



Housing benefit and council tax reduction A guide for self-employed people

Recently started self-employment

If you have just become self-employed within the last 13 weeks we will need you to estimate your income (earnings) and outgoings (expenses) for your first 13 weeks of trading.

You can do this by completing the self-employed questionnaire or providing your own projected accounts.

After the 13 weeks we will request your actual accounts for this period and reassess your benefit entitlement from the date your accounts are received.

If you have recently had a significant change in your established self-employment

For example, losing a major client or having experienced a significant downturn in business. When filling out your application or completing the self-employed questionnaire, please state clearly the reason for your claim. For example, *“I have been self-employed since April 2012 but have experienced a decrease in income since October 2014 so I am supplying accounts since then.”*

If this change has happened within the last 13 weeks, please provide a projection as detailed above.

If this has been for more than 13 weeks, please provide your actual accounts for the period since the change.

Established self-employment

Please provide your accounts for the last financial year, or for as long as you have been self-employed (if this is less than a year). Benefits use an assessed income period, for a period no longer than 52 weeks. Any award of benefit will be based on a retrospective period of accounts. Benefit will not be recalculated for the same period in the future unless there are good grounds to revise an earlier decision.

Guide to keeping basic accounts for benefit purposes

Keeping a record of your accounts can be a basic system, where you record money in (earnings) and money out (expenses).

You could keep a digital record, like a spreadsheet or just a book, or back-up with both. Keep a record of earnings in one column and expenses in another column. You will need to break down how you earned and spent the money from your business and show any grants, loans or other support you have received for your business.

It is advisable to break this into weekly or monthly sections depending on the nature of your business and total each period's earnings and expenses. This will make adding up your annual accounts easier. An example has been included below.

Where an expense is used partly for business and partly for personal use, for example use of a car or mobile telephone, please provide a percentage breakdown to show business use and personal use.

As seen below a total amount and percentage for business use has been provided for petrol and phone.

April 2014	
Earnings	Expenses
02/04/14 – Mr Smith - £200	01/04/14 – Paint - £25
05/04/14 – Community Centre - £250	04/04/14 – Brushes - £7.50 – Paint - £10
10/04/14 – Ms Davies - £300	05/04/14 – Petrol - £25 - @50% = £12.50
	09/04/14 – Wall paper & paste - £15 – Rollers & brushes - £7.50
	10/04/14 – Petrol - £15 - @50% = £7.50
	12/04/14 – Mobile £15 - @50% = £7.50
Total earnings = £750	Total Expenses = £92.50

(Accounts for Painter and Decorator for April 2014)

If you pay into a personal pension plan, state the amount paid, the frequency of the payments and provide proof of the payments and membership of the scheme.

Keep business bank statements for the same period as your accounts and be prepared to show them.

At the end of the financial year this will enable you to present your accounts as shown below. These accounts will be requested from you every year in order to calculate your benefit entitlement.

This is only a guide how to present your accounts for Housing Benefit and Council Tax Reduction purposes. Separately, you will also be required to register with HM Revenue and Customs for tax purposes. Self-assessment forms sent to HM Revenue and Customs are not acceptable for our purposes because we apply different rules with regard to allowable expenses for our assessment.

Example of Yearly Accounts for Self-Employed Painter and Decorator for Tax Year 6/4/13 to 5/4/14

Earnings / sales

£10,000

Expenses

Tools £200

Paint £500

Telephone £120

 % business use 50% = £60

Business insurance £100

Car

Road Tax £135

Petrol / Diesel £1000

Repairs £100

Insurance £250

 Total motoring expenses £1485

 % business use = 50% = £742.50

Total expenses £1602.50

Gross profit (earnings – expenses) £8397.50