their services).

7. Interest and financial charges for bank and credit cards

8. Telephone, fax (!), stationery and office costs

If you use your phone for 40% business use, you can claim for 40% of every monthly phone bill. You should have a record of how you can justify the business usage of the phone e.g. data needed for social media and emails on the go.

9. Set up costs

If you incurred any costs before your first sale as a business, you can claim for this! Think research on competitors, renting a studio for a month before you went "live", buying materials .. it can add up.

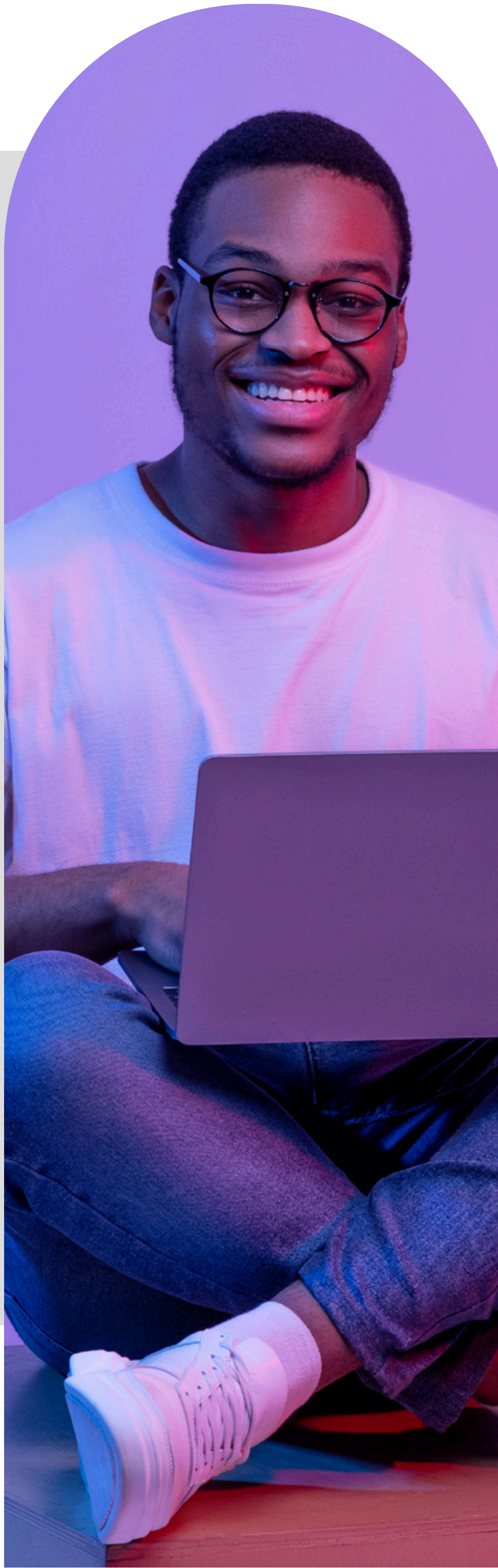
10. Other allowable expenses (client entertainment is not an allowable expense)

You can spend your business's cash on entertainment, but you can't claim for it. Contrary to what a lot of people might tell you down the pub...it's not claimable, even if you happen to discuss business.

Step 5. Check Your Details

You'll need to find your P60/P45 for each employer, your National Insurance (NI) number and your Unique Taxpayer Reference (UTR).

Now log in. Take some time to look around, then check and confirm the following details:



- **Section 2.** Are your details correct and up-to-date? e.g. your name, address, NI number and your UTR.
- Is your taxpayer status correct? e.g. are you a Scottish taxpayer in the 24/25 tax year? See here for guidance on how to change if incorrect.
- Is your marital status and whether you're repaying student loan/s correct?
- Are the details of your student loan repayments through employers correct?
- Are redundancy payments noted (if applicable)? You may need to check with HMRC or an accountant if you're not sure what you need declare.
- **Section 3.** Select the types of income you've received for 24/25.
- Decide if you want to transfer 10% of your income to your spouse/civil partner. Click here if your income was less than £12,570 in 24/25.
- **Section 4.** Confirm what period your accounts cover e.g. 6 April 2024 to 5 April 2025 or, if you prefer full months, 1 April 2024 to 31 March 2025.
- Tell HMRC whether you're using cash basis or accrual basis* and put in the period.

*Cash basis means you do your accounts based on money coming in and money going out. Accrual basis means you make adjustments due to things you were expected to be billed for but haven't been billed for (or paid for) yet. In the start-up phase, cash basis is by far the easiest option.

Step 6. Complete Your Return!

Important
The personal allowance of £12,570 will either be used in your employment or self-employment. It is only used once. If you've made more than that from your employment alone, you'll be taxed at 20% from £1 profit onwards.

If you've followed this step-by-step process, by this point you'll have:

- Calculated the money that came in and went out (Stage 3)
- Established the total claimable amount (Stage 4)
- Input all important information (outlined in Stage 5)

Using all of the data you've collected from Stages 3 and 4, you can now fill out the Self Assessment section! It will then calculate how much you owe.

The calculations

Put simply, it's the total income made during that tax year (any employment or other taxable income plus your profit from your self-employment) minus total claimable deductions.

They tax you on the total.

- Once you're over the personal allowance, tax is charged in bands. Each band has a different rate. Scotland has 6 bands ranging from 19% to 48% for 24/25. The rest of the UK has 3, ranging from 20% to 45%. Higher rates kick in at £43,663 in Scotland (42%+) and £50,271 for the rest of the UK (40%+). Once you get to higher rates, you really need to be a Ltd Company and talk to an accountant!

- If your self-employed profits are over £12,570, you will also pay Class 2 NI of £3.45 per week and Class 4 NI of 9% of profits over £12,570.

- If you have a student loan, repayments might be added depending on if you're over the threshold.

Example

SCOTLAND								
	23/24				24/25			
	Band	Rate		Max tax in band	Band	Rate		Max tax in band
Personal Allowance	£12,570	0		£0.00	£12,570	0		£0.00
Starter	£14,732	19%	£2,162.00	£410.78	£14,876	19%	£2,306.00	£438.14
Basic	£25,688	20%	£10,956.00	£2,191.20	£26,561	20%	£11,685.00	£2,337.00
Intermediate	£43,662	21%	£17,974.00	£3,774.54	£43,662	21%	£17,101.00	£3,591.21
Higher	£125,140	42%	£81,478.00	£34,220.76	£75,000	42%	£31,338.00	£13,161.96
Advanced					£125,140	45%	£50,140.00	£22,563.00
Top		47%				48%		

REST OF UK						
	23/24			24/25		
	Band	Rate	Max tax in band	Band	Rate	Max tax in band
Personal Allowance	£12,570	0	£0.00	£12,570	0	£0.00
Starter	£0	0%	£0.00	£0	0%	£0.00
Basic	£50,270	20%	£10,054.00	£26,561	20%	£5,312.20
Intermediate		0%	£0.00		0%	£0.00
Higher	£125,140	40%	£50,056.00	£125,140	40%	£50,056.00
Advanced					0%	
Top		45%			45%	

Get in Touch

As a sole trader, doing your own Self Assessment is totally doable. Let's face it, if you have the guts and know-how to start your own business, you sure as heck have it in you to complete your tax return!

How difficult the process is depends on your preparation on the run up to filing. In particular:

1. Your systems
2. When you start
3. Setting money to the side to pay your bill

Focus on these three things and you'll be smugly tucked up and in bed, sleeping peacefully, come tax season.

Need some more information?

For a handy self-assessment checklist to bring you peace of mind

Click here

For an accountant who champions small, creative businesses by doing most of this tax stuff for you.

Fill out our form

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