

BOOKKEEPING FOR BEGINNERS

Accurate bookkeeping is essential business admin, so if you're new to the world of tax, here's our need-to-know guide and top tips to help you confidently manage your books.



European Union

European Regional Development Fund

WHAT DO I NEED TO RECORD?

For sole traders, you simply need to keep track of your income and expenses.

At the end of the financial year, you need to file a **self-assessment tax return** based on your income from your business.

The deadline for paying your tax bill is usually 31st January for the previous tax year.

For example, you need to file your April 2020 to April 2021 tax return in January 2022.

For VAT-registered businesses, you need to complete **VAT returns** and payments on a quarterly basis.

For businesses with employees, you need to calculate income tax and national insurance for your staff using **PAYE (Pay As You Earn)**.



All submissions are made through the HRMC website.

HOW MUCH TAX WILL I PAY?

The amount of Income Tax you pay in each tax year depends on how much of your business income is above your **Personal Allowance** and which **tax band** it falls into.

The standard Personal Allowance is £12,500, which is the amount of income you do not have to pay tax on (as long as your income is below £125,000).

Tax rates according to income:

Band	Taxable income	Tax rate
Personal Allowance	Up to £12,500	0%
Basic rate	£12,501 to £50,000	20%
Higher rate	£50,001 to £150,000	40%
Additional rate	over £150,000	45%

HOW DO I KEEP MY BOOKS?

How you record your income and expenditure is down to you. If you're a small business with few transactions and a good head for numbers, you may prefer manual bookkeeping, such as a spreadsheet or even putting pen to paper.

Alternatively, there are a wealth of accounting software and apps available that will automatically calculate your profits, PAYE, national insurance, VAT etc. This is a time-saving solution that can be tailored to best fit your size of business, but it does come at an added (albeit relatively low) expense.

CAN I HIRE HELP?

Of course! A trustworthy bookkeeper or accountant can be a business lifeline. But be sure to check they have the required experience and provide the best value for money – you may be audited by the government at some point and you need to be sure that your records are precise.



BOOKKEEPING TOP TIPS

- 💡 **OPEN A BUSINESS BANK ACCOUNT**
Separating your personal banking and business transactions will make bank reconciliation much simpler, plus you'll have a clear indication of how your business is doing.
- 💡 **BE ORGANISED**
HMRC requires you to keep your invoices and receipts for up to six years so file them somewhere safe.
- 💡 **CREATE A FILING SYSTEM**
Numbering and filing your invoices and receipts in order will help you track them down easily if you have a customer query or are asked by HMRC.
- 💡 **MAKE TIME**
Whether it's one hour per week or one day per month, reserve time on a regular basis to update your records. This will stop it snowballing into an unmanageable task come year end.
- 💡 **DON'T AVOID IT**
Even if you've hired a bookkeeper, be prepared to get involved to some extent. You'll still be responsible for invoicing customers and gathering proof of expenses to pass on.



STILL NEED MORE?

If you need more information about bookkeeping and business finances arrange a 1-2-1 session with a MENTA advisor. We're here to help.

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