



UK Income Tax for Authors

AVOID COSTLY ERRORS

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Jasmine Wallace

Who am I?



- UK Licensed Solicitor (Qualified 2021)
 - Specialising in Tax
 - Income; Capital Gains; and Inheritance Tax
 - Practising since 2015
- Working within the legal industry helping private clients with tax planning for nearly a decade by day
- Author of Dark Paranormal Romances by night
 - Series: Demons of the Apocalypse
- I like to help where I can!



Disclosure



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It may seem silly, but if I don't say it, I'm not a good solicitor!

- I am a qualified solicitor, but I am not your solicitor. You have to pay me for that!
- I am qualified in England and Wales. This is important as Scotland and Northern Ireland have very different tax laws from the rest of the UK. If you are in Scotland or NI please discuss your situation with someone qualified in your locality.
- All information and advice provided during this presentation is for information purposes only and may not be accurate to your situation. If you require specific advice, please contact a local tax specialist, either a solicitor or IFA, to assess your individual needs with you.
- You should not rely on anything discussed today as it is all generic to UK Income tax and certain tax thresholds and benefits differ person to person depending on your resident and other tax status.
- TAX LAWS CHANGE – anything said today may change after the upcoming elections, so please keep that in mind!



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Income tax in the UK

Current Rates and Allowances

- Personal Allowance: £12,570 (No Tax)
- Basic Rate:
 - £12,571 to £50,270
 - 20% tax rate
- Higher Rate
 - £50,271 to £ 125,140
 - 40% tax rate
- Additional Rate
 - Over £125,140
 - 45% tax rate

If you are employed you will have a tax code

- This determines your personal allowance for income earned in that employment
- Multiple employments affect your allowance and you may have a lower allowance than the national average
- Current standard tax code is 1257L (or C1257L if resident in Wales)
 - The L means you are entitled to the standard tax free allowance
 - Different letters mean different benefits or deductions so watch out for this.

There are additional tax free allowances for savings interest and dividend income

Sole Trader



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Trading Allowance

- This probably the most important for you!
- The first £1,000 of income earned from self-employment is tax free
 - THIS INCLUDES YOUR ROYALITIES!

If you work for your self you are classed as a Sole-Trader

This includes if you are employed contractually elsewhere but run a side hustle such as writing by yourself

Watch out!

- This also includes if you create online content, for example on social media, and commissions you may earn from interactions online



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Sole Trader

National Insurance

- A sole trader will become liable for Class 2 and Class 4 National Insurance Contributions depending on profits earned in a single year

Class 2

- If your profits or royalties are £6,725 or more a year

Class 4

- If your profits or royalties are less than £6,725 a year



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Limited Companies

It's not common within the UK, but you could set up a **Limited Company**

If you form a limited company, its finances are separate from your personal finances, but there are more reporting and management responsibilities.

You could get help from a professional, such as an accountant, to set up the company but you can set it up yourself.

These are formed as either a company that is:

Limited by Shares

- usually business that make a profit

OR

Limited by Guarantee

- usually 'not for profit'

Uncommon for authors, unless you are setting up a publishing company.



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Deductions and Reliefs

DEDUCTIONS

Any business, sole trader or limited company, has expenses and various running costs.

You can deduct some of these costs to work out your taxable profit as long as they are allowable expenses

You cannot claim expenses if you use your Trading Allowance

RELIEFS

A relief is not a deduction, but rather a return of tax paid on something bought for your business

➤ You might be able to claim tax relief if:

- You use your own money for things that you must buy for your job
- You only use these things for your work

You will get tax relief based on what you spent and the rate at which you pay tax



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VAT on Services

VALUE ADDED TAX

Sales tax charged by VAT Registered traders when selling goods or services

‘Output Tax’ – when you charge VAT on things you sell

‘Input Tax’ – when you pay VAT on things you buy

VAT Registered traders benefit from being able to reclaim VAT paid on goods and services and also on excess input tax

CURRENT RATES OF VAT

Standard – 20%

Reduced – 5%

Zero rate – sale must still be recorded on your VAT return

You only need to register for VAT if you earn more than £90,000 in a 12 month period

Self Assessment



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If you submit your own self assessment (ie. Tax return) you can do this via online filing or via paper (Form SA100)

Online filing can be simpler and accounting/bookkeeping programs can help you complete this

You can also hire an accountant to file for you

Deadlines:

- Paper – 31 October
- Online – 31 January

Or 3 months after the date on your notice to complete a tax return if that's later

National Insurance contributions must be paid by 31 January

Penalty of £100 for late filing

Self Assessment

2 Self-employment

If you worked for yourself (on your 'own account' or in self-employment) in the year to 5 April 2024, read the notes to decide if you need to fill in the 'Self-employment' pages. You may not need to if this income is up to £1,000.

Do you need to fill in the 'Self-employment' pages?

Fill in a separate 'Self-employment' page for each business.

On each 'Self-employment' page you complete, enter any payments or expenses related to that business. Say how many businesses you had in the 'Number' box below. (Answer 'Yes' if you were a 'Name' at Lloyd's.)

Yes No Number



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HM Revenue
& Customs

Tax Return 2024

Tax year 6 April 2023 to 5 April 2024 (2023–24)

UTR
NINO
Employer reference

Date

HM Revenue and Customs office address

Issue address

Telephone

For
Reference

Your tax return

This notice requires you, by law, to make a return of your taxable income and capital gains, and any documents requested, for the year from 6 April 2023 to 5 April 2024

Deadlines

We must receive your tax return by these dates:

- if you're using a paper return – by 31 October 2024 (or 3 months after the date of this notice if that's later)
- if you're filing a return online – by 31 January 2025 (or 3 months after the date of this notice if that's later)

If your return is late you'll be charged a £100 penalty.

If your return is more than 3 months late, you'll be charged daily penalties of £10 a day.

If you pay late you'll be charged interest and a late payment penalty.

Most people file online

It's quick and easy to file online. Get started by typing www.gov.uk/log-in-file-self-assessment-tax-return into your internet browser address bar to go directly to our official website.

Do not use a search website to find HMRC services online.

If you have not sent a tax return online before, why not join the 92% of people who already do it online? It's easy, secure and available 24 hours a day and you can also sign up for email alerts and online messages to help you manage your tax affairs.

To file on paper, please fill in this form using the following rules:

- enter your figures in whole pounds – ignore the pence
- round down income and round up expenses and tax paid, it is to your benefit
- if a box does not apply, please leave it blank – do not strike through empty boxes or write anything else

Self Assessment



HM Revenue
& Customs

Self-employment (full)

Tax year 6 April 2023 to 5 April 2024 (2023–24)

Please read the 'Self-employment (full) notes' to check if you should use this page or the 'Self-employment (short)' page.
For help filling in this form, go to www.gov.uk/taxreturnforms and read the notes and helpsheets.

Your name	Your Unique Taxpayer Reference (UTR)
<input type="text"/>	<input type="text"/>

Business details

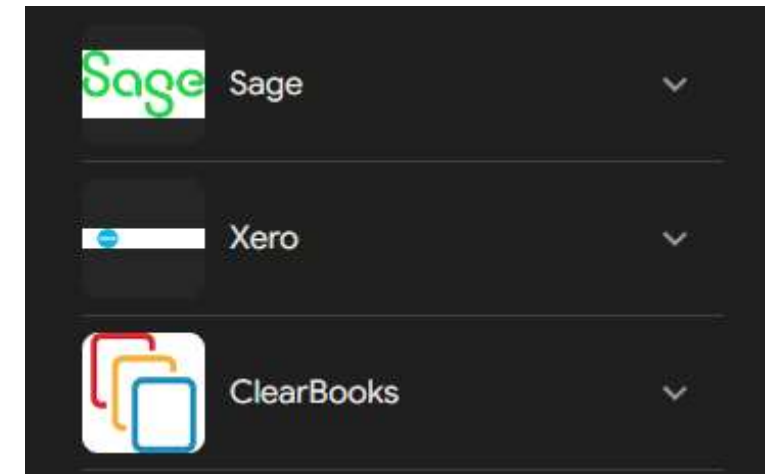
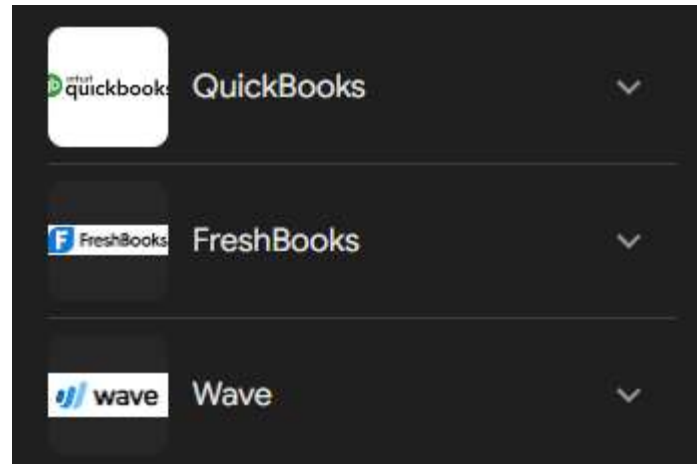
1 Business name – unless it's in your own name	6 If your business started after 5 April 2023, enter the start date DD MM YYYY
<input type="text"/>	<input type="text"/>
2 Description of business	7 If your business ceased after 5 April 2023 but before 6 April 2024, enter the final date of trading DD MM YYYY
<input type="text"/>	<input type="text"/>
3 First line of your business add from home	
<input type="text"/>	
4 Postcode of your business address	
<input type="text"/>	
5 If the details in boxes 1, 2, 3 or last 12 months, put 'X' in the box 'Any other information' box	
<input type="checkbox"/>	

Business expenses

Please read the 'Self-employment (full) notes' before filling in this section.

Total expenses	Disallowable expenses
If your annual turnover was below £85,000, you may just put your total expenses in box 31	Use this column if the figures in boxes 17 to 30 include disallowable amounts
17 Cost of goods bought for resale or goods used	32
<input type="text"/>	<input type="text"/>
18 Construction industry – payments to subcontractors	33
<input type="text"/>	<input type="text"/>
19 Wages, salaries and other staff costs	34
<input type="text"/>	<input type="text"/>
20 Car, van and travel expenses	35
<input type="text"/>	<input type="text"/>
21 Rent, rates, power and insurance costs	36
<input type="text"/>	<input type="text"/>
22 Repairs and maintenance of property and equipment	37
<input type="text"/>	<input type="text"/>

Bookkeeping Services





Thank you!

Any questions?



Jasmine Wallace