



Orange Genie
Contractor Management Outsourcing
Accountancy

Providing the professional, expert and specialist advice required to ensure contractors maximise their rewards and have peace of mind.



A CONTRACTOR'S GUIDE TO SELF-ASSESSMENT

This guide is designed for anyone who is a director of a limited company.

Not sure that you've got everything covered in your Self Assessment tax return? Orange Genie Accountancy has your back. We have produced a guide and checklist to walk you through the Self Assessment journey and help you stay on top of things.



Business
Partner

INVESTORS IN PEOPLE™
We invest in people Gold



KINGSBRIDGE
CONTRACTOR INSURANCE

CW | CONTRACTOR
WEALTH
freeagent

G850 V1.1 (01/22)

01296 468 483 | www.orangeenie.com | info@orangeenie.com



1. Getting started and getting registered

Self-Assessment is HMRC's method of collecting tax from self-employed people and company directors in the UK. Every year, business owners must file a return outlining their total income from the previous tax year, and pay any tax that they owe.

Here are the key dates for Self-Assessment for the 2020/21 tax return and the current tax year:

Self-Assessment tax year This is the period you are filing the tax return for	6th April 2020 - 5th April 2021
Current tax year	6th April 2021 - 5th April 2022
20/21 Paper filing deadline	31st October 2021
20/21 Online filing deadline	31st January 2022
21/22 Paper filing deadline	31st October 2022
21/22 Online filing deadline	31st January 2023

Do I need a Self-Assessment tax return?

Are you registered as a director of a Limited company with Companies House?

☐ Yes ☐ No

Were you a company director at any point during the period 6th April 2020 to 5th April 2021?

☐ Yes ☐ No

If you've answered yes to either of these questions, you need to file a Self-Assessment tax return by 31st January 2022.

If you do need to file and fail to do so before the deadline, you'll be fined at least £100 by HMRC.

You don't need to file a Self-Assessment tax return (unless HMRC explicitly asked you to) if you're a director of a company that's a non-profit organisation (e.g. a charity) and the company is not paying you any money.

There may be other reasons to file and HMRC provide guidance on this:

<https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return>

What returns need to be filed?

Each director must file a tax return for him/herself, which will show his/her income from the company in the form of salary and dividends along with any other sources of income they may have.

The company must also file a Corporation Tax return - but the timescale and deadline for Corporation Tax returns is different and not part of this checklist.

Registering for Self-Assessment

As a company director you need to register for Self-Assessment, but don't worry, as a client of Orange Genie Accountancy, we will make sure this is done.

Once you are registered, HMRC will send you a letter that contains your 10-digit Unique Tax Reference, or UTR - and when you have that, we can register as your agent with HMRC to act on your behalf.

Your final checklist:

- You have confirmed that you need to file a tax return for the period 6th April 2020 to 5 April 2021
- You have registered for Self – Assessment with HMRC
- You have authorised Orange Genie Accountancy to be your agent for Self-Assessment
- You have a Unique Taxpayer Reference (UTR)



2. What income should I include in my tax return?

As a Limited company director, the company will pay you one or more kinds of income. All sources of income must be reported on your own Self-Assessment tax return:

Salary

If you're the director of a company and you have registered as an employer with HMRC, you may receive a salary from your company.

You're taxed on salary that was due to you in the tax year, regardless of whether the company actually paid it to you. We will also need to include any benefits on kind reported on your P11d.

Do you need to report salary?

☐ Yes ☐ No

Do you need to report any benefits in kind?

☐ Yes ☐ No

Dividends

If you own shares in a company, then you may receive dividend income. Whilst the first £2,000 of dividends are tax free you need to report this income on your self-assessment.

If you took money out of the company to pay yourself any dividends between 6th April 2020 and 5th April 2021 you should include these dividends on your tax return.

Did you receive dividends on your shares?

☐ Yes ☐ No

If the company is paying you back money that you lent it (that is, you're taking money from your director's loan account), then as long as you don't take out more than you are owed, there are no tax consequences and you don't have to put that money on your tax return.

Reporting your income

Orange Genie Accountancy will have information with regards to your salary and dividends taken from your Limited company as long as your FreeAgent records are up to date.

You will need to tell us about other income sources outside of the company that we are not aware of. We will cover this in section 3

Your final checklist:

- Make sure you know your salary for the period 6th April 2020 to 5th April 2021
- Add up your dividends for the same period





3. Other income

Your Self-Assessment tax return must report all of your income, not just that from your Limited company. This section will walk you through the most common types of other income that you should consider, but if you are not sure if you need to report or not, ask your accountant.

We will ask all clients to complete a Self-Assessment questionnaire to ensure we have full disclosure of all income

What other income do I need to declare?

Rental Income

If you own a property that you let out you will need to declare the rental profits for the period 6 April 2020 to 5 April 2021.

You will need to let us know the details of the rent received and any allowable expenses that you have incurred in letting the property. Ask your accountant if you are not sure what can be claimed.

We will also need to understand if you own 100% of the property or if it is jointly owned?

Self Employed Income

If you have earned any income on a self employed basis, outside of your Limited company, these profits will need to be reported. Orange Genie Accountancy can advise on what is tax allowable and what is not.

Bank interest and taxes

At the end of the tax year your bank will usually send you a certificate showing how much interest you've received on any personal accounts.

Collect bank interest and tax information from:

- Personal accounts owned just by you
- Personal joint accounts - apportion the interest and tax for joint accounts

We will need details of this income, via the questionnaire to ensure that the correct tax is paid.

Don't include:

- ISAs - they are already tax free
- Interest on the Limited company's bank account(s) - this will go on the company's Corporation Tax return.

Shares, dividends and other income

Finally, you will need to let us know about any other income that you have received. Here's a list of common types of other income to consider:

- Dividends on any shares you own in companies other than yours. Count any dividends received between 6th April 2020 and 5th April 2021. Let us know if these come from UK or foreign based companies.
- Income from a trust.

Allowable claims

We want to make sure you are not paying more tax than you need to, so we will also want to know about your pension contributions and charitable donations. Our annual questionnaire will collect all this data.



Your final checklist:

- If you have a second job, have your employment forms P60 and P11D to hand.
- Collect bank interest certificates for all of your bank accounts, apart from the limited company's business account(s).
- Add up any other income that you may have, like shares or rental profit.
- Complete the Orange Genie Accountancy questionnaire to let us know about any other income and allowances you may have
<https://www.orangeenie.com/tax-return-questionnaire>



4. Filing

Once we have collected all the information to fill in your tax return, we will send you a draft copy for review, along with a letter explaining what you need to do and how to pay.

Remember - we cannot file your return until we have your approval!

Once approved, we will file the return through our software, directly with HMRC.

1. The filing deadline is 31st January 2022.
2. Don't leave filing till the last minute because HMRC's website gets very busy in the last few days of January.
3. If you file even one day late you will be fined £100!

How do I pay my tax?

We will let you know how much tax you need to pay. You won't be asked to pay when you file the return, you'll need to pay separately by personal bank transfer or another means. When you pay, make sure you enter your 10-digit Unique Tax Reference number in the reference field. We will provide details of how to pay.

Avoid interest and penalties by paying your tax and National Insurance by 31st January 2022. If your tax and NI bill is over £1,000, you may also have to make a payment on account on 31st July 2022.

Your final checklist:

- Provide Orange Genie Accountancy with all details for your return
- Review and approve your return as soon as you receive it from us
- Be ready to pay your tax and National Insurance to HMRC

CONTACT ORANGE GENIE TODAY

01296 468 485 | info@orangeenie.com