

Example Question and Response.

Question

A typical 300 character question.

"I am confused. How can you have 9 months to complete a tax return.....i started trading this month as self-employed, so do i file a tax return before 31st jan deadline this year or do i wait until next year and pay tax on 1st jan 2021 to 31st Dec 2021 trading/financial year ?? my guess would be i do it next year?"

Aidhan Response

We always break down the question to provide a focused response.

i started trading this month as self-employed

We received this question in January 2021, so we will assume this is when you started trading.

so do i file a tax return before 31st jan deadline this year

In relation to your self-employed trade, no you don't on the basis you only started trading in January 2021.

or do i wait until next year and pay tax on 1st jan 2021 to 31st dec 2021 trading/financial year

As a self-employed trade, you will need establish your 'basis period' and link it to the appropriate tax year.

Your accounting period to prepare you self-employed accounts is assumed to be the 1st January 2021 – 31st December 2021.

Responses are always in RED, and directly underneath the part of the question.

Allow me to explain:

Basis period 1 - For your situation, in the first year, your basis period will be from the point you start trading, the 1st January 2021 to the 5th April 2021. This basis period is assessed in the 2020-21 (6th Apr 20 – 5th Apr 21) tax year.

Basis period 2 - Will be from the 1st January 2021 – 31st December 2021. Any trading profits during this basis period are assessed in the 2021-22 (6th Apr 21 – 5th Apr 22) tax year.

You will see there is an overlap period between the 2 basis periods between the 1st January 2021 – 5th Apr 2021. This is normal and gets adjusted later on through what is known as overlap relief.

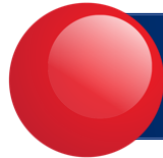
You will then need to do a self-assessment for the 2020-2021 tax year, by the 31st January 2022 (*latest – you can complete your return anytime between the 6th Apr 2021 and 31st January 2022*) And a self-assessment tax return for the 2021-22 tax year by the 31st January 2023, latest.

You should complete the 'self employed' section of the return.

As a recommendation, it is always easier to align your accounting period with the tax year period, in other words the 6th April – 5th Apr.

You can find out more here:

<https://www.gov.uk/government/publications/how-to-calculate-your-taxable-profits-hs222-self-assessment-helpsheet/hs222-how-to-calculate-your-taxable-profits-2017-5#your-basis-period>



If possible and relevant, we always aim to provide further depth from the relevant body or legislation.

How can you have 9 months to complete a tax return?

If the tax year is the 6th Apr 2021 – 5th Apr 2022 – a self assessment for this period needs to be done by the 31st January 2023 latest, so there are between 9-10 months to complete your return.

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Aidhan

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Response is always signed off by the qualified accountant and their designation