

# Newly self employed?

## Priya Kotecha offers up some essential tax advice for new associates

Congratulations, you have finished your VDP and are now ready to start working as an associate! Maybe you already have a position lined up and are looking forward to your first day, maybe you have already started or maybe you are taking a little time out before you start. Whatever the case may be, for most young dentists, this is the time to start self employment and registering with HMRC. But what do you do? How do you go about it? And what do you do to stay in HMRC's good books? Read on...

### Make yourself known

You must notify HMRC of the fact that you have become self employed. This is incredibly easy to do, but if you have already found yourself an accountant (and I would suggest you get one as soon as you start your self employment to avoid tears and unexpected tax bills later) he or she will most probably do that for you. If doing it yourself you will need your National Insurance number to hand. If you don't do this within three months of starting your self employment you will get a £100 penalty – so there is really no excuse for being late!



### Get organised!

By this stage, you should have appointed a dental accountant who will tell you exactly what you need to do, what you need to keep, how, and for how long. Once you know, it will be incredibly easy as it normally just involves getting a file going and making sure you put anything to do with your work into it (pay schedules, bank statements, etc).



### Get tax savvy!

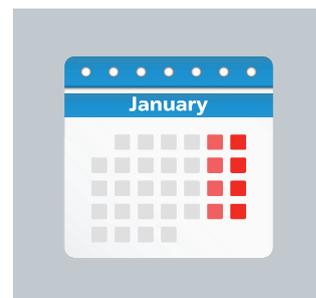
Sit down with your accountant to discuss what gets tax relief, what doesn't and any ways you may be able to (legitimately) pay less tax.

Based on your situation, your accountant should be able to let you know roughly how much you ought to be setting aside for your tax every month – helping to avoid heart attacks!



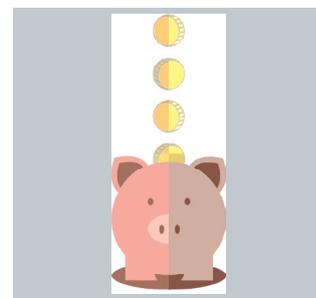
### Stay up to date

Your accountant will have told you when to send them your accounting records – make sure you send them on time as the sooner you send your records to your accountant, the sooner you will know how much your tax bill will be.



### Pay your National Insurance

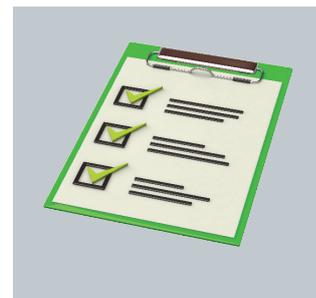
When you are self-employed you must pay class 2 National Insurance, which is currently £2.70 per week. HMRC will send you a bill for this starting from the date of your self employment commencing, so make sure you pay it by the due dates! You can ask to be exempted if your earnings from self employment are less than £5,725 per annum.



You also have to pay class 4 National Insurance but that will be collected with your income tax.

### Don't forget anything... ever!

Make sure your tax return includes all income sources as well as any pension contributions (including superannuation on which you get tax relief). It is also important to make sure it correctly discloses whether you have a student loan or not. If you have an income contingent student loan, repayments based on your income are automatically collected together with your tax. If you fail to disclose the fact that you have a student loan when you submit your tax return, HMRC will find out later and come back for the




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repayment, interest and penalties!

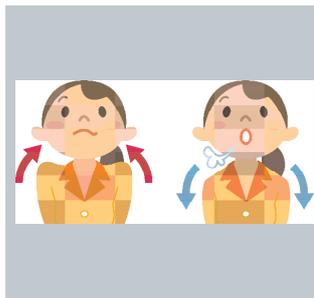
Once your tax return is submitted all that remains is the nasty business of paying your tax by the due dates (31 January and 31 July for self employed individuals). The easiest way to pay is online but make sure you quote your unique taxpayer reference as a reference for your payment. If you do not pay on time you will be charged interest and possibly penalties.

There are, of course, penalties for filing your tax return late as well, so make sure you're on time.

#### And breathe!

Once your first year of accounts and tax return is done and submitted it is time to sit down with your accountant and consider whether you might benefit from some other structure perhaps, such as a limited company. If most of your income is NHS and you pay into the superannuation scheme, this probably won't work for you, but if you have a high level of private income – it may well help, depending on your circumstances.

I don't much like HMRC's slogan of: 'Tax doesn't have to be taxing' but in this case, it is actually true!



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