

TOURISM NI PRACTICAL GUIDE TO MANAGING YOUR BUSINESS TAXES

Who is this for?

This is for you if you have just started, or you are planning to start your own tourism, hospitality or leisure business and you want to understand and manage your business taxes in a practical way.

For a more detailed understanding, speak to your accountant, a tax professional or check out the HMRC webpages.

See also the other resource supports available on the Tourism NI website:

<https://www.tourismni.com/business-guidance/home/>

***Note:** The information contained herein is for guidance only and may change over time. You should always seek professional advice and support to ensure that it is most appropriate to you and your own individual circumstances. Tax issues are particularly important, and you should always engage an accountant to advise on your own specific circumstances.*

The problem with the Time Lag

The main problem with business taxes is the time lag between when they are calculated, collected or incurred and when they must be paid. Unlike the PAYE scheme for employees where the tax is automatically deducted from each wage or salary payment, there can be a time delay of many months for businesses. This means that when the time comes to make your tax payment you need to have that money available.

Managing your Taxes

As a result of the time lag, as a business owner you need to understand how your taxes work and manage their collection and payment so you can avoid the worry and stress of missed returns and payments. The following table can be used as a checklist to help you manage your taxes in a practical way to avoid potential problems:

Managing your business taxes

Tax	Who it affects	How it works	Tips on how to manage it	Comments and useful links
Income Tax	Employee	PAYE income tax is automatically deducted from your wage/salary.	Regularly check your tax code to ensure it is accurate	The PAYE tax code takes into account the annual personal allowance of each individual
	Employer (sole trader, partnership or limited company)	<ul style="list-style-type: none"> • When you run payroll, the appropriate PAYE tax is deducted from each employee's pay • A Real-time Information (RTI) report is sent automatically to HMRC from your bookkeeping system and PAYE owed is added to your Government Gateway account • A payroll system linked to your cloud-based bookkeeping (e.g. QuickBooks/Xero/Sage etc.) will add the tax deducted to a "liability" 	<ol style="list-style-type: none"> 1. Set aside the PAYE/Income tax due in a separate account, ready for when the money is due to be paid. 2. Set up a direct debit with HMRC so you never miss a payment. 3. Check your Government Gateway Account to keep track on all your returns and payments. 4. You can also pay HMRC directly with a card or by bank transfer. 5. Add notes to your diary or calendar to remind you when the tax 	<ul style="list-style-type: none"> • If you pay yourself as a director of a limited company, you will need to set up a payroll system for this and treat yourself as an employee • National insurance deductions are also recorded and added to your Government Gateway Account https://www.gov.uk/national-insurance • PAYE details: https://www.gov.uk/pay-payee-tax • Budget plan: https://www.gov.uk/pay-self-assessment-tax-bill/pay-weekly-monthly

Managing your business taxes				
Tax	Who it affects	How it works	Tips on how to manage it	Comments and useful links
		account to show that your business owes this money to HMRC <ul style="list-style-type: none"> For monthly payroll, the tax and national insurance collected is due by 22nd of the next tax month 	returns and tax payments are due.	<ul style="list-style-type: none"> Late filing attracts an automatic penalty (currently £100) Allowable expenses: https://www.gov.uk/expenses-if-youre-self-employed
	Self-employed	<ul style="list-style-type: none"> After you register as self-employed with HMRC, you are required to complete an annual self-assessment tax return The return is completed online by 31 January in the year following the 	<ol style="list-style-type: none"> Set aside the estimated tax when invoices are paid or cash sales are made. Check your Government Gateway account regularly. Consider setting up a budget plan with HMRC. 	

Managing your business taxes				
Tax	Who it affects	How it works	Tips on how to manage it	Comments and useful links
		<p>tax year e.g. for the tax year ended 5 April 2023, your tax return will be required by 31 January 2024</p> <ul style="list-style-type: none"> • Payment is also due by 31 January each year • Often an advance payment for the following tax year is also due - 50% payable at the end of January and 50% by 31 July • It is based on taxable profits and other earnings during the 	<p>4. Add notes to your diary or calendar to remind you when the tax returns and tax payments are due.</p>	

Managing your business taxes				
Tax	Who it affects	How it works	Tips on how to manage it	Comments and useful links
		year e.g. wages or dividend income		
	Shareholders	<ul style="list-style-type: none"> • If you own shares in a limited company, you may be entitled to a dividend, which is taxable under income tax rules • The current dividend tax rate (2023/24) is 8.75% • The current dividend allowance (2023/24) is £1,000 • Dividends are recorded in your annual self-assessment tax return 	<ol style="list-style-type: none"> 1. If you pay yourself a dividend, remember to record this in the board minutes of the company. 2. Set aside enough funds to pay tax on your dividend income when it is due at the end of January each year. 3. Add notes to your diary or calendar to remind you when the tax returns and tax payments are due. 	<ul style="list-style-type: none"> • https://www.gov.uk/tax-on-dividends

Managing your business taxes				
Tax	Who it affects	How it works	Tips on how to manage it	Comments and useful links
Corporation Tax	Limited companies	Corporation Tax returns need to be submitted within 12 months of the financial year end, and any tax payable within 9 months and one day of the financial year end	<ol style="list-style-type: none"> 1. Set aside the estimated corporation tax when invoices are paid or cash sales are made. 2. Check your Government Gateway account regularly. 3. Consider paying this in advance during the year as you receive your sales income. 4. Add notes to your diary or calendar to remind you when the tax returns and tax payments are due. 	Corporation Tax - GOV.UK (www.gov.uk)

Managing your business taxes				
Tax	Who it affects	How it works	Tips on how to manage it	Comments and useful links
VAT	All companies	<ul style="list-style-type: none"> You must register for VAT if your VAT taxable turnover goes over £85,000 (the current 'threshold'), or you know that it will in the next 30 days You can also register voluntarily VAT is subject to Making Tax Digital rules If you are not VAT registered you will still have to pay VAT on purchases but will not be able to reclaim it 	<ol style="list-style-type: none"> Set aside the estimated VAT when invoices are paid or cash sales are made. Use your bookkeeping system to identify the exact amount of VAT due at any point in time. 	VAT registration details: https://www.gov.uk/vat-registration/when-to-register

Additional websites for information:

- HMRC YouTube Channel: <https://www.youtube.com/user/hmrcgovuk>
- Making Tax Digital: <https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital>
- NI Business Info website resources: <https://www.nibusinessinfo.co.uk/content/taxes>