



Types of Income

- Payments for goods or services you provide.
 - Insurance pay outs you receive to repair or replace any equipment needed to run your business
 - Interest you receive from your business bank accounts
 - Refunds on items that you've returned back to the supplier.
 - Income you receive for renting out your business premise
 - Royalties - An amount paid to use someone else's original work
 - Tips - Extra payments left by customers to express gratitude for the service they've received
 - VAT refunds - If the amount of VAT you've charged customers is more than what you've paid, you can get a refund of the difference from HMRC
- **Payments for goods or services you will provide.**
 - Example 1: A hairdresser has 4 clients per week charging £30 each. This means she makes £120 in total every week. She works in this way for the whole year (52 weeks x £120), so she receive a total income of £6240 for her business.
 - Example 2: A cleaner who charges £8 per hour for her services has 5 clients per week. She spends at least 2 hours cleaning for each client. This means she make £80 in total every week. She works in this way for the whole year (52 weeks x £80), so she receives a total income of £4160 for her business.
 - Example 3: A taxi driver who's been self-employed for 3 years has been making £1000 per month. We require proof of the past 12 months/last trading year so he makes £12,000 per year (12 months x £1000)
 - **Insurance pay outs you receive to repair or replace any equipment needed to run your business**
 - Example: A take away delivery driver is involved in a bike accident and needs to get it repaired. He puts a claim through his insurance company, but in the meantime, as the driver wants to get back to work quickly, he gets the damages repaired on his bike himself. This will be classed as his expenses.

A few weeks later, the insurance company pays out the money for the damages. This is classed as his income.

- **Interest you receive from your business bank accounts**

- Example: A business bank account is £2,000 in credit. The bank offers interest of 0.30% annually. Therefore the money you receive as interest is (£2,000 x 0.30%) £6 per year and this is classed as income.

- **Refunds on items that you've returned back to the supplier.**

- Example: A painter/decorator purchases two tins of white paint from the hardware store for a job he's about to start. The money spent will be classed as his expenses.
One week later, the job gets cancelled so he returns the paint to the store to get his money back. The money he receives is classed as his income.

- **Income you may receive for renting out your business premise.**

- Example: You have a spare office that you are renting out or subletting to another company. You are charging them £200 per week. This means you will receive a total rental income of £10,400 for the year.

- **Royalties – An amount paid to use someone else's original work**

- An original song is used in an advert. Every time the advert is aired on TV or radio, the composer receives £1. This means if it's played 10 times in a day, the income received is £10

- **Tips – Extra payments left by customers to express gratitude for the service they've received**

- A café owner gives her customer their food bill which totals £15. The customer leaves £20 instead meaning £5 income for the café owner.

- **Value Added Tax (VAT) Refunds – If the amount of VAT you've charged customers is less than what you've paid, you can get a refund of the difference from HMRC. This is done quarterly**

- A Cash and Carry purchases good amounting to £10,000 in total. Of that, 20% of VAT was paid which is £2,000. In the same quarter, the Cash and Carry makes sales of £5,000 and of that, 20% VAT was charged which is £1,250. This means there is a VAT refund due of the difference of £750 which will be classed as income.

Types of Expenses

- **Rent, rates or mortgage payments on the business premises**
 - Example: You are a self-employed mechanic and are renting some garage space from a company to fix your customers cars. You are being charged £150 per week for this. This means you have a total rental expense of £7,800 for the year.
- **Staff costs**
 - Example: You have hired two administrative assistants to help with general office duties. You are paying them a salary of £17,000 each per year. This means you have total staff costs of £34,000

Stock and supplies

- Example: You are a self-employed photographer. You spend £100 per month on glossy and matt finished paper, albums and ink. This means you spend £1200 on your stocks and supplies

Legal and accountancy fees

- Example: You are a self-employed taxi driver. You legally require a Public Carriage Office (PCO) licence in order to run your business which costs £310. You also pay an Account £150 to prepare your profit and loss accounts. These are both one off costs meaning your total legal and accountancy fees are £460.
- **Hire and leasing charges**
 - Example: You are a self-employed removals company. You've hired a van for £350 for every 2weeks (fortnight) to collect large unwanted items from your customers to dispose of. This means you have hire charges totalling £9,100.

- **Business telephone and cleaning**
 - Example: You are a self-employed window cleaner. You spend £10 on phone credit each week to call your customers beforehand checking that they are at home. You make some personal phone calls to your family also using the same credit. You believe it's about £2 worth therefore you only use £8 of credit for business use. This means your total telephone expenses are £416

- **Bank charges and insurance costs**
 - Example: You are a self-employed builder with expensive tools which you've insured against damage and theft. This has a yearly charge of £450 which is your expense.

- **Office expenses**
 - Example: You are a self-employed solicitor. You have office expenses for paper, files and other stationary which costs £200 every 3months (quarter), this means you have total office expenses of £800.

- **Advertising**
 - Example: You have just started your business as a hair dresser. You have designed and printed leaflets showing the services you offer as well as your price list. This is a one off cost of £75

- **Work clothing**
 - Example: You are a self-employed deep cleaner and require protective gloves, goggles and overalls. These often get ruined by the harsh chemicals you use so you have to buy them 3 times in the year costing £45 each time. This means you have a yearly cos for work clothes of £135.

- **Fuel, transport & delivery costs**
 - Example: You are a self-employed mini cab driver. You spend £125 per week on diesel to drive your customers to their destinations. You also often use your car for personal journeys using the same fuel. You believe this to be £15

worth per week, therefore you only use £110 fuel for business use. This means you have a total fuel cost of £5,720.

- **Repairs for equipment**

- Example: You are a self-employed caterer. Your cooker and oven have broken down and the cost to have it repaired was £90. This happened twice in the year which means you've had a total repair cost of £180.

Capital Assets

Fixed

- Building. Example: Office, garage, shop, storage unit
 - Only if it's owned – Not leased or rented.
- Computer hardware. Example: Computer, laptop, smart devices, printer, scanner
- Raw materials (parts that make up a finished product)
- Fixtures and fittings (removable objects within a building). Example: Air conditioning, partitions, some lighting
- Furniture. Example: Desk, chair, display units, bench, counter
- Land. Example: Field, beach, lake, forest
 - Only if it's owned – Not leased or rented.
- Maintained equipment and tools (powered by humans)
- Maintained plant and machinery (not powered by humans)
- Vehicle. Example: Car, lorry, van, bus
 - Only if it's owned – Not leased or rented.

Liquid

- Loan – Money that is given to a business that you have to pay back, usually with interest.
- Grant – Money that is given to a business that you don't have to pay back. Normally it's given for a specific purpose or on the basis that the business carries out particular functions
- Gift – Money that is given to a business that you don't have to pay back. It can be given for a specific purpose or on the basis that the business carries out particular functions.