

Ardent Resources

Guide to registering as self-employed (text version)

Produced by Ardent Theatre Company

ABOUT

ARDENT RESOURCES is a collection of workshop notes, interviews, guidance and tips about working in Theatre. It is not intended as comprehensive advice or formal educational resource on which reliance should be placed; rather it collates various insights from people working in the industry that you can choose to incorporate into your own toolkit. Nothing should be taken as a representation or warranty as the correctness or fitness for purpose of any of the content.

Any links shared are for information only and are not endorsed by, connected to or representative of Ardent Theatre Company. We can't guarantee that any of the advice given will lead to future opportunities in the arts; but we do hope it provides resources to help build your own career strategy.

INTRODUCTION

This guidance offers a basic overview of self-employment, the registration process and your obligation in keeping records of work and expenses. Those who are self-employed are often referred to as being freelancers or working freelance.

The guidance is written with the assumption you are an actor, although the information is relevant to other creative roles.

We will do our best to update this guidance should there be significant changes with regards self-employment. It doesn't cover everything; instead, we hope it goes some way to demystifying the process.

WHAT DOES BEING SELF-EMPLOYED MEAN?

HMRC outlines some of the factors that might determine if you are self-employed. Usually you:

- Work for several clients at the same time
- Decide how, where and when you work
- Can hire someone else to help or do the work
- Provide the main equipment to carry out the job
- Charge an agreed fixed fee for the work

This may not read like it applies to acting work, but actors and other performers are subject to separate treatment that enables them to be considered self-employed. There are many reasons why. Partly it's because actors move from one job to another and even work in more than one job at a time. Actors are likely to have periods of unemployment between engagements. You yourself are the 'business' and so incur costs beyond attending rehearsals and performances, such as travelling to auditions, purchasing equipment for self-taping etc. Actors also have some degree of control over the work performed, such as preparatory work and line learning in your own time at home.

Therefore, actors are, on the whole, treated as **self-employed**. This means you are responsible for declaring what you have earned for the year and then pay any tax and National Insurance contributions (NIC) due to HMRC. This is done through an annual self-assessment tax return.

There might be occasions (a long run of a production) where actors are **employed** by the company. In this case, tax and NIC is deducted at source (i.e., from your pay before you receive it). This is known as PAYE (Pay As You Earn).

Many actors may work in other jobs to support their acting careers and so may have a mix of employed and self-employed work in any one year. For example, you could be employed for working part-time in a bar or cafe and self-employed for your acting work.

At the end of the tax year, you need to declare both employed and self-employed earnings along with any tax and NIC already paid via PAYE.

HOW TO REGISTER AS SELF-EMPLOYED

For the purposes of HMRC, when you are a self-employed individual you are classed as a **sole trader** meaning you yourself are the 'business'

You need to register with HMRC within six months of the end of the tax year in which you commenced self-employment.

You only need to register if your self-employed income in the year was more than £1,000, although you can choose to register if it's below that.

When you are offered acting work, the company will most likely ask you to provide your Unique Taxpayer Reference (UTR) as proof that you have registered as self-employed.

To Register:

- Go to: <https://www.gov.uk/register-for-self-assessment/self-employed>
- Enter your email address
- You will be emailed a 12-digit USER ID code
- Complete and submit the form. A few things to note:

Name of business: You can trade under your own name, or you can choose another name for your business. For most actors, you will use your own name.

There are a number of tick-box questions about the Construction Industry Scheme, being a share fisherman, land and property etc. None of these should apply so say no.

Is your business address the same as your home address?

Yes. Unless you are using a different address for your work correspondence.

Will you be doing all your work for 1 person or firm?

No. You will be working for numerous companies over your career.

- Once submitted you'll receive two letters with your:

Unique Taxpayer Reference (UTR) within 10 days (21 if you're abroad)

Activation code for your account. You'll need this when you first log in to your online account. Once activated you will be able to file your annual self-assessment tax return.

USEFUL LINKS:

HMRC registration guide: <https://tinyurl.com/HMRC-guide>
HMRC detailed guide: <https://tinyurl.com/HMRC-detailed-guide>
Example registration form: <https://tinyurl.com/HMRC-SE-Form>

TAX

You are allowed to earn up to a certain amount (known as the Employee Personal Allowance) before you start paying tax. This allowance includes both PAYE and self-employed income.

The Employee Personal Allowance for 2021-22 is:

£242 per week
£1,048 per month
£12,570 per year

One of the benefits of being self-employed is that you can offset the tax you owe by claiming against certain expenses (see Expenses section below.)

Your earnings in the year minus any eligible deductions are referred to as your **profits**.

There are different % rates of tax depending on the amount of profit you earn in the year. For 2021-22, the tax rates are:

20% above £12,570 and up to £37,700
40% between £37,701 to £150,000
45% above £150,000

If your profit is more than £85,000 you must register for VAT. This is more complex, and a topic not covered in this guidance.

USEFUL LINKS:

HMRC info on VAT: <https://tinyurl.com/HMRC-VAT-info>

NATIONAL INSURANCE CONTRIBUTIONS

National Insurance contributions are paid so that you qualify for certain benefits and the State Pension. There are different types of National Insurance known as classes.

A self-employed person will pay:

Class 2 NI on profits of £6,515 or more in a year.

Class 4 NI on profits of £9,569 or more in a year.

If you earn less than £6,515 in a year you can choose to pay voluntary Class 2 contributions to avoid gaps in your National Insurance record.

The NI contributions rates for 2021-22 are:

Class 2 £3.05 a week

Class 4 9% on profits between £9,569 and £50,270
 2% on profits over £50,270

If you also work PAYE for some jobs and earn more than £184 per week your employer will deduct NI contributions from your pay. These are referred to as Class 1 deductions and your employer will also make a contribution direct to HMRC. These rates are calculated differently to the above and is usually 12% on PAYE earnings above the £184 per week.

PENSIONS

When you are self-employed you are not automatically enrolled onto a pension scheme. Therefore, you might choose to take out your own Personal Pension Plan

For actors and stage managers, the most commonly used are the Equity Pension Scheme (provided by AVIVA via First Act) or NEST, which was set up by the government. There are also other providers.

Actor contracts differ depending on the company issuing them, some of which have a provision for making contributions to your pension.

If you join the Equity Pension Scheme, certain contracts (e.g. the ITC Contract for the engagement of Performers and Stage Managers) require that the company contracting you make a contribution towards your pension. The minimum contribution is 8% of earnings as follows:

5% contribution from you
3% contribution from the company

The company you are working for is responsible for paying this directly to your pension provider, meaning your 5% is deducted from your fee before being paid to you.

If you are not enrolled in a pension scheme, and your earnings exceed the threshold for auto enrolment (£192 per week for 2021-22), certain contracts might insist that the company enrolls you in their scheme and makes contributions. When the contract ends with them, they stop paying contributions.

What usually happens is companies can legally choose to postpone enrolling someone for 3 months. Since many acting contracts are for less than 3 months, most companies opt for postponement.

USEFUL LINKS:

These links are provided for information only and are not by any means endorsed or recommended by Ardent Theatre Company.

Equity Pension Scheme: <https://tinyurl.com/Equity-Pension>
NEST Pension Scheme: www.nestpensions.org.uk

EXPENSES

When you submit your end of year self-assessment tax return, you can offset some of the tax you owe by claiming back certain expenses.

You will need to keep a record of expenses and original receipts, although these are not submitted with your tax return. However, you must keep them for **5 years** following the tax return deadline in case HMRC ask to check your records. If you pay an accountant to do the tax return on your behalf, you will need to provide them with these receipts.

The following list of allowable expenses is taken from the HMRC website where there is comprehensive information about each category listing what can and cannot be included:

Office costs, for example stationery or phone bills

Travel costs, for example fuel, parking, train or bus fares

Clothing expenses, for example uniforms

Staff costs, for example salaries or subcontractor costs

Things you buy to sell on, for example stock or raw materials

Financial costs, for example insurance or bank charges

Costs of your business premises, for example heating, lighting, business rates

Advertising or marketing, for example website costs

Training courses related to your business, for example refresher courses

When you enter the amount of claimable expenses on your tax return you can choose to split costs across similarly worded categories or enter the total amount as one lump sum.

You can also claim what is known as simplified expenses related to vehicles used for travelling and costs related to working from home. These amount to flat rates you can claim for mileage and hours worked from home per month.

USEFUL LINKS

HMRC Expenses guidance: <https://tinyurl.com/HMRC-expenses>

HMRC Simplified expenses: <https://tinyurl.com/HMRC-simplified>

INVOICING

As a self-employed freelancer you might be asked to submit an invoice for payment. For actors on certain contracts this may not be necessary and instead the company will maintain a record of payments to you and provide you with a payslip.

If you are asked to submit an invoice, make sure it has the following:

- Name
- Contact phone number and/or email
- Address (optional)
- Date you are issuing the invoice
- A unique invoice number/reference. Often people use an abbreviation of the company and a number (e.g., ARD01 for Ardent invoice 1)
- Your UTR (Unique Tax Reference) number
- Brief description of the job (e.g., Week 1 Rehearsal of XX)
- The amount. If an hourly or daily rate, put how many and the rate

- Bank details for payment – account name, account number, sort code
- When you expect payment (e.g., often 14 or 30 days)

If you have an agent, then you do not need to invoice. The company will pay the agent and the agent will pay you minus any commission.

SUBMITTING YOUR END OF YEAR TAX RETURN

Your self-assessment tax return can be done by post or online.

The tax year runs from 6 April to 5 April.

Paper tax returns are due by 31 October.

Online tax returns are due by 31 January.

To submit your return online you log onto the HMRC Services (Government Gateway) portal using the USER ID and activation code sent when you first registered as self-employed.

Some of the information they will ask for includes:

- Earnings – both Self Employed and Employed
- Tax and NIC already paid
- Interest earned from bank accounts
- Any other income received
- Payments to pension schemes
- Charitable donations made
- Student Loan repayments made

There will be a lot of the form that is irrelevant to you. Detailed advice about how to complete a return is not covered in this guidance but might be added as a separate resource in the future.

USEFUL LINKS:

HMRC Services Log on: <https://tinyurl.com/HMRC-services-logon>

HMRC example tax form: <https://tinyurl.com/HMRC-tax-form>

Spotlight's guide: <https://tinyurl.com/Spotlight-tax-return>

MAKING PAYMENT TO HMRC

Once your self-assessment tax return form is submitted, you will most likely have tax and National Insurance contributions to pay. The payment schedule is as follows:

By **31 January** you pay whatever tax is owed for the year you're submitting plus an advance on the current year (known as a payment on account).

By **31 July** you pay a second advance payment on account for the current year.

The two payments on account are based on 50% of your previous year's bill. For example:

- Your self-employed tax bill for 2019-20 is £3,000.
- By 31 January 2021 you submit your online return.
- By 31 January 2021 you pay what is owed for 2019-20 (£3,000) plus an advance payment for 2020-21 (£1,500).
- By 31 July 2021 you pay the second advance payment (£1,500).
- When you come to do your 2020-21 tax return, you will have already paid an advance of £3,000 (2 x £1,500) which is taken into consideration on the payment due 31 January 2022.
- If it works out you have overpaid in advance, then this will be deducted from your next payment or you may even be due a refund.

You will see when you log onto your online profile details about your tax returns, money owed and a summary of all your NI contributions.

QUICK TIPS

Try to submit your self-assessment tax return a few days before the 31 January deadline. This is because it can take a couple of days for it to process and calculate how much you owe. If you don't, the calculated figure that appears at the end when you submit your self-assessment may not yet take into account the advance payments you made meaning you might overpay.

Put aside a percentage of your fee (e.g. 20%) from each job so you are saving for your tax bill as you go rather than having to find the money at the end of each financial year. Make sure to always get a receipt when paying for things that you can claim as expenses.

FINAL THOUGHTS

There are pros and cons to being self-employed and this guidance gives only a basic overview of the process.

For actors and other similar performance roles the lines between self-employment and employment can be blurry. Many acting contracts provide for holiday and sick pay, as well as make pension contributions, and yet treat the actor as self-employed for the purposes of tax and National Insurance contributions.

Unless you are in a long running production, the likelihood is you'll be engaged as a freelancer and therefore need to be registered as self-employed.

Keep a record of all your earnings and all your eligible expense receipts. Also, check with the list on HMRC about what you can and cannot claim.

Complete your annual self-assessment tax return in time, otherwise you may be fined. In fact, do it early; if submitting online you have nearly 10 months to get it done.

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