



Benefits Service

Self-Employed Information Leaflet

Are you or your partner self-employed or considering becoming self-employed?

If **YES** this leaflet can help answer your questions about what information you need to provide, and how this will affect your benefit.

This document can be made available in large print, Braille, tape format or in other languages upon request

Introduction

This leaflet should be read in conjunction with the other leaflets available in the series. It gives additional information on how self-employed earners claims for Housing Benefit and Council Tax Benefit/Second Adult Rebate are assessed.

Who can claim?

All self-employed earners can claim Housing Benefit and Council Tax Benefit/Second Adult Rebate.

What we ask you to do

We need to see original evidence of your income. Please leave your accounts with us and we will return them by recorded delivery. The following are generally acceptable:

- Most recent audited income and expenditure accounts
- A completed "statement of self-employed income" proforma with receipts and invoices

The following is not generally accepted:

- Unstructured bags of receipts and invoices

You may be asked to put them into an easy to understand format. This may delay your claim.

What we will do

We work out your total income for the period and deduct any allowable expenses and then work out your notional Tax and National Insurance liabilities; these are also deducted from your total income.

Expenses not deductible

- Depreciation of any capital asset
- Any sum used in the setting up or expansion of the business
- Business entertainment expenses
- Any sum for domestic or private use
- Capital repayments on business loans

Deductible expenses

- Purchase of stocks and supplies
- Manufacturing materials and goods for resale
- Carriage, packing and delivery costs
- Employees wages and employers National Insurance contributions
- Hire purchase, leasing and hire charges
- Subscriptions to professional and trade organisations
- Legal fees and accountancy charges
- Bank charges
- Business travel and hotel expenses
- Capital repayments on loans used to replace equipment or machinery
- Capital or income spent on the repair of existing business assets (after deducting any insurance pay-out)
- Interest payments on any business loan
- Proven bad debts and expenses incurred in the recovery of these
- Cleaning and protective clothing
- Advertising, telephone, postage

Business Partnerships

If the claimant is self-employed in a partnership, the gross profit has to be split between the business partners. To confirm how the business is divided, the **Deed of Partnership** should be provided.

Childminders

We do not need to see all your income and expenditure, just proof of your total income. We will disregard two thirds of this and work out your notional Tax and National Insurance liabilities on the third that is left.

Share Fishermen

The gross receipts and expenses of the fishing boat are required along with the agreed catching proceeds. The normal weekly earnings are then calculated by totalling the boat's gross receipt, deducting allowable expenses, then sharing the remaining sum among the crew, according to the distribution agreement.

Frequently Asked Questions

Do I need to have an accountant?

No, many self-employed customers don't have accountants. If you do not employ an accountant you can either produce your own accounts or complete a "statement of self-employed income" form with receipts and invoices.

Why do you need accounts? Can't you just base my claim on the amount that I am drawing each week?

No, we cannot base your claim on the amount you are drawing. It must be based on your net profit. This is the figure calculated after taking allowable business expenses from the gross income of the business

Do I really need to keep accounts because I know I am below the limit for income tax purposes?

Yes, you must keep records of all business income and expenses if you want to claim Housing Benefit or Council Tax Benefit.

What if I have just started up in business?

You can give us an estimate for the first two or three months of trading. All you need to do is estimate what you think you will earn and what your business expenses are going to be. You should then complete a "statement of self-employed income" form with receipts and invoices. You can give your details on there as it is quite straightforward to fill in. We will review your claim after this period of time and get your actual figures, when we would award your benefit for at least another six months.

What if I know that I am not going to make anything for the first few months because of the nature of my business?

Ask for the self-employed income form where you can say exactly what the position is regarding the earnings of your business. We may decide to assess you as having no income for this period of time and review your claim at a later date.

Do you allow for any personal expenses?

No, we cannot allow anything personal to be taken off your income, such as household bills and so on. The only things we take from your earnings are tax (we will work this out ourselves), National Insurance and 50% of any private pension payments. Childcare fees up to certain limits are also allowable, but you must meet certain conditions. The benefit application form asks for details of this.

What about loan repayments for the business?

Not all loan repayments are allowable. It depends on why you took out the loan. In some cases, only the interest part of the loan is allowable, in others it may be the capital and interest. The self-employed form has a section about loans that you should fill in.

I also work for an employer – what should I do?

Your earnings from an employer **are not** self-employed earnings, and should not be included in your accounts.

Employed earnings will be assessed under a different criteria. You must disclose them separately, enclosing your last 5 consecutive weekly payslips, or 2 if you are paid monthly.

How to contact us



Phone us on 01643 703704
Monday to Friday between 8.30am and 5.15pm



Write to us at: Benefits, West Somerset Council, West Somerset House, Killick Way, Williton, Taunton, Somerset, TA4 4QA



Email us at
benefits@westsomerset.gov.uk



In Person at the Minehead Customer Centre, 1-3 Summerland Road between 9am and 5pm Monday to Friday, or the Council Offices at Williton between 8.30am and 5pm Monday to Thursday, and 8.30am to 4.30 pm on Friday



Download forms, leaflets and information from our website at www.westsomersetonline.gov.uk

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