

Deadlines and Penalties for Sole Traders



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What reporting obligations do I have as a sole trader?

If you're new to running a business as a sole trader, then you're probably wondering what's required of you, and when. Our guide for sole traders explains:

- ✓ Your obligations
- ✓ Deadlines and penalties
- ✓ How to avoid penalties

As a sole trader there are legal responsibilities which you must take care of, such as reporting your income to HMRC.

Every business has a financial year which, for sole traders, is usually the same as the tax year. It starts 6th April, and ends 5th April the following year, although you can change this.

There are reports you must submit which relate to each financial year of your business.



Self Assessment tax return deadlines and penalties

Sole traders must submit a Self Assessment tax return each year, reporting income and expenses so that HMRC can work out how much tax is due.

The Self Assessment reporting deadline is 31st January, so the January after the end of the tax year that you're reporting on.

There's a £100 penalty for submitting late. After 1 month, this will increase by £10 per day for each day that it's late, up to a maximum of 90 days.

After 3, 6, and 12 months late, a further penalty equal to 5% of the tax due will be added.



Other reporting requirements for sole traders

Annual accounts report on your business' finances within a particular financial year. They aren't a legal requirement for sole traders, but they're useful even if you don't need to send them anywhere!

They'll show the performance of the business, including its income, profit, and the amount of assets and liabilities the business has at year end.

There might be other reporting requirements too, such as submitting a VAT return if you're registered, or PAYE if you employ any staff.



Protect yourself from HMRC penalties

So, as you can see, the penalties issued from HMRC can be considerable. But what can you do to avoid them?

Getting a good bookkeeping system into place early on makes it much easier to submit accurate returns on time, not to mention a whole host of other benefits for your business.

You'll also have a better chance of running your business more efficiently, with all the information you need to make good decisions.

Use an accountant, bookkeeper, or financial advisor to help you stick to deadlines.

They'll also have the knowledge and experience to make sure you're claiming all of the expenses and tax relief that you're entitled to, without running into problems.



Looking for more help with your sole trader business?

If you have any further questions simply call us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.

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