01 / START HERE

Self Assessment & your first tax bill.

What you report, why the first January can cost more and how to plan for it.

Self Assessment is your personal tax return. It brings together your taxable income, gains and reliefs for the tax year, then works out what remains to pay after tax already collected.

You may need one for self-employment, rental income, partnership profits, dividends, gains or other untaxed income. It is not the same as your company's accounts, Corporation Tax return or VAT return.

A common first-time trigger

A sole trader with **more than £1,000 of gross trading income** in a tax year normally needs to register and file, even if profit is below the tax-free Personal Allowance. That is income before costs, not profit.

Being a company director alone does not automatically require a return. Check the actual income and circumstances. If HMRC has asked for a return, file it unless HMRC agrees it is no longer needed.

TAX YEAR: 6 APRIL TO 5 APRIL

Example: You start trading in September 2026. Your first return normally covers your business income and costs from starting until 5 April 2027, plus any other reportable personal income for 2026/27.

31 January 2028

The normal online filing and payment deadline for that first year. **Do not wait until then to register, send records or start saving.**

Return covers	Register / notify by*	Online return and tax due	Second advance payment, if due
2025/26: 6 April 2025 to 5 April 2026	5 October 2026	31 January 2027	31 July 2027
2026/27: 6 April 2026 to 5 April 2027	5 October 2027	31 January 2028	31 July 2028

*For a first-time obligation or where reactivation is needed. Ordinary paper returns are normally due by 31 October after the tax year. A late-issued notice can change the filing deadline, not necessarily the tax-payment date. MTD users have extra updates and must use compatible software for their final return.

CHECK THE RULES Who needs a return · Register for Self Assessment · Filing and payment deadlines

02 / UNDERSTAND THE CALCULATION

Tax is normally based on profit, not drawings.

For a sole trader, taking less cash out does not by itself reduce the taxable profit.

A complete 2026/27 example

Calculation	Amount
Business sales	£40,000.00
Less allowable business costs	£10,000.00
Taxable trading profit	**£30,000.00**
Less Personal Allowance	£12,570.00
Income charged to Income Tax	£17,430.00
Income Tax: £17,430 × 20%	£3,486.00
Class 4 NI: £17,430 × 6%	£1,045.80
Total Income Tax and NI	**£4,531.80**

Assumptions: an eligible UK-resident sole trader below State Pension age in England, Wales or Northern Ireland; no other income, student loan, reliefs, losses, tax deductions or earlier payments. All sales/costs belong to this tax year and no further tax adjustments are needed.

At this profit, Class 2 NI is treated as paid without an extra Class 2 bill. Class 4 NI is still payable as shown. Low-profit and special cases need checking.

What if you already have a job?

There is **one Personal Allowance**, not a separate £12,570 for every job or business. Your salary may already use it. The extra business profit can then be taxable from the first pound.

Higher earnings do not all get the top rate

For ordinary income in England, Wales and Northern Ireland, the basic, higher and additional rates are **20%, 40% and 45%**. Each applies only to the slice in its band. Scotland has different rates and bands for this income.

APPROACHING £100,000?

Your Personal Allowance reduces by £1 for each £2 of adjusted net income above £100,000 and is gone at £125,140. This income measure includes more than business profit; qualifying pension payments and Gift Aid can affect it.

Dividends and savings have different allowances and tax rules. Rental income does not automatically attract the same NI as a sole trade. We calculate the full personal position together.

A BUSINESS EXPENSE IS NOT A FULL REFUND

An extra £100 qualifying cost saves £26 in the example: £20 Income Tax plus £6 Class 4 NI. You are still £74 out of pocket. Personal drawings and your own Income Tax payments are not business expenses.

CHECK THE RULES Income Tax bands and allowances · Self-employed National Insurance · Business expenses · Dividend tax

03 / THE FIRST JANUARY

Why a £4,531.80 bill can mean £6,797.70 to pay.

Part of the first January payment can be an advance towards the next tax year.

Payments on account are two advance instalments towards the next year's relevant Income Tax and Class 4 NI bill. They are normally based on the previous year, after tax deducted at source. They are not extra tax on the same income.

Date	What the payment covers	Amount
31 January 2028	Full 2026/27 bill from page 2	£4,531.80
31 January 2028	First advance towards 2027/28: half of £4,531.80	£2,265.90
Total due that January	**£4,531.80 + £2,265.90**	**£6,797.70**
31 July 2028	Second advance towards 2027/28	£2,265.90

When the following return is finished

Suppose the actual 2027/28 bill is also **£4,531.80**. The two £2,265.90 advances have already paid it. There is no balance left for 2027/28, but the next advance for 2028/29 is normally due in January 2029.

NOT PAYING THE SAME BILL TWICE

The £4,531.80 paid in advance is credited against 2027/28. If the actual bill is higher, there is a balancing amount; if lower, the credit can reduce later payments or lead to a refund.

Does everyone pay in advance?

Usually not if the previous year's relevant bill was **less than £1,000**, or **more than 80%** of the tax was collected outside Self Assessment, such as through PAYE. We check the calculation; not every amount on a return is included.

Capital Gains Tax and student-loan repayments are not included in payments on account. They can still need paying with the final balance.

EXPECTING A LOWER BILL?

We can review a claim to reduce the advances. Do not reduce them just because cash is tight. If reduced too far, interest can run on the shortfall from the original payment dates.

This example assumes a first return with no previous advances or deductions and an unchanged relevant bill. The "150% in January" effect is not universal. Actual payments also depend on credits, other charges, reductions and tax already collected.

CHECK THE RULES Payments on account · Payments on account: what is included · Understand your tax bill

04 / WHAT TO SEND US

Your business records are only part of the picture.

Send information for the whole tax year, including anything earned before you started the business.

Area	What SBX needs
Your business	Sales, receipts, expenses, all bank/card and payment-platform records, mileage and asset purchases. Flag loans, owner transfers, refunds and costs paid personally.
Employment and pensions	P60s or P45s for every job, taxable benefit details such as P11Ds, and State/private pension income statements. Include tax already deducted.
Property, investments and gains	Rental and agent statements, costs and ownership shares; dividends and interest outside tax-free accounts; details of shares, property, crypto or other assets sold, swapped or gifted.
Tax reliefs and other circumstances	Personal pension statements showing contributions and tax top-ups; Gift Aid donations; student/postgraduate loan plan and deductions; Child Benefit, overseas income and residence changes.
Tax already paid	CIS payment statements, earlier payments on account, HMRC notices and any tax collected through your tax code. Send foreign-tax details where relevant.

PENSIONS: SEND THE PROVIDER'S STATEMENT

For a relief-at-source pension, £800 paid personally plus a £200 top-up means £1,000 gross. We use the right figure to check relief. Do not claim employer contributions or a workplace deduction twice.

YOUR UTR IS NOT YOUR COMPANY'S UTR

Your personal Unique Taxpayer Reference has 10 digits. Registering, giving us that number and authorising SBX are separate steps. Complete the requested authorisation; do not send your HMRC password.

Not sure whether it matters? Send it and explain. HMRC may already hold some information, but that does not guarantee the return is complete. Tell us early about a loss, a property sale, overseas work or a large change in income.

For self-employed 2026/27 records, the normal minimum retention date is 31 January 2033: five years after the usual filing deadline. Late returns, enquiries and other circumstances can require longer. Property and investment purchase records may be needed until well after sale.

CHECK THE RULES Who needs a return · How long to keep business records · Personal pension relief · Gift Aid · Claim deductions back

05 / PAY AND PLAN AHEAD

File early. Know the bill. Keep the tax money separate.

Sending your return early does not normally bring the January payment deadline forward.

01 Build a tax pot as you earn

Base it on estimated profit and your full personal tax position, not just what you withdraw. Review it as profits change and allow for payments on account.

02 Approve the return and payment schedule

Check the figures we send and tell us about anything missing. The tax calculation shows the year's liability; the HMRC account also shows payments, credits and amounts now due.

03 Make the payment separately

Filing does not move money from your bank. Use HMRC's official payment service and allow time for the chosen payment method to clear.

NORMAL SELF ASSESSMENT BANK REFERENCE

Your **10-digit personal UTR followed by K**, for example **1234567890K**. Use your own reference, not this example, your company UTR or your VAT number.

A savings example, not a standard tax rate

For the £30,000-profit example, the annual £4,531.80 bill averages **£377.65 a month** over 12 months. The first January total is higher because it also includes a £2,265.90 advance. Build the reserve before the deadline arrives.

Cash is tight? Still send the return

Tell us and contact HMRC early about a **Time to Pay** arrangement. It needs agreement and interest can still apply. A Budget Payment Plan is different: it lets eligible, up-to-date taxpayers pay ahead in regular instalments.

DO NOT WAIT FOR A PENALTY

For a 2026/27 return outside MTD, late filing normally starts with £100, even if no tax is due. Interest and late-payment penalties are separate. MTD uses different submission rules; the wider penalty system changes from 2027/28.

YOUR NEXT STEP

Contact our office or your account manager.

info@sbxaccountants.com | **020 7046 1730**

First-time guide for UK personal tax. Examples use 2026/27 rules and the assumptions shown. MTD may require digital records and quarterly updates before the annual return: read the companion guide. Tax on some property disposals has earlier reporting/payment deadlines; do not wait until January to tell us.

CHECK THE RULES Pay your Self Assessment bill · Bank-payment reference · Budget Payment Plan · Payment plans · Ordinary Self Assessment penalties · MTD penalties and first-year rules