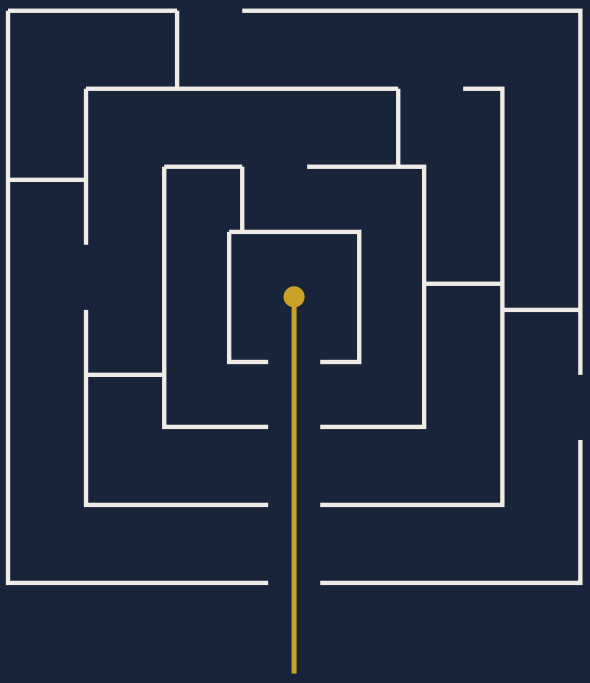
FIT IN FINANCE
MONEY × MUSCLE × MINDSET

The UK Tax Guide 2026/27

Real numbers. Plain English.

For sole traders and limited company directors
in England, Scotland, Wales and Northern Ireland



USAMAH MAJMAL

WELCOME

Tax, explained simply, with real numbers.



FIT IN FINANCE
MONEY × MUSCLE × MINDSET

Most people don't get tax wrong because they're careless. They get it wrong because nobody explained it simply.

I've spent four years working in accountancy, helping sole traders and company directors make sense of HMRC. The same questions come up again and again: *How much should I put aside? Should I go limited? Why is my January bill so big?*

This guide answers them for the 2026/27 tax year, with worked numbers and the assumptions behind them. Please read the important information overleaf before relying on it.

Tax is the Money part of something bigger. The habits that build strength in the gym, showing up and tracking progress, are the ones that keep your finances in order. That's the idea behind **Money × Muscle × Mindset**.

Usamah

START HERE

Sole trader

Chapters 1, 3, 6, 7 and 8. Add Chapter 5 if your sales are near £90,000.

Company director

Chapters 1, 2, 4 and 8. Add Chapter 6 if you file Self Assessment, and Chapter 5 if the company is near the VAT threshold.

Going limited?

Chapter 2, especially page 15, then Chapter 4.

Not sure which applies to you? Try the chapter finder in the online toolkit (page 4).

Then put it to work: fill in your numbers on page 42, which does the sums for you in Adobe Acrobat Reader, and set up your tax pot and calendar on page 39.

IMPORTANT INFORMATION

Please read before relying on this guide

1 · WHO PUBLISHES THIS GUIDE

FitInFinance is Usamah Majmal's personal finance education brand. TaxationMadeSimple is his accountancy practice. This guide is published by Usamah Majmal under the FitInFinance brand for general educational purposes.

2 · WHAT IT COVERS

It summarises selected UK tax rules for the 2026/27 tax year (6 April 2026 to 5 April 2027) for sole traders and limited company directors. Company rules that run by financial year or accounting period are labelled as such. It is not a complete statement of the law.

3 · NOT ADVICE

Nothing in this guide is personal tax, legal or financial advice. Reading it, or contacting us, does not make you a client of Usamah Majmal, FitInFinance or TaxationMadeSimple. Any professional engagement needs a separate written agreement.

4 · CHECK BEFORE ACTING

Tax law, HMRC guidance, thresholds and deadlines change, and your position may depend on details not covered here. Check GOV.UK and get tailored advice before filing a return, making a payment, claiming a relief or changing your business structure. Nothing here is investment or pensions advice.

5 · EXAMPLES

Worked examples are simplified illustrations. Their assumptions sit next to them. They are not a calculation of your liability.

6 · ACCURACY AND LIABILITY

Reasonable care has been taken to make this guide accurate at the date below, but it may not be complete or suitable for your circumstances. To the extent permitted by law, no responsibility is accepted for loss arising from reliance on it without appropriate advice. Nothing excludes liability that cannot lawfully be excluded.

7 · LINKS AND COPYRIGHT

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FIT IN FINANCE
MONEY × MUSCLE × MINDSET

Edition 1.5 · Rates and rules checked against GOV.UK, HMRC manuals and gov.scot on 21 October 2026

Written and reviewed by Usamah Majmal

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INTERACTIVE TOOL

Which chapters do I need?

Answer four questions about how you work and get a reading list. It points you to chapters; it isn't personal advice.

Find my chapters →

ABOUT THE AUTHOR

Usamah Majmal

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TaxationMadeSimple

“Financial security isn’t luck. It’s built through knowledge and discipline.”

I studied Economics at Goldsmiths, University of London, and have worked in UK accountancy for four years. Through my practice, TaxationMadeSimple, I help self-employed people and small company owners with tax returns, accounts and planning.

After a serious accident and a period of real mental strain, training became how I rebuilt myself. FitInFinance brings those lessons together. This guide is the Money part.

MONEY	MUSCLE	MINDSET
Strong finances reduce stress.	A strong body sharpens the mind.	A strong mindset keeps you consistent.

QUICK REFERENCE

2026/27 at a glance: personal tax

Tax year 6 April 2026 to 5 April 2027. Headline figures for common circumstances; your own position may differ.

INCOME TAX · ENGLAND, WALES AND NORTHERN IRELAND	RATE
Personal Allowance: up to £12,570	0%
Basic rate: £12,571 to £50,270	20%
Higher rate: £50,271 to £125,140	40%
Additional rate: over £125,140	45%

INCOME TAX · SCOTLAND (EARNINGS, PROFITS AND PENSIONS)	RATE
Starter: £12,571 to £16,537	19%
Basic: £16,538 to £29,526	20%
Intermediate: £29,527 to £43,662	21%
Higher: £43,663 to £75,000	42%
Advanced: £75,001 to £125,140	45%
Top: over £125,140	48%

DIVIDENDS · WHOLE UK	RATE
Dividend Allowance: first £500	0%
In the basic-rate band	10.75%
In the higher-rate band	35.75%
In the additional-rate band	39.35%

- Your Personal Allowance shrinks by £1 for every £2 of adjusted net income over £100,000. It's gone at £125,140.
- Scottish rates apply to earnings, profits and pensions. Savings and dividends use the UK rates wherever you live.

KEY TERMS **Personal Allowance:** the income you can have tax-free · **Adjusted net income:** your taxable income less some reliefs, such as pension contributions and Gift Aid

QUICK REFERENCE

2026/27 at a glance: National Insurance and business

SELF-EMPLOYED NATIONAL INSURANCE	RATE
Class 4: profits £12,570 to £50,270	6%
Class 4: profits over £50,270	2%
Class 2: profits £7,105 or more	treated as paid
Class 2 voluntary, below £7,105	£3.65 a week

EMPLOYEES AND EMPLOYERS	RATE
Employee NI: £12,570 to £50,270	8%
Employee NI: over £50,270	2%
Employer NI: salary over £5,000	15%
Employment Allowance, if eligible	£10,500

BUSINESS	FIGURE
Corporation Tax: profits up to £50,000*	19%
Corporation Tax: profits over £250,000*	25%
VAT registration threshold	£90,000
Annual Investment Allowance	£1 million
Main-pool writing-down allowance	14%
Mileage, cars and vans: first 10,000 miles	55p
Trading allowance	£1,000

- *Corporation Tax runs by financial year, from 1 April 2026. Between £50,000 and £250,000, marginal relief applies (page 24).
- The Corporation Tax limits are lower for short accounting periods and for associated companies.
- For who's in Making Tax Digital for Income Tax, and when, see page 35.

Checked against GOV.UK and gov.scot on 21 October 2026.

BEFORE YOU START

Check your circumstances

The worked examples assume profit is your only income. If any of these apply, your numbers will be different.

You also have a job

Your salary uses your Personal Allowance and basic-rate band first, so more of your profit can be taxed at a higher rate. Your tax code may also collect some tax.

You're a Scottish taxpayer

Scottish rates apply to your earnings and profits (page 6). The 26% quick estimate on page 42 does not apply to you.

You have a student or postgraduate loan

Repayments on self-employed income are collected through Self Assessment, on top of your tax and NI. Check your plan's threshold on GOV.UK.

You pay into a pension or give to charity

Pension contributions and Gift Aid can reduce your tax and your adjusted net income. Relief rules vary; check before relying on them.

You or your partner claim Child Benefit

The High Income Child Benefit Charge applies if either of you has adjusted net income over £60,000, and takes back all of it at £80,000.

Your income is small, or from your employer

The £1,000 trading allowance can't be used for income from your employer, a partnership, or a company that you or a connected person controls.

You work through your own company for a client

If you'd be an employee without your company, the off-payroll working rules (IR35) may apply. These are outside the scope of this guide.

You use traditional accounting

Cash basis is the default for most sole traders. If you've opted out, profit is worked out on invoices and bills, not money in and out (page 12).

If you're unsure, use HMRC's online checkers on GOV.UK, or get advice before you rely on an estimate from this guide.

Key words you'll meet

These terms come up again and again. Each one is explained properly on the page shown.

Tax year
page 11
6 April to 5 April. The 2026/27 tax year runs from 6 April 2026 to 5 April 2027.

Turnover
page 12
All the money in from sales, before any costs.

Profit
page 12
Turnover less allowable expenses. Your tax is worked out on this.

Cash basis
page 12
Counting money when it actually comes in and goes out. The default for sole traders.

Drawings
page 12
Money a sole trader takes out for themselves. It doesn't reduce profit.

Allowable expense
page 19
A business cost you can take off your income for tax.

Personal Allowance
page 18
The income you can have tax-free: £12,570 for most people.

National Insurance (NI)
page 18
A tax on earnings that builds your State Pension. Sole traders pay Class 4 on profits.

Self Assessment
page 31
The yearly tax return for income HMRC hasn't already taxed.

Payment on account
page 31
An advance payment towards next year's bill, due in January and July.

Balancing payment
page 31
What's left to pay for a tax year after your payments on account.

Corporation Tax
page 24
The tax a limited company pays on its profits.

Dividend
page 26
A payment from a company's profits to its shareholders.

Director's loan
page 27
Money you take from your company that isn't salary, a dividend or an expense repayment.

VAT taxable turnover
page 29
The sales that count towards the £90,000 VAT test, over any 12 months.

Making Tax Digital (MTD)
page 35
Digital records and quarterly updates to HMRC, for some sole traders and landlords.

More terms are in the glossary on page 45. Where a specialised term first appears in the guide, a short definition sits at the foot of that page.

CHAPTER 01 OF 08

01

Foundations

Why can £29,000 in the bank still leave you short at tax time?

ILLUSTRATIVE EXAMPLE

Jordan, a personal trainer, had £29,000 in the bank and felt comfortable. His tax was worked out on his £39,000 profit. His drawings didn't reduce it, and about £6,900 of that balance was already owed to HMRC.

> **MONEY × MUSCLE × MINDSET**
>
> You can't improve a lift you don't track. Your finances work the same way: know your numbers first.

IN THIS CHAPTER

The tax year and key dates 11

Turnover, profit and cash 12

The tax year and key dates

The tax year ends on 5 April. The deadline to file and pay for it is almost ten months later.

The 2026/27 personal tax year runs from **6 April 2026 to 5 April 2027**. It is not the calendar year, and it is not automatically your company's accounting period.

6 Apr 2026	2026/27 tax year starts
5 Apr 2027	2026/27 tax year ends
5 Oct 2027	Register for Self Assessment, if 2026/27 is your first year
31 Oct 2027	Paper return deadline for 2026/27
31 Jan 2028	**File your 2026/27 return online and pay the balance**; first payment on account for 2027/28, if you need to make one
31 Jul 2028	Second payment on account for 2027/28

THE DEADLINES YOU'LL MEET FIRST

For the 2025/26 tax year: paper return by 31 October 2026, online return and payment by 31 January 2027, and a second payment on account by 31 July 2027 if you make payments on account.

Rules and deadlines change. Get plain-English updates when they do: subscribe free on Substack.

INTERACTIVE TOOL

Deadline calendar

Filing and paying are separate jobs with the same January date. Add the 2026/27 deadlines to your phone or calendar app.

Add to my calendar →

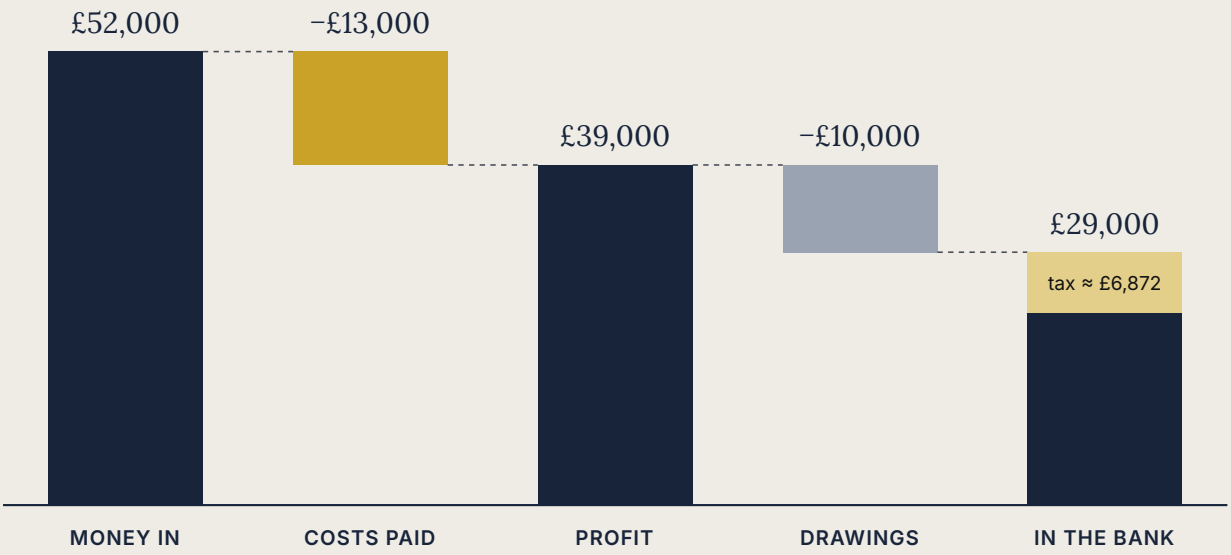
Personal tax year versus company accounting period

A limited company pays Corporation Tax for its own accounting period, which can end on any date. Its accounts, Company Tax Return and Corporation Tax payment are separate from the director's personal tax. Chapter 4 sets out the company dates.

Turnover, profit and cash: three different numbers

Each number is a stage of the same money. Mixing them up causes more tax and cash-flow surprises than anything else.

JORDAN'S 2026/27, CASH BASIS



TURNOVER

Money in from sales, before costs. VAT uses a different measure: taxable turnover over a rolling 12 months (page 29).

PROFIT

What tax is worked out on: income less allowable costs. Drawings are not a cost, so they don't reduce it.

CASH IN BANK

Not all of it is spare. Some belongs to HMRC, and some may be needed for suppliers or other bills.

WATCH OUT

Jordan is taxed on his £39,000 profit, about £6,872 of tax and NI. That is due whether or not the money is still in the bank.

Assumptions: sole trader on the cash basis, England, no other income, all costs allowable. Under traditional accounting, profit counts invoices and bills when they're raised, so profit and cash can drift further apart. **Your next 0.01%:** open a separate business bank account.

CHAPTER 1 RECAP

1. The 2026/27 tax year runs from 6 April 2026 to 5 April 2027. You file and pay by 31 January 2028.
2. Tax is worked out on profit, not on turnover or what's in the bank.
3. Drawings don't reduce your profit, so set tax aside before you spend.

02

Sole trader or limited company?

Why could going limited cost you about £1,300 more?

ILLUSTRATIVE EXAMPLE

Aisha was told going limited would save her thousands. At her £45,000 profit, taking everything out, it would have cost her about £1,321 more in tax, before the extra accountancy fees.

> **MONEY × MUSCLE × MINDSET**
>
> Pick the programme that fits your goal, not the one that looks impressive. Business structure is no different.

IN THIS CHAPTER

How to decide 14

The numbers: £45,000 profit compared 15

£100,000 profit: where a company can help 16

How to decide

	SOLE TRADER	LIMITED COMPANY
Legal status	You and the business are the same person	A separate legal entity owned by shareholders
Tax on profit	Income Tax and Class 4 NI on all the profit, whether or not you take it out	Corporation Tax on company profit. You pay personal tax on salary and dividends, and can be taxed on some benefits and loans
Paying yourself	Drawings. Not a business cost and not taxed separately	Salary (PAYE), dividends, expense repayments
Liability	Business debts are generally your debts	Limited, although personal guarantees, director duties and misconduct can still expose you
Admin	Self Assessment; Making Tax Digital if your qualifying income is over the threshold; VAT if registered	Accounts, Company Tax Return, Companies House filings and payroll. Your own Self Assessment only if you need one (page 25)
Running cost	Lower	Higher accountancy and compliance costs
What's public	Your accounts aren't published. Your business name may appear on invoices, your website and other paperwork	Accounts, directors and people with significant control appear on the public Companies House register

Four questions to answer first

01 **What profit do you expect, and how stable is it?** Savings from a company usually appear only at higher, steady profits.

02 **How much do you need to take out to live?** If you need almost all of it, most of the company advantage disappears.

03 **What are your risks and plans?** Employees, investors, contracts or large liabilities can favour a company.

04 **Can you run the admin?** A company means more filing, more deadlines and more cost.

> **KEY POINT**
>
> Don't choose a structure from a headline tax rate. At £45,000 profit, staying a sole trader comes out ahead (next page).

£45,000 profit. Two structures, two outcomes.

Same business, same £45,000 profit, England, 2026/27. Money in your pocket for the year.

SOLE TRADER — £36,568 YOU KEEP



You keep £36,568 · Income Tax £6,486 (20% × £32,430) · Class 4 NI £1,946 (6% × £32,430)

LIMITED COMPANY, ALL PROFIT PAID OUT — £35,247 YOU KEEP



You keep £35,247 · Employer NI £1,136 (15% above £5,000) · Corporation Tax £5,946 (19% × £31,295) · Dividend tax £2,671 (10.75% × £24,849)

TOTAL TAX · SOLE TRADER	TOTAL TAX · COMPANY	DIFFERENCE
£8,432	£9,753	£1,321

At this profit, with every pound paid out, the company route costs about **£1,321 more** in tax, before the extra accountancy fees.

When the picture changes: higher profits, especially if you don't need to take everything out; profit left in the company to reinvest or pay into a pension; commercial reasons such as limited liability or investors. See £100,000 on page 16.

Assumptions: no other income; company has one director and no other employees, so no Employment Allowance; salary £12,570 (no employee NI or Income Tax on it); the rest paid as dividends; the £500 dividend allowance applies; no pension contributions, student loan or company running costs. Figures rounded to the nearest pound.

£100,000 profit. Where a company can help.

At higher profits, the company advantage comes from what you leave in the company, not from lower rates.

	SOLE TRADER	COMPANY: TAKE ALL	COMPANY: TAKE UP TO £50,270
Income Tax	£27,432	–	–
Class 4 NI	£3,257	–	–
Employer NI on £12,570 salary	–	£1,136	£1,136
Corporation Tax (marginal relief)	–	£19,118	£19,118
Dividend tax	–	£14,537	£3,999
Tax arising this year	**£30,689**	**£34,790**	**£24,253**
Personal cash after tax	**£69,311**	**£65,210**	**£46,271**
Left in the company	–	–	£29,476

TAKE ALL

Paying out all the profit leaves you about £4,102 less personal cash than staying a sole trader.

TAKE UP TO £50,270

Salary plus dividends up to the basic-rate limit. About £6,436 less tax arises this year, but only £46,271 reaches you.

THE CATCH

The £29,476 left in the company is still the company's money. It pays off if you reinvest it, keep a reserve or fund a pension. Taking it out later means more dividend tax.

Want this modelled on your own numbers? TaxationMadeSimple can help. **Enquire via Instagram →**

England, 2026/27. Assumptions: no other income; one director, no Employment Allowance; salary £12,570; a 12-month accounting period with no associated companies; dividends after the £500 allowance; no pension contributions, student loan or company running costs. Rounded to the nearest pound.

CHAPTER 2 RECAP

1. At £45,000 profit, paying everything out of a company costs about £1,321 more.
2. The company advantage comes from profit you can leave in the business.
3. Decide on your profit, what you need to live on, your risks and the admin.

CHAPTER 03 OF 08

03

Sole traders

What does a £100 business expense really save you?

ILLUSTRATIVE EXAMPLE

Tom bought a £100 course thinking the tax relief made it nearly free. As a basic-rate sole trader, it saved him about £26.

> **MONEY × MUSCLE × MINDSET**
>
> Strength comes from small, regular sets. So does a tax bill you're ready for: set money aside every month.

IN THIS CHAPTER

Income Tax and National Insurance 18

The expense checklist 19

What you can't claim, and what a claim is worth 20

Equipment and capital allowances 21

Shortcuts: mileage, working from home and more 22

Income Tax and National Insurance

Income Tax

Your profit is added to any other income, such as a salary, rent or savings. Your Personal Allowance (£12,570) comes off first and the rest is taxed in bands. England, Wales and Northern Ireland share one set of bands. Scotland has six bands for earnings and profits (page 6). Savings and dividends use the UK rates wherever you live.

National Insurance

Class 4: 6% on profits between £12,570 and £50,270, then 2% above. It's worked out on your tax return and paid with your Income Tax.

Class 2: not payable if your profits are £7,105 or more; you still get a qualifying year for the State Pension. Below that, you can pay voluntarily at £3.65 a week (£189.80 a year).

WORKED EXAMPLE · £45,000 PROFIT, ENGLAND

Profit	£45,000
Less Personal Allowance	−£12,570
Taxable at 20% and 6%	£32,430
Income Tax (20%)	£6,486.00
Class 4 NI (6%)	£1,945.80
Total for the year	**£8,431.80**

18.7% of profit. Assumes no other income and the full Personal Allowance.

WATCH OUT · INCOME OVER £100,000

Your Personal Allowance shrinks by £1 for every £2 of **adjusted net income** over £100,000, and is gone at £125,140. In England, Wales and Northern Ireland that makes the Income Tax rate on income in that range effectively 60%; for sole traders, 2% Class 4 NI comes on top. Scottish rates make it higher. Pension contributions and Gift Aid reduce adjusted net income; take advice first.

Other income, student loans, the High Income Child Benefit Charge or Scottish residence change these numbers. See page 8.

KEY TERMS **Adjusted net income:** your taxable income less certain reliefs, such as pension contributions and Gift Aid · **Qualifying year:** a year that counts towards your State Pension

The expense checklist

A cost is generally allowable if it's incurred wholly and exclusively for the business. Costs you use partly for personal life need splitting.

USUALLY ALLOWABLE

- Stock and materials for resale
- Business software and subscriptions
- Stationery, postage and printing
- Accountancy and professional fees
- Business insurance
- Website, hosting and domains
- Advertising and marketing
- Bank charges on a business account
- Staff wages and pension contributions
- Business travel (not commuting)
- Training that keeps your existing skills up to date or improves them
- Trade body subscriptions

CHECK FIRST

- **Phone and broadband:** the business share only
- **Working from home:** a flat rate or a fair share of bills (page 22)
- **Vehicle costs:** actual costs or mileage, not both
- **Equipment:** an expense on the cash basis; capital allowances otherwise (page 21)
- **Uniforms and protective clothing**
- **Food and drink** on genuine business trips
- **Interest** on business loans
- **Gifts to clients:** strict limits apply
- **New skills:** allowed if they support your existing business, not for a new or unrelated one

KEY TERMS **Wholly and exclusively:** spent only for the business · **Mixed-use cost:** something you use for both business and personal life, such as a phone; only the business share counts

What you can’t claim, and what a claim is worth

NOT ALLOWABLE

- ✕ Everyday clothing
- ✕ Gym membership, even for a fitness-focused brand
- ✕ Commuting to a regular workplace
- ✕ Client entertaining
- ✕ Fines and penalties
- ✕ Personal meals
- ✕ Your own drawings
- ✕ Income Tax and NI payments
- ✕ The private share of any mixed-use cost

WHAT A £100 COST REALLY SAVES

about £26

A deduction doesn’t refund what you spent. It lowers the profit you’re taxed on. For a basic-rate sole trader in England, Wales or Northern Ireland, that saves 20% Income Tax plus 6% Class 4 NI.

If you wouldn’t buy it without the tax relief, don’t buy it.

Before you claim any cost

01 **Can you explain the business purpose?** Write it on the receipt or in your records.

02 **Is there any personal use?** Take out the private share.

03 **Is it on the not-allowable list?** Some costs are blocked even with a business reason.

04 **Do you have the receipt and proof of payment?** Keep both.

Assumes profit between £12,570 and £50,270. Source: GOV.UK, Expenses if you’re self-employed, checked 21 October 2026.

Equipment and capital allowances

How you claim for equipment depends on how you keep your accounts.

On the cash basis (the default)

Equipment you buy to keep and use, such as a laptop or tools, is usually claimed as a normal allowable expense.

Cars are different. Use capital allowances or mileage, not both.

Traditional accounting, and companies

Equipment is claimed through capital allowances, not as an everyday expense.

The main allowances are below.

ALLOWANCE	HOW IT WORKS
Annual Investment Allowance	100% relief in the year you buy, on most plant and machinery, up to £1 million a year. Not for cars. Not for things you owned before using them in the business.
40% first-year allowance	For new and unused main-rate plant and machinery bought on or after 1 January 2026. Not for cars or second-hand items. The other 60% goes into the main pool. The best choice depends on your figures.
Writing-down allowance	Main pool: 14% a year. It fell from 18% on 1 April 2026 for companies and 6 April 2026 for Income Tax. Special-rate pool: 6%.
Cars	Based on CO_2 emissions. New and unused zero-emission cars bought before April 2027 get a 100% first-year allowance (to 31 March for companies, 5 April for Income Tax). Second-hand electric cars go into the main pool.

Sources: GOV.UK capital allowances (AIA, 40% first-year allowance, business cars), checked 21 October 2026.

KEY TERMS **Capital allowances:** tax relief for equipment and other things you buy to keep, claimed under special rules · **Plant and machinery:** equipment, tools, machines and vans used in the business · **Main pool:** where the cost of most equipment goes, to be claimed a percentage at a time

Shortcuts you may be able to use

Simpler ways to claim that save you working out exact costs.

01 Trading allowance

If your total trading income is £1,000 or less, it can be tax-free. Above that, you can deduct £1,000 instead of your actual expenses. Not for income from your employer, a partnership or a company you control.

02 Cash basis

The default for sole traders. Income counts when it's received and costs when you pay them. You can choose traditional accounting instead.

03 Mileage, instead of actual vehicle costs

A flat rate for each business mile in 2026/27:

55p cars and vans, first 10,000 miles 25p after that 24p motorcycles

The car rate was 45p before 6 April 2026.

04 Working from home

A flat monthly amount instead of working out a share of your bills:

£10 25 to 50 hours £18 51 to 100 hours £26 101 hours or more

Phone and internet are claimed separately.

You can't use mileage rates for a vehicle you've claimed capital allowances on. Once you use them for a vehicle, you must keep doing so. Source: GOV.UK simplified expenses and cash basis, checked 21 October 2026.

CHAPTER 3 RECAP

1. You pay Income Tax and Class 4 NI on your profit. At £45,000 profit, that's about £8,432.
2. A £100 allowable cost saves a basic-rate sole trader about £26, not £100.
3. On the cash basis, most equipment is a normal expense. Mileage is 55p a mile for the first 10,000.

CHAPTER 04 OF 08

04

Limited companies

When does company money actually become your money?

ILLUSTRATIVE EXAMPLE

Sana took money from her company whenever she needed it, without calling it salary or a dividend. At the year end she had an overdrawn director's loan and a possible tax charge.

> **MONEY × MUSCLE × MINDSET**
>
> A training log only works if it's honest. Your company's books are the same. Every pound out needs a reason: salary, dividend, expense repayment or a recorded loan.

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Corporation Tax 24

Company deadlines and your own tax 25

Paying yourself from your company 26

Director's loans 27

Corporation Tax

A limited company pays Corporation Tax on its profits. The rate depends on how much profit it makes.

The rates

COMPANY PROFIT, FOR PERIODS FROM 1 APRIL 2026	RATE
Up to £50,000	19%
£50,001 to £250,000	25%, less marginal relief
Over £250,000	25%

How marginal relief works

Between £50,000 and £250,000, the company pays 25%, then takes off marginal relief.

The effect: each extra pound of profit in that range is taxed at 26.5%.

The company's overall rate still ends up between 19% and 25%.

When the limits change

Shorter accounting period: the £50,000 and £250,000 limits shrink in proportion.

Associated companies (companies under the same control): the limits are shared between them.

Accounting profit isn't always taxable profit

Some costs in the accounts, such as client entertaining, aren't allowed for tax. Equipment is claimed through capital allowances instead of depreciation.

EXAMPLE · £100,000 PROFIT

25% of £100,000	£25,000
Less marginal relief: 3/200 × (£250,000 − £100,000)	−£2,250
Corporation Tax	**£22,750**

An overall rate of 22.75%. Assumes a 12-month period and no associated companies.

KEY TERMS **Accounting period:** the period a company's accounts cover, usually 12 months · **Financial year:** for Corporation Tax, 1 April to 31 March · **Marginal relief:** a reduction that phases the rate up from 19% to 25%

Company deadlines and your own tax

Four company deadlines, all different

Example: a private company with an accounting period ending 31 March 2027.



- Send a confirmation statement to Companies House at least once every 12 months.
- Large companies (profits over £1.5 million, a limit shared between associated companies) pay in quarterly instalments.
- A company's first accounts have a different deadline.

WATCH OUT

Paying Corporation Tax doesn't mean you've filed, and filing doesn't mean you've paid. Late filing at Companies House brings automatic penalties, separate from HMRC's.

Do you need your own tax return?

- Being a director doesn't, on its own, mean you need one.
- You may need one if you get dividends over £10,000, have other untaxed income, or HMRC sends you a notice to file.
- Dividends above your allowances but under £10,000 can be reported to HMRC instead. It then collects the tax through your tax code.
- Not sure? Use HMRC's online checker on GOV.UK.

Keep company records for at least six years from the end of the financial year they relate to. Source: GOV.UK, Accounts and tax returns for private limited companies, checked 21 October 2026.

Paying yourself from your company

Company money isn't your money until it reaches you through the right route. Each route is taxed differently.

Your company

01 · SALARY

Paid through payroll (PAYE). The company can deduct it for Corporation Tax.

Employer NI is 15% above £5,000. Employee NI is 8% from £12,570 to £50,270, then 2%.

Many directors take about £12,570. It uses the Personal Allowance and protects the State Pension record.

02 · DIVIDENDS

Paid to shareholders from profit after Corporation Tax. No NI.

The first £500 is tax-free, then 10.75%, 35.75% or 39.35%.

Each one needs enough distributable profits, board minutes and a dividend voucher.

03 · EXPENSE REPAYMENTS

The company repays genuine business costs you paid yourself. Keep the receipt and a note of the business purpose.

04 · DIRECTOR'S LOAN

Anything else you take is a loan. See page 27.

You

EXAMPLE · A £250 MONITOR

You buy a £250 monitor for your company work and the company repays you. From 6 April 2026, that repayment is normally tax-free if the monitor is for your job and any private use isn't significant. Keep the receipt and a note of the purpose.

WATCH OUT

Never declare a dividend just because there's cash in the bank. Without enough distributable profits, the dividend may be unlawful and may have to be repaid.

If you're a sole director and the only employee paid over £5,000, the company can't claim the Employment Allowance. Sources: HMRC manual EIM21619; GOV.UK Employment Allowance. Checked 21 October 2026.

KEY TERMS **PAYE:** Pay As You Earn, the payroll system that takes tax and NI from salary · **Distributable profits:** profits, after tax, that are legally available to pay out as dividends

Director’s loans

Money you take from your company that isn’t salary, a dividend or an expense repayment is a loan. It’s recorded in your director’s loan account.

How the tax charge works

01 **Repay within 9 months of the company’s year end** and there’s no charge.

02 **Still owed after that?** The company pays a temporary charge. For loans made on or after 6 April 2026 it’s **35.75%** of what’s owed. For loans made from 6 April 2022 to 5 April 2026 it’s 33.75%.

03 **It’s paid with the company’s Corporation Tax,** 9 months and 1 day after the year end.

04 **Once you repay, the company can claim it back.** The refund is due 9 months and 1 day after the end of the accounting period you repaid in.

EXAMPLE · SANA

Sana’s company year ends on 31 March 2027. Nine months later, on 31 December 2027, she still owes it £8,000 from loans taken in 2026/27.

The company pays **£2,860** (35.75% × £8,000) on 1 January 2028. Sana repays the £8,000 in June 2028. The company can claim the £2,860 back from 1 January 2030, 9 months and 1 day after the end of its year to 31 March 2029.

Also check

- ✓ A loan over £10,000 at any time in the tax year can be a taxable benefit in kind for you.
- ✓ Repaying just before the deadline and borrowing again soon after can be caught by anti-avoidance rules.
- ✓ Record every loan and repayment, with dates.

Sources: HMRC manual CTM61505; GOV.UK Director’s loans. Checked 21 October 2026.

KEY TERMS **Director’s loan account:** the record of money between you and your company · **Benefit in kind:** a perk from your employer that’s taxed like pay

CHAPTER 4 RECAP

1 Corporation Tax is 19% up to £50,000 profit and 25% over £250,000, with marginal relief between.

2 Filing accounts, filing the tax return and paying Corporation Tax are three different deadlines.

3 Every pound you take needs a route: salary, dividend, expense repayment or a recorded loan.

CHAPTER 05 OF 08

05

VAT: turnover, not profit

Why can a business with £15,000 profit still need to register for VAT?

ILLUSTRATIVE EXAMPLE

Leon ignored VAT because his profit was only £15,000. His taxable sales for the 12 months to 31 July 2026 were £91,000. He had to tell HMRC by 30 August 2026 and was VAT-registered from 1 September 2026, whether or not he'd charged customers VAT.

> **MONEY × MUSCLE × MINDSET**
>
> Good training tracks the metric that matters for the goal. For VAT, that metric is taxable turnover, not what's left after costs.

IN THIS CHAPTER

When to register and what changes 29

When to register and what changes

EXAMPLE · 12 MONTHS TO 31 JULY 2026

Taxable sales	**£91,000**
Costs	−£76,000
Profit	£15,000

The test looks at the £91,000, not the £15,000. This business must register.

Look back. At the end of every month, add up your taxable turnover for the last 12 months. If it's over £90,000, tell HMRC within 30 days of the end of that month. You're registered from the first day of the second month after you went over.

Look forward. If you expect taxable turnover to go over £90,000 in the next 30 days alone, register by the end of that 30-day period. You're registered from the date you realised.

What counts. Standard, reduced and zero-rated sales all count towards the threshold. Exempt and out-of-scope sales don't.

WATCH OUT

VAT you charge customers is HMRC's money. Move it into a separate account the day you're paid. If you register late, VAT can still be due from your effective date of registration.

Once you're registered

- Charge VAT on taxable sales (20% standard, 5% reduced or 0% zero-rated) and issue VAT invoices.
- Reclaim VAT on eligible business purchases.
- Keep digital records and file returns through compatible software, usually every 3 months.
- File and pay within one calendar month and 7 days of the end of each period.
- Consider whether the Cash Accounting Scheme or Flat Rate Scheme suits you, but check eligibility first.

You can also register voluntarily below £90,000. It can suit you if your customers are VAT-registered businesses and you pay significant VAT on costs. Source: GOV.UK, Register for VAT, checked 21 October 2026.

CHAPTER 5 RECAP

1. The VAT test is taxable turnover over any 12 months, not profit.
2. Over £90,000? Tell HMRC within 30 days of the end of that month.
3. VAT you charge belongs to HMRC. Move it to a separate account the day you're paid.

CHAPTER 06 OF 08

06

Self Assessment and payments on account

Why can a £4,000 tax bill turn into a £6,000 January payment?

ILLUSTRATIVE EXAMPLE

Maya's 2026/27 tax bill was £4,000, her first, so she saved £4,000. On 31 January 2028 HMRC asked for £6,000: the £4,000 plus a £2,000 first payment on account for 2027/28.

> **MONEY × MUSCLE × MINDSET**
>
> January is the heaviest set of the year. Prepare for it all year and it becomes another rep.

IN THIS CHAPTER

How payments on account work 31

Why January costs more 32

If you miss a deadline 33

How payments on account work

Advance payments towards your next bill, in two halves.

What they are

Each one is usually half of last year's bill. They're due on 31 January and 31 July.

They aren't extra tax. They're credited against what you finally owe.

They cover Income Tax and Class 4 NI. Capital Gains Tax, student loan repayments and Class 2 NI are paid with the balancing payment instead.

When you don't have to make them

You don't need them if last year's Self Assessment bill was under £1,000, or if more than 80% of last year's tax was paid another way, for example through PAYE.

The balancing payment

Your total bill for the year, less the payments on account you've made. It's due on 31 January.

Reducing them

If you reasonably expect a lower bill, ask HMRC through your online account or form SA303. Keep your workings. Reduce too far and HMRC charges interest on the shortfall.

NO PAYMENTS ON ACCOUNT IF

under £1,000

last year's bill, or more than 80% paid outside Self Assessment

EACH PAYMENT

50%

of last year's bill, usually

DUE

31 Jan · 31 Jul

Sources: GOV.UK payments on account; HMRC Self Assessment Manual SAM1010. Checked 21 October 2026.

KEY TERMS **Payment on account:** an advance payment towards a tax year's bill · **Balancing payment:** what's left to pay once your payments on account are taken off

Why your January bill is bigger than you expect

In your first year of payments on account, January can include the whole bill for the year just ended plus half of the next one.



Assumptions: a £4,000 Income Tax and Class 4 bill for 2026/27; no payments on account made before; none of the tax collected through PAYE; no claim to reduce payments on account.

The following year: the balancing payment

01 Your 2027/28 bill turns out to be **£4,800**.

02 You've already paid £4,000 on account, so the balancing payment on 31 January 2029 is **£800**.

03 The first payment on account for 2028/29 is half of £4,800: **£2,400**.

04 That January you pay **£3,200**, then £2,400 on 31 July 2029.

PLAN FOR IT

Your first January after starting, or after a big jump in profit, is the one that catches people out. Forecast your tax during the year, keep tax money separate, and budget for the full combined amount.

INTERACTIVE TOOL

Payments-on-account timeline

Change the bill for each year and see what's due each January and July, kept separate from the year's total tax.

Open the timeline →

If you miss a deadline

Filing late and paying late are separate. The rules depend on whether you're in Making Tax Digital for Income Tax.

NOT IN MTD

Filing late

- £100, even if no tax is due
- After 3 months: £10 a day, up to £900
- After 6 and 12 months: 5% of the tax due or £300, whichever is more, each time

Paying late

- Interest from the due date
- 5% of the unpaid tax at 30 days, 6 months and 12 months

IN MTD FROM 2026/27

Filing late

- A penalty point for a missed tax return
- A £200 penalty when you reach 4 points
- No penalties for late quarterly updates in 2026/27

Paying late

- Interest from the due date
- Penalties after a grace period
- Payments on account don't attract these penalties

BEFORE YOU PAY HMRC

Check which tax year each amount relates to, and whether it's a balancing payment or a payment on account. Check earlier payments have been credited. Save the confirmation.

If you had a reasonable excuse for being late, such as a serious illness, you can appeal a penalty. If you can't pay, contact HMRC early about a payment plan (page 40).

Sources: GOV.UK Self Assessment penalties; GOV.UK penalties for MTD for Income Tax. Checked 21 October 2026.

CHAPTER 6 RECAP

1. Payments on account are each usually half of last year's bill, due 31 January and 31 July.
2. Your first January can include the whole year's bill plus half of next year's.
3. Filing late and paying late bring separate penalties. Do both on time.

CHAPTER 07 OF 08

07

Making Tax Digital and records

What changed in April 2026, and does it apply to you?

ILLUSTRATIVE EXAMPLE

Chris kept a year of receipts in a carrier bag. His 2024/25 tax return showed £58,000 of self-employment income before expenses, so from 6 April 2026 he had to keep digital records and send quarterly updates.

> **MONEY × MUSCLE × MINDSET**
>
> Thirty minutes a month is your mobility work: small and unglamorous, and it prevents injuries later.

IN THIS CHAPTER

Who's in, when and what to do 35

The 30-minute monthly records routine 36

Who’s in, when and what to do

Who’s in, and when

QUALIFYING INCOME	ON YOUR RETURN FOR	YOU START
Over £50,000	2024/25	6 Apr 2026
Over £30,000	2025/26	6 Apr 2027
Over £20,000	2026/27	6 Apr 2028

Qualifying income is your gross self-employment and property income before expenses (for jointly owned property, your share). Employment, partnership profits, dividends and pensions don’t count. HMRC looks at the return for the year shown and writes to you, but it’s your responsibility to check. Some people are exempt, automatically or by applying, for example if they’re digitally excluded. The April 2028 date is published by HMRC; check GOV.UK for its final legal status.

Quarterly update deadlines

2026/27 UPDATE COVERS	SEND BY
6 April to 5 July 2026	7 Aug 2026
6 April to 5 October 2026	7 Nov 2026
6 April 2026 to 5 January 2027	7 Feb 2027
6 April 2026 to 5 April 2027	7 May 2027

Updates are cumulative: each one covers the tax year so far. You send them for each self-employment and property business. If you choose calendar quarters, the periods end on the last day of the month but the deadlines stay the same.

What you’ll need to do

01 **Keep digital records** of income and expenses in compatible software.

02 **Send quarterly updates:** summaries of your records, not tax returns. Corrections can go in the next update.

03 **File your 2026/27 tax return by 31 January 2028**, with any final adjustments.

04 **Pay as usual:** 31 January and 31 July, including payments on account.

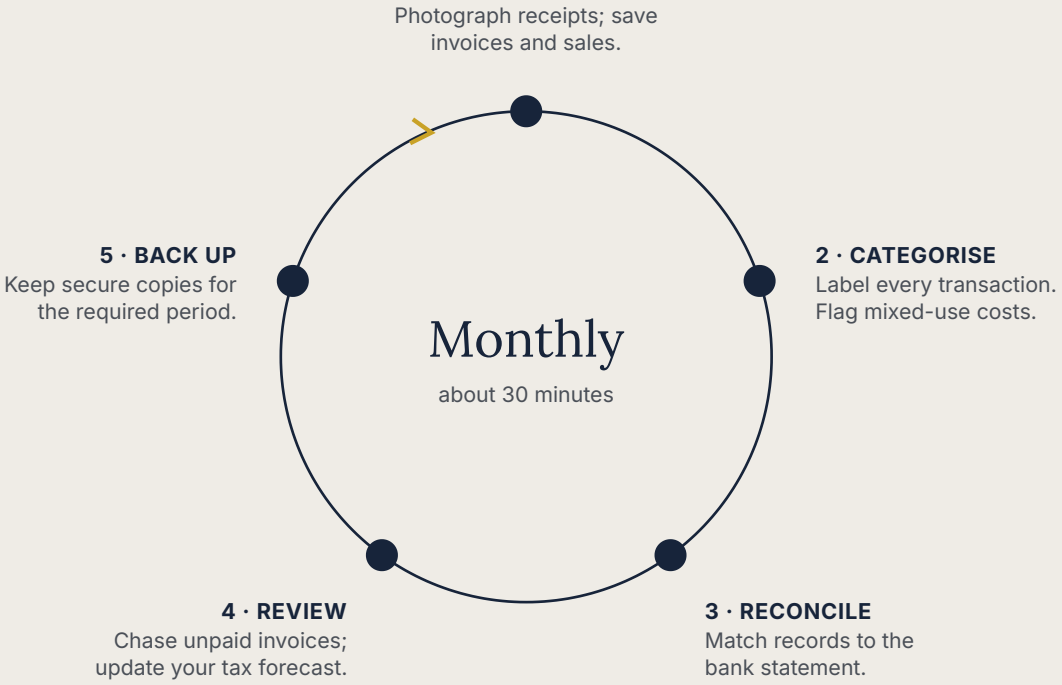
KEY POINT

MTD changes how you report, not how much tax you owe or when you pay. It applies to individuals, not to a company’s Corporation Tax. New penalty rules apply (page 33).

Sources: GOV.UK MTD for Income Tax: find out if and when, qualifying income, quarterly updates, exemptions, penalties. Checked 21 October 2026.

The 30-minute monthly records routine

Pick one date each month. Five steps, in order. A simple system you keep beats a perfect one you abandon.



How long to keep records

WHO	MINIMUM PERIOD
Sole traders and landlords	At least 5 years after the 31 January filing deadline. For 2026/27 records, until at least 31 January 2033. Longer if you file very late.
Limited companies	6 years from the end of the financial year they relate to, or longer for assets lasting more than 6 years, transactions spanning periods, late returns or an HMRC check.

Your next 0.01%: set a recurring reminder for the same day each month. Mileage and missing receipts are far harder to rebuild in January. Sources: GOV.UK business records; company and accounting records.

CHAPTER 7 RECAP

1. MTD starts in April 2026 if your qualifying income was over £50,000 on your 2024/25 return, or April 2027 if over £30,000 on 2025/26.
2. It changes how you report, not how much tax you pay or when.
3. Thirty minutes of records each month makes MTD, and January, far easier.

CHAPTER 08 OF 08

08

Your plan

What does a calm January actually take?

ILLUSTRATIVE EXAMPLE

Dan, a sole trader expecting £45,000 profit, moved £703 into a tax pot every month from April 2026. By 31 January 2028 he had £15,466, enough for the £12,648 he owed that day, including his first payment on account.

> **MONEY × MUSCLE × MINDSET**
>
> 0.01% better every day. Small, consistent actions compound in your finances, your training and your head.

IN THIS CHAPTER

The Tax Reps 38

Your tax calendar and cash-flow plan 39

The brown envelope: tax and money anxiety 40

Mistakes to avoid and your readiness checklist 41

Your numbers 42

The Tax Reps

Four reps, repeated all year. The same consistency that builds strength in the gym keeps your tax under control.

1

Track

MONTHLY · 30 MIN

Capture receipts, categorise and reconcile to the bank. Page 36.

2

Set aside

EVERY TIME YOU'RE PAID

Move tax and any VAT into separate pots before you spend. Page 39.

3

File

BY EACH DEADLINE

Returns, any MTD updates and company filings on time, with confirmations saved. Page 11.

4

Review

QUARTERLY

Update your forecast, check your structure and get advice before 5 April. Page 15.

MONEY × MUSCLE × MINDSET

January is easier when the work is spread across the year.

Your first week

- ✓ Open a separate savings account for tax (Rep 2).
- ✓ Put 31 January 2028 and 31 July 2028 in your calendar, with reminders (Rep 3).
- ✓ Choose your monthly records day and book it like a training session (Rep 1).
- ✓ Work out your numbers on page 42 (Rep 4).

Your tax calendar and cash-flow plan

SOLE TRADER CALENDAR · 2026/27

Every month	Records routine; move money into your tax pot
If you're in MTD	Quarterly updates by 7 Aug 2026, 7 Nov 2026, 7 Feb 2027 and 7 May 2027
Before 5 Apr 2027	Review the year: pension contributions, equipment and reliefs, taking advice first
5 Oct 2027	Register for Self Assessment, if 2026/27 is your first year
31 Jan 2028	File your 2026/27 return; pay the balance and any first 2027/28 payment on account
31 Jul 2028	Second 2027/28 payment on account

KEEP SEPARATE POTS

Income Tax and NI
A monthly amount from your forecast.

VAT
If registered, the VAT part of every sale, the day you're paid.

Company taxes
Corporation Tax, PAYE and VAT are each a separate liability.

Example: Dan's dated plan at £45,000 profit

DATE	WHAT HAPPENS	PAID IN	PAID TO HMRC	POT AFTER
Apr 2026 – Jan 2028	22 monthly deposits of £703	£15,466	–	£15,466
31 Jan 2028	2026/27 bill £8,431.80 + first 2027/28 payment on account £4,215.90	–	£12,647.70	£2,818.30
Feb – Jul 2028	6 monthly deposits of £703	£4,218	–	£7,036.30
31 Jul 2028	Second 2027/28 payment on account	–	£4,215.90	£2,820.40

INTERACTIVE TOOL

Build my tax pot

Enter your estimated bill, what you've already saved and when you start. It works out your monthly amount, dated to each payment.

Build my tax pot →

£8,431.80 ÷ 12 = £702.65, rounded up to £703. Saving from the start of the tax year covers the first January, including the payment on account. If you start saving later, you'll need more each month. Assumes the same £45,000 profit each year, no other income, England, and no claim to reduce payments on account. This is a budgeting method, not a universal percentage.

Rules and deadlines change. Get plain-English updates when they do: subscribe free on Substack.



MONEY × MUSCLE × MINDSET

You don't get strong by thinking about the gym. You get strong by turning up. Tax is the same: ten minutes of looking beats ten weeks of worrying.

BUILD THE HABIT

Same day each month for your records.
Tax money moved out of sight, automatically.
Deadlines in your calendar, with reminders.
One small task finished, not a big one planned.

The brown envelope: tax and money anxiety

Avoidance is the most expensive tax mistake there is. The letter you don't open doesn't go away.

If tax makes you anxious, you're not alone. Uncertainty often feels worse than the facts, so it's natural to avoid the thing that might hurt. I know that pattern from my own experience with anxiety. In money as in training, the way through is small, regular action.

Five steps for when you're avoiding it

01 **Open it the same day.** Many HMRC letters are reminders or statements.

02 **Find the deadline and the amount.** Your HMRC online account shows what you owe and when.

03 **Act promptly.** What happens next depends on what's overdue and for how long. Dealing with it early usually keeps it smaller.

04 **If you can't pay, say so early.** HMRC may agree a payment plan; check your eligibility on GOV.UK.

05 **Ask for help.** An accountant, or free debt advice from Citizens Advice or MoneyHelper.

> **LOOKING AFTER YOURSELF**
>
> If money worries are affecting your sleep, work or mental health, talk to someone: your GP, a trusted friend or a charity such as Mind.

Stuck, or putting it off? Talk it through with TaxationMadeSimple. Enquire via Instagram →

Mistakes to avoid and your readiness checklist

COMMON MISTAKES

- ✕ Confusing turnover with profit, or profit with cash.
- ✕ Thinking drawings reduce your taxable profit.
- ✕ Thinking a deduction means HMRC refunds the cost.
- ✕ Treating company money as personal money.
- ✕ Declaring dividends without distributable profits.
- ✕ Spending VAT collected from customers.
- ✕ Forgetting January can include a payment on account.
- ✕ Reducing payments on account without a sound estimate.
- ✕ Assuming MTD updates are quarterly tax bills.
- ✕ Using old dividend rates (8.75% and 33.75%) for 2026/27.
- ✕ Using the old 45p mileage rate for 2026/27.
- ✕ Leaving records until the year end.
- ✕ Choosing a structure from a headline tax rate.

READINESS CHECKLIST

- ☐ I know whether I'm a sole trader or a company director.
- ☐ I know my tax year and my company's year end.
- ☐ I have a separate business bank account.
- ☐ I keep receipts and records every month.
- ☐ I check my rolling 12-month taxable turnover for VAT.
- ☐ I'm registered for Self Assessment, if needed.
- ☐ I've checked whether and when MTD applies to me.
- ☐ I have a tax forecast and set money aside monthly.
- ☐ I've budgeted for payments on account.
- ☐ All my deadlines are in my calendar.
- ☐ I know who to ask when I'm unsure.

INTERACTIVE TOOL

Your plan checklist

Tick items off on your phone, with links back to the right chapter and a summary of your next actions to save.

Open my checklist →

Tick off one unticked item this week. Small, consistent actions beat a once-a-year scramble.

Your numbers

Fill this in on screen or with a pen. Ten minutes now saves a stressful January.

Sole traders, 2026/27. Prefer to do it on screen? Use Tax estimate for line D and Build my tax pot for lines G to K. In Adobe Acrobat Reader and similar apps, lines C, D, F, I, J and K fill themselves in.

YOUR 2026/27 ESTIMATE

A	**Expected turnover for 2026/27** Money in from sales before costs, 6 April 2026 to 5 April 2027	£
B	**Expected allowable expenses** See the checklist on page 19	£
C	**Expected profit** A minus B. Works itself out	£
D	**Estimated Income Tax and Class 4 NI** Fills in for England, Wales and NI. In Scotland, type over it	£
E	**Other amounts due through Self Assessment** For example student loan repayments; leave blank if none	£
F	**Total to set aside for 2026/27** D plus E. Works itself out	£

YOUR SAVING PLAN

G	**Already saved for 2026/27** Money already in your tax pot	£
H	**Payments already made for 2026/27** Payments on account already paid	£
I	**First 2027/28 payment on account** Fills in as half of D if D is £1,000 or more (page 31). Type over it if different	£
J	**Months left to save before 31 January 2028** Fills in from today's date. Type over it to change	
K	**Save each month** (F + I − G − H) ÷ J, rounded up. Covers 31 January 2028	£

HOW LINE D IS WORKED OUT

2026/27 rates for England, Wales and Northern Ireland: Personal Allowance £12,570, reduced above £100,000; Income Tax at 20%, 40% and 45%; Class 4 NI at 6% to £50,270 and 2% above. It assumes profit is your only income and nothing else, such as pension contributions or losses, changes your tax. By hand, for profit from £12,570 to £50,270: (profit − £12,570) × 26%, so £8,431.80 at £45,000. In Scotland, use the online Tax estimate.

Your checks: VAT and MTD

These tests use different measures from your tax-year profit.

VAT (PAGE 29)

L	**Taxable turnover for the last 12 months** A rolling total to the end of last month, not your tax-year figure	£
M	**Is L over £90,000?** Fills in from L. If yes, tell HMRC within 30 days of the end of that month	
N	**Do you expect taxable turnover over £90,000 in the next 30 days alone?** If yes, register by the end of that 30-day period	

MAKING TAX DIGITAL (PAGE 35)

O	**Qualifying income on your 2024/25 return** Gross self-employment and property income before expenses	£
P	**Qualifying income on your 2025/26 return** Same measure, for the next year's test	£
Q	**Your MTD start date** Fills in from O and P: over £50,000 in O, 6 April 2026; over £30,000 in P, 6 April 2027	

CHAPTER 8 RECAP

1. Save one-twelfth of your yearly bill every month, in a separate tax pot.
2. Put every deadline in your calendar now, with reminders.
3. Open HMRC letters the same day, and ask for help early.

Want someone to check your numbers?

TaxationMadeSimple can go through them with you, including whether a company would suit you. Message @taxationmadesimple on Instagram and start with "GUIDE".

Enquire via Instagram →

REFERENCE

Frequently asked questions

When should I go limited?

When the numbers, risks and admin all point the same way. At £45,000 profit, staying a sole trader can be cheaper (page 15). Model it with real figures first.

Can I claim my gym membership?

Generally no. It has a personal benefit, even if fitness is part of your brand.

Should I register for VAT voluntarily?

Possibly, if your customers are VAT-registered and you pay significant VAT on costs. It can make you more expensive for consumers.

Can I pay myself only in dividends?

You can, but a salary around £12,570 often works better: it uses your Personal Allowance, is deductible for Corporation Tax and protects your State Pension record.

Is the 26% quick estimate right for me?

Only within its stated limits (page 42). Otherwise use the online Tax estimate or HMRC's tools.

What if I miss 31 January?

File and pay as soon as you can. Interest runs on unpaid tax. If you're not in MTD, a late return usually means a £100 penalty, with more after 3, 6 and 12 months. In MTD, a late return earns a penalty point (page 33).

Can I reduce my payments on account?

Yes, with a reasonable estimate. If you reduce too far, you'll pay interest on the difference.

Do MTD updates mean paying tax every quarter?

No. They report information. Payment dates stay 31 January and 31 July.

Do I need a tax return as a director?

Not automatically. You may need one for dividends over £10,000, other untaxed income or if HMRC asks (page 25).

Do I need an accountant?

Not always. Many sole traders manage alone. Advice is worth it when you're choosing a structure, running a company or seeing profits rise sharply.

REFERENCE

Glossary

The essentials are on the Key words page near the start (page 9). This is the fuller list.

Accounting period: the period a company's accounts and Corporation Tax cover.

Accounting profit: profit in the accounts, before any adjustments needed for tax.

Adjusted net income: your taxable income less certain reliefs, such as pension contributions and Gift Aid. Used for the Personal Allowance taper and the Child Benefit charge.

Allowable expense: a cost that can be deducted under tax rules.

Balancing payment: what's left to pay for a tax year after payments on account.

Benefit in kind: a perk from an employer, such as a cheap loan, taxed like pay.

Capital allowances: tax relief on equipment and other long-term assets under traditional accounting and for companies.

Cash basis: recording income when it's received and costs when they're paid. The default for most sole traders.

Corporation Tax: tax a company pays on its profits.

Director's loan account: a record of money between a director and the company.

Distributable profits: profits legally available to pay dividends.

Dividend: a payment to shareholders from company profits.

Drawings: money a sole trader takes out for personal use. Not a business cost.

Financial year: for Corporation Tax, 1 April to 31 March.

Marginal relief: reduces Corporation Tax for profits between the lower and upper limits.

MTD (Making Tax Digital): digital records and quarterly updates to HMRC.

National Insurance: contributions that build entitlement to the State Pension and some benefits.

PAYE: Pay As You Earn, the system that deducts tax and NI from salary.

Payments on account: advance payments towards a tax year's bill.

Personal Allowance: income you can have tax-free, £12,570 for most people.

Qualifying income: for MTD, gross self-employment and property income before expenses.

Self Assessment: the system for reporting income HMRC hasn't fully taxed at source.

Taxable profit: the profit tax is worked out on, after any tax adjustments.

Taxable turnover: for VAT, the value of sales that aren't exempt or outside the scope of VAT.

Trading allowance: £1,000 of trading income that can be tax-free, with restrictions.

Turnover: total sales before costs.

REFERENCE

Official sources

Every rate, threshold and deadline in this guide was checked against these pages on 21 October 2026. They can change; check them before you act.

INCOME TAX

Income Tax rates and Personal Allowances	GOV.UK →
Scottish Income Tax rates and bands 2026 to 2027	gov.scot →
Tax on dividends	GOV.UK →
Adjusted net income	GOV.UK →
High Income Child Benefit Charge	GOV.UK →

NATIONAL INSURANCE AND EMPLOYERS

Self-employed National Insurance rates	GOV.UK →
Rates and thresholds for employers 2026 to 2027	GOV.UK →
Employment Allowance eligibility	GOV.UK →

SOLE TRADERS

Cash basis	GOV.UK →
Expenses if you're self-employed	GOV.UK →
Training courses	GOV.UK →
Simplified expenses: vehicles	GOV.UK →
Simplified expenses: working from home	GOV.UK →
Trading and property allowances	GOV.UK →

CAPITAL ALLOWANCES

Annual Investment Allowance	GOV.UK →
40% first-year allowance	GOV.UK →
Business cars	GOV.UK →

COMPANIES

Corporation Tax rates and allowances	GOV.UK →
Marginal Relief for Corporation Tax	GOV.UK →
Accounts and tax returns for private limited companies	GOV.UK →
Director's loans	GOV.UK →
Section 455 rates (CTM61505)	GOV.UK →
Reimbursed expenses (EIM21619)	GOV.UK →

VAT

Register for VAT	GOV.UK →
VAT Returns: deadlines	GOV.UK →

SELF ASSESSMENT

Deadlines	GOV.UK →
Penalties	GOV.UK →
Payments on account	GOV.UK →
Self Assessment for directors	GOV.UK →
Payment plans	GOV.UK →

MAKING TAX DIGITAL AND RECORDS

Find out if and when you need MTD	GOV.UK →
Work out your qualifying income	GOV.UK →
Quarterly updates	GOV.UK →
MTD penalties	GOV.UK →
MTD exemptions	GOV.UK →
Records: self-employed	GOV.UK →
Records: limited companies	GOV.UK →

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The UK Tax Guide 2026/27 explains the tax year, sole trader and company tax, VAT, payments on account and Making Tax Digital, with worked numbers and a plan you can follow.

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