



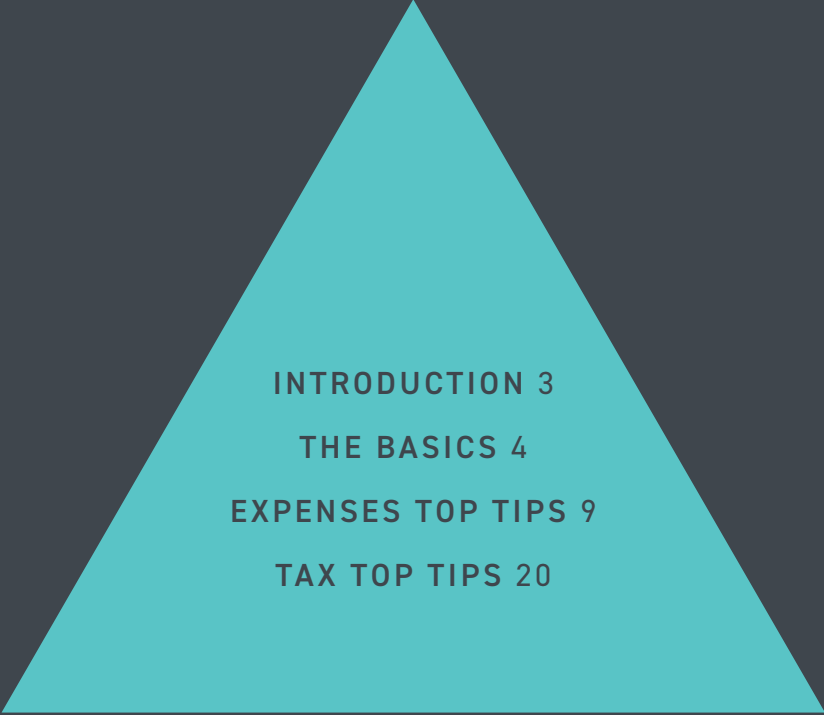
HWFisher

A woman is seen from the back, wearing a dark blue or black dress with a light-colored floral pattern and ruffled sleeves. Her hair is styled in an updo with pink and white flowers. A large, dark triangle with a white outline is superimposed over the center of the image, framing the woman's head and shoulders.

ACTORS

A GUIDE TO TAX 2023/24

EXPRESS YOUR TALENT.
DEPEND ON OURS.



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INTRODUCTION

Keeping on top of your tax obligations is often time-consuming and the many different rules and regulations can make it seem tricky.

This guide is intended to give you a handy overview of the key tax issues for actors, the main steps you need to take to keep your tax affairs in order and where we can help with expert advice.

Our media group, led by Barry Kernon and Andrew Subramaniam, specialises in tax advice for actors and performers. We're always on hand to help you navigate the various tax processes, freeing you up to concentrate on your career.

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THE BASICS

THERE ARE TWO TYPES OF INCOME RELEVANT TO ACTORS:

- **Earnings from employment** – income from working for an employer e.g. a theatre.
- **Trading income** – self-employed income i.e. from trades, professions and vocations.

The scope for tax planning for actors with earnings from employment is much narrower than for those with trading income, who can generally claim a wide range of expenses and pay any tax due once or twice a year through self-assessment, rather than having tax deducted at source by their employer. Naturally, HMRC is keen to categorise as many people as possible as employed rather than self-employed.

TAX & NATIONAL INSURANCE IF YOU'RE EMPLOYED

Your employer is responsible for deducting Income Tax and National Insurance from your salary via the Pay As You Earn (PAYE) system and paying it to HMRC on your behalf. You may still be required to complete a tax return if you are a higher rate taxpayer, and any additional tax due will be payable on 31 January 2025 for the year ended 5 April 2024.



As an employee it's important to note that you can only claim expenses against your income that are incurred in the duties of employment.

TAX AND NATIONAL INSURANCE IF YOU ARE SELF-EMPLOYED

You are responsible for your own tax and National Insurance. Even if you are paying Class 1 contributions as an employee, you may have to pay Class 2 and Class 4 contributions on self-employed income, subject to profit levels.

TAX – WHAT YOU NEED TO DO

- Tell HMRC that you are in business.
- Report all your income each year so that HMRC can assess the tax due.
- For the first tax year you are in business, you will not have to pay the tax on your profits until after the end of that year. But for each following year you normally pay it in two instalments on 31 January and 31 July.

NATIONAL INSURANCE

- You will need to pay Class 2 National Insurance contributions through self-assessment on 31 January following the end of that year when trading profits exceed £12,570. The Class 2 rate is £3.45 per week.
Exemption from paying the contributions is automatically granted to those who have self-employed profits below £6,725 but you can elect to pay voluntarily to preserve your state benefits entitlements.
Where self-employed profits are between £6,725 and £12,570, no Class 2 contributions are due. However, you will be treated as if you had paid them and therefore your entitlement to state benefits is preserved automatically if you fall into this group.
- The Class 4 rate is 9% on self-employed profits between £12,570 and £50,270 p.a., with an extra 2% payable on all profits above £50,270. It is assessed as part of the tax calculation and paid in the same way at the same times.

THE BASICS

SELF ASSESSMENT

There are two stages to self-assessment:

- **Completing your tax return**, detailing all your taxable income for the tax year and claiming any allowances and reliefs.
- **Payment of the tax** as calculated by 31 January.



Your tax return should be submitted online and details can be found at:
<https://www.gov.uk/self-assessment-tax-returns/sending-return>

If you are unable to file your tax return online, you can complete a paper version by 31 October.

The tax year 2023/24 is from 6 April 2023 to 5 April 2024. Notification that you need to file an income tax return is usually sent out in April each year.

EMPLOYEES

Employees are generally taxable on earnings from employment received during the current tax year.

Details of this income are shown on form P60 (if you are employed at the end of the tax year) or form P45 (if you leave employment during the year). You may be paid expenses or provided with taxable benefits by your employer and these may be shown on a form P11D.

SELF-EMPLOYED

Self-employed actors are taxed on earnings in the current tax year.

TIME LIMITS

There are strict time limits for filing tax returns, with fixed penalties automatically enforced if they aren't adhered to. These are well worth avoiding!



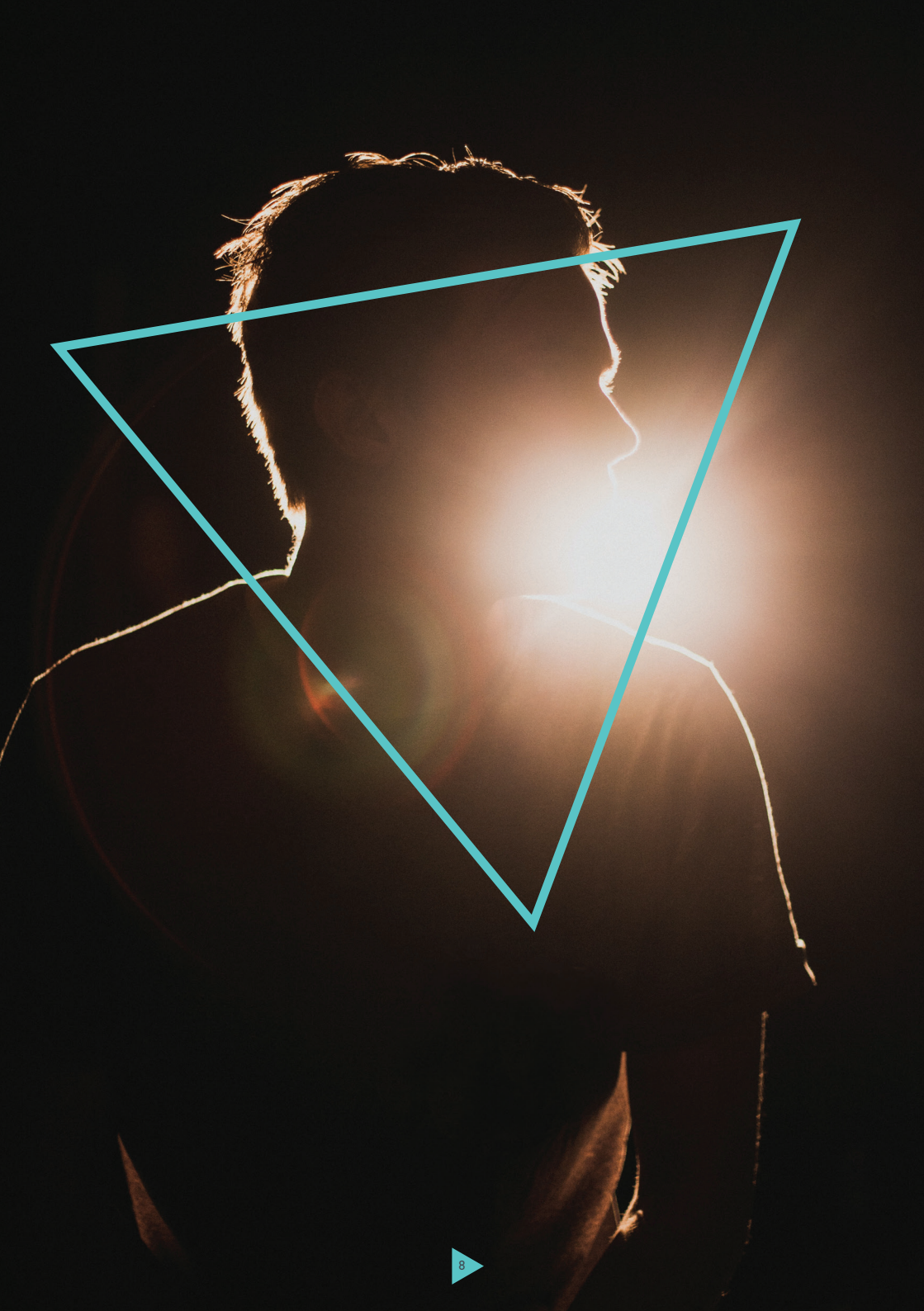
RECORD-KEEPING — HOW THOROUGH DO YOU NEED TO BE?

Some expenses have an element of private expenditure and need apportioning before you make a claim. HMRC will accept claims for business use of telephones, cars and rooms used as offices, studios etc.

It is advisable to keep all records, receipts or invoices for a minimum of five years and 10 months following each tax year. This includes telephone bills, receipts for car repairs, servicing and insurance, plus household bills for council tax, insurance, maintenance and repairs etc.

It is unrealistic to expect taxpayers to log every telephone call and keep an exact record of business mileage, but any valid evidence you have for the amount claimed is very useful. Logging telephone calls, business mileage and evidence of journeys for a sample period could be very helpful indeed if there was a dispute about the amount claimed.

It will not be considered good enough to claim an estimated percentage without some evidence; these claims will be an open invitation for an HMRC enquiry.



EXPENSES

TOP TIPS

CAR AND TELEPHONE EXPENSES

Keep a log for a typical period, e.g. three months, and base the annual claim on this percentage. Alternatively, for car costs you can simply keep a record of business miles and apply the HMRC 'approved rate'. Review this as regularly as possible, preferably at least once each tax year.

TRAVELLING

It's not a statutory requirement to have a receipt for every expense, but it certainly helps. Keep a note of amounts spent on taxis and public transport. Taxi drivers will give receipts but these can get lost and sometimes there just isn't time to wait while one is written out – a contemporaneous note is fine.

USE OF HOME AS OFFICE

Keep all receipts for home costs. If you work from home you can make a claim for a proportion of home costs, whether or not a room is set aside for business use. Items you can claim include rent or mortgage interest, council tax, electricity, gas, other fuels, buildings and contents insurance, water rates, service charges, ground rent, repairs and decorating.

If a separate room is not furnished as an office, you may need to restrict the claim to the number of hours spent working at home.

If you own the property, it's advisable to ensure that any office or study is used primarily, but not exclusively, for business purposes as this will avoid any capital gains tax liability arising on the sale of the property.

PAYMENTS TO SPOUSES/PARTNERS FOR ASSISTANCE

The fee or salary must actually be paid from the business and you should keep evidence of it. The fee paid must be commensurate with the duties carried out.

EXPENSES TOP TIPS

THE SELF-ASSESSMENT RETURN ASKS IF ANY ESTIMATES HAVE BEEN USED AND IT'S ESSENTIAL TO BE ABLE TO JUSTIFY ANY THAT YOU HAVE MADE.

Difficulties can arise when recording freelance income. For example, many people are reimbursed for expenditure they have incurred. As far as income tax and VAT are concerned, reimbursed expenses represent income. You need to keep a full record of reimbursements, copies of expenses claims and, if possible, copies of supporting invoices.

Expenses reimbursements must be shown in the accounts as income and also as expenses where appropriate.

When HMRC enquires, it automatically asks to have all bank and building society lodgements identified. If any money received cannot positively be identified, HMRC will tax it. This means that private items can be taxed unless a record has been kept so it's a good idea to annotate bank statements or other record.

Overall, it is not possible to over-emphasise the importance of record-keeping!

ACCOUNTS PREPARATION WORK FOR TAX PURPOSES

All self-employed individuals must complete the self-employment pages in the return. Under self-assessment it is not necessary to send in copies of your accounts to HMRC. Instead, you have to disclose your income and expenses under pre-printed categories on the return.

SIMPLE TAX ACCOUNTS

HMRC has simplified the accounting requirements for businesses, either full or part-time, where total business turnover before expenses is less than £85,000 per year. All you need to return in these circumstances is:

- Gross business turnover
- Total allowable deductions (business purchases and expenses)
- Capital allowances
- Net profit or loss

It is essential to keep a detailed list of expenses and purchases for business purposes in case of an enquiry from the tax inspector.





EXPENSES TOP TIPS

EXAMPLE EXPENSES

If you're self-employed, you are entitled to claim for expenses that are exclusively incurred for the purposes of your trade. Typical examples include:

- Use of home as office, office rental costs and studio hire
- Agents' fees and commissions
- Secretarial assistance
- Professional subscriptions
- Taxis, travelling and accommodation, subsistence in some cases
- Car running expenses – either claim a mileage allowance or percentage of actual running costs
- Telephone and broadband
- Printing, postage, stationery and photocopying
- Software and internet charges
- Photographic expenses and press cuttings
- Theatre, cinema and music tickets etc.
- Television licence, satellite/cable costs
- Reference books, scripts, CDs, professional journals and newspapers, DVDs
- Digital subscriptions
- Courses and conferences
- Upkeep of personal appearance
- 'Spotlight' and other advertising
- Bank charges and interest, hire purchase or leasing costs
- Accountancy fees, legal costs, bookkeeping
- Research assistance and materials
- Repairs and maintenance of equipment, also insurances
- Capital items used for professional purposes, e.g. TV set, car, computer, mobile phones, office equipment and furniture. This type of expenditure qualifies for capital allowances
- Publicity material – e.g. photographs, badges, posters, flyers. Don't forget to claim the cost of the photo session.

This isn't an exhaustive list, so it is best to maintain a record of all your expenses and seek advice if in doubt.



Remember that if your gross UK earnings reach £85,000 in any consecutive 12 months you must register for VAT.

EXPENSES TOP TIPS

CAPITAL ALLOWANCES

These are a system of spreading expenditure on items such as vehicles, office furniture, computers etc., over their useful economic life. These allowances can be a little confusing until you know your way around them, but they are important. This is an intricate area of tax and we recommend that you seek advice where necessary.

APPEALING AGAINST HMRC'S FIGURES

With a system of self-assessment, a general right to appeal against assessments is no longer necessary. Circumstances will arise, however, when appeals are required, e.g. when the self-assessment is amended by HMRC or a discovery assessment is issued. If you disagree with HMRC's figures you have 30 days in which to appeal against them. A late appeal will usually be accepted if there are reasonable grounds such as sickness or holiday.

WHAT HAPPENS WHEN YOU SEND IN YOUR TAX RETURN?

When you submit your tax return HMRC will initially check for obvious errors, such as the figures not adding up, but the return will not be looked at closely. If you have submitted a paper return before 31 October you will be sent a calculation of the tax due. If you have calculated the tax due yourself you will either receive confirmation that the return has been processed or you will be sent a calculation indicating where the figures differ from yours.



EXPENSES TOP TIPS

ENQUIRIES

HMRC usually has 12 months from submission of the form to open a formal enquiry into your tax return, although this will be extended if you submit your return late.

Most enquiries are opened because the inspector knows or suspects something is wrong with the return, but there are also a number of random enquiries each year. The inspector won't disclose which is the case.

The inspector will write to you and your accountant, asking a series of questions or requesting documentary evidence of entries on your return. Once the enquiry is complete, you will be notified whether you need to pay more tax, that nothing needs changing or, occasionally, that you have paid too much tax.

If more tax is due, interest will be charged and the inspector may also impose penalties, which can amount to 100% of the extra tax, and 200% where offshore disclosures are involved.

MAKING TAX DIGITAL

From April 2022, all VAT registered businesses are required to file income and expenses information on a quarterly basis, using digital software.

From April 2026, all sole trader businesses and landlords (i.e. from property letting) with turnover above £50,000 per annum will have to register for MTD for income tax and file quarterly summaries of income and expenses as well as the annual tax return using digital software.

Visit our website [hwfisher.co.uk](https://www.hwfisher.co.uk) for further details and ongoing updates.

EXPENSES TOP TIPS

VAT: A QUICK GUIDE

It's not compulsory to register for VAT until your UK turnover (i.e. total self-employed income from all UK sources) exceeds £85,000 in any 12 month period. You can, however, register voluntarily, no matter what your turnover is.

VAT rules are complex and the penalties can be high, so it's best to get expert advice on the benefits and pitfalls in your particular situation.

DOMICILE

From 6 April 2008, the benefits from being domiciled outside the UK while resident here have been reduced considerably for most people. Apart from recent arrivals, only people with very substantial overseas income or gains, or those with overseas income of less than £2,000 p.a., now benefit. We can offer you specialist advice in this area.

FOREIGN TAX CREDITS

If you work abroad, you may be taxed on that income in both the UK and the country where it is earned – so you'll effectively be taxed twice. However, when you prepare your UK tax return, you can usually claim relief for some or all of the foreign tax, depending on the rate at which you were taxed.

The treatment of the foreign tax is usually subject to the 'Double Tax Treaty' the UK has in place with the country you were taxed in. Generally, the tax treaties mean that your combined tax bill should be no more than the amount you would have to pay in the country where the higher tax is charged. If there is no treaty in place, then unilateral relief is available so that you can claim relief on the lower of the foreign tax suffered or the UK tax due on that income.



It's your responsibility to minimise the tax in the overseas country if that is possible. Otherwise HMRC can deny relief.





EXPENSES TOP TIPS

INCORPORATION

This is an area which has undergone huge change and so professional advice should be sought. Particular care is needed where copyrights need to be assigned or publishing agreements novated.

PENSIONS

Tax relief is available on pension contributions. Within certain limits you will get full tax relief on your payments, which compares very favourably with other financial products where you get no tax relief. However, you will have to wait until you are at least 55 to get at the money...that's the catch!

This is, however, an effective and tax efficient way of saving tax, particularly if you are paying tax at the higher rates.

OTHER TAX EFFICIENT INVESTMENTS

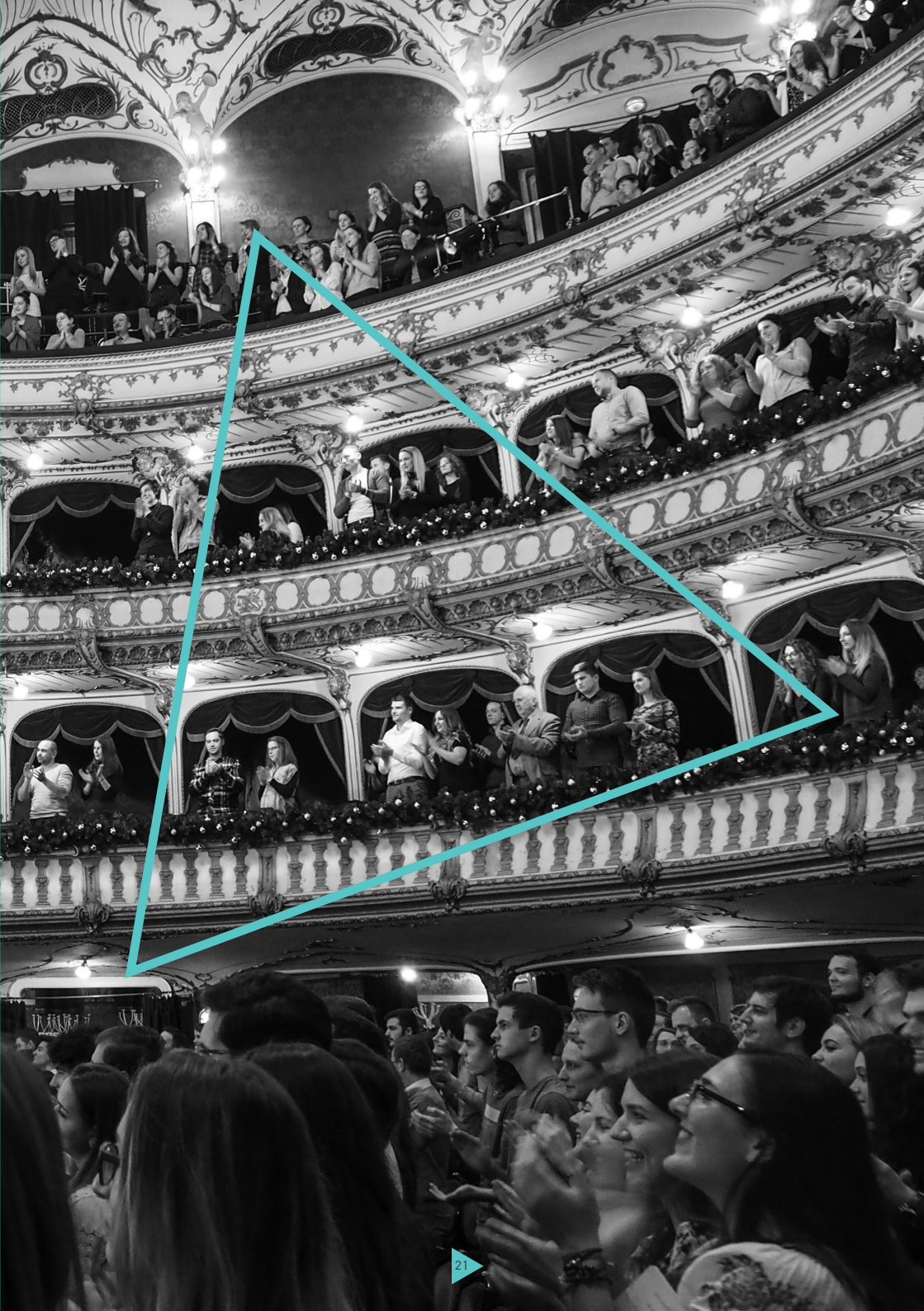
There are other tax efficient investments such as Individual Savings Accounts (ISAs) and Insurance Bonds which you may find very beneficial. For further details, please contact our partner, Copestone Wealth Management, at our address.

PERSONAL ALLOWANCES	TAX RATES ON TAXABLE INCOME (IE. AFTER ALLOWANCES)	NATIONAL INSURANCE
Basic £12,570 This will change for those with incomes over £100,000	(UK excluding Scotland) 20% 0 - £37,700 40% £37,701 - £125,140 45% Over £125,140	Class 1 (employees) 12% £242 p/w - £967 p/w 2% Over £967 p/w Class 2 (self-employed) £3.45 per week , unless taxable profits are below £12,570 Class 4 (self-employed) 9% on taxable profits between £12,570 and £50,270 2% over £50,270

TAX TOP TIPS

- If you are just starting out, you should either register with HMRC as self-employed within six months after the end of the tax year in which you started, or ensure that you file a self-assessment tax return within the time limit.
- When you write a letter to HMRC, keep a copy for future reference.
- Get receipts for everything that you pay out.
- If in doubt about any expenses or allowances, claim them! Keep full details available for HMRC in case any are queried.
- Don't ignore communications from HMRC. They won't go away and can become quite persistent. It will only lead to estimates of your income being made, which always ends up with you paying excessive tax.
- In spite of all you've heard about tax inspectors, most of them are reasonable. They are there to ensure that you pay the correct amount of tax – no more and no less. They don't get paid on a commission basis either!
- It is important to put some money aside as you go along to cover your tax bills when they arrive.

**THIS TAX GUIDE FOR ACTORS HAS BEEN
PREPARED BY HW FISHER CHARTERED
ACCOUNTANTS. PLEASE NOTE THAT THIS
INFORMATION IS PROVIDED FOR GUIDANCE
ONLY AND DOES NOT PURPORT
TO GIVE PROFESSIONAL ADVICE.**



HW FISHER LLP

Business Advisers – a medium-sized firm of chartered accountants based in London.

Related entities and specialist divisions:

HW FISHER BUSINESS SOLUTIONS LIMITED

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HW FISHER FORENSIC

Litigation support, forensic accounting, licensing, royalty auditing and contract compliance

HW Fisher LLP is registered to carry out audit work in the UK. Details of our audit registration can be viewed at www.auditregister.org.uk under reference C008695908.

A list of the names of the members of HW Fisher LLP is open to inspection at our offices.

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