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You can offset your stand-up expenses against your stand-up income

The Basics

Income

If you earn money from performing stand-up comedy it is income and subject to income tax. It doesn't matter if you get £20 for a gig or £200 – it is still technically subject to income tax.

Personal Allowance

At current rates (2013/14) you can earn up to £9,440 in TOTAL before you have to start paying any tax. It is then 20% for the next £22,570. If your total earnings are over £32,010 you will pay the higher rate of tax which is 40%. There is an additional rate of 50% for income over £150,000 and personal allowances are reduced if income is above £100,000.

If you have a day job then your stand-up income will need to be added to your salary or earnings. Remember to also include any income you might have from promoting comedy nights.

Stand-up Expenses

You can offset your stand-up expenses against your stand-up income. For a lot of semi-professional or open mic acts their travelling expenses alone are likely to outweigh any income. See below regarding business expenses.

Notify HMRC

If you are self-employed you should notify HMRC within three months of you starting to trade or you could be liable to a penalty.

Keith Barron

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It's always best to get a fixed fee quotation before instructing an accountant

Completing a Tax Return

You can always employ an accountant to complete your self-assessment tax return and advise you of your tax liabilities. However, it is advisable to get a fixed fee quotation before instructing anyone.

However, if your financial affairs are reasonably straightforward (for example you have a salary where tax is deducted under PAYE and you have some earnings from stand up) then it could be easier and more cost-effective to complete your own tax return on-line using the software provided by HM Revenue & Customs (HMRC). One of the advantages of doing this is that the software automatically calculates your tax payments for you.

To do this you will need to register with HMRC. If you have new sources of income you need to register for self-assessment by 5th October following the tax year. You will then be allocated a Unique Taxpayer Reference (UTR). You can then activate on-line filing but make sure you do this well before the 31st January tax return submission deadline as they will send you an authorisation code via the post which can take up to a week.

If your income from stand-up is under £77,000 then you will only need to fill in two boxes in the "self-employed" section of the tax return. One for your income and one for total business expenses. If it is over £77,000 then you need to separately identify your business expenses according to the HMRC categories. You can also do this if your income is under £77,000 but it is optional.

For expenses to be deductible from income they have to be incurred "wholly and exclusively" for the purpose of earning that income. So, most of your expenses are likely to be made up of travelling costs and a proportion of your telephone bills plus maybe some subsistence for meals out and some overnight accommodation. Any fees paid to agents are also deductible.

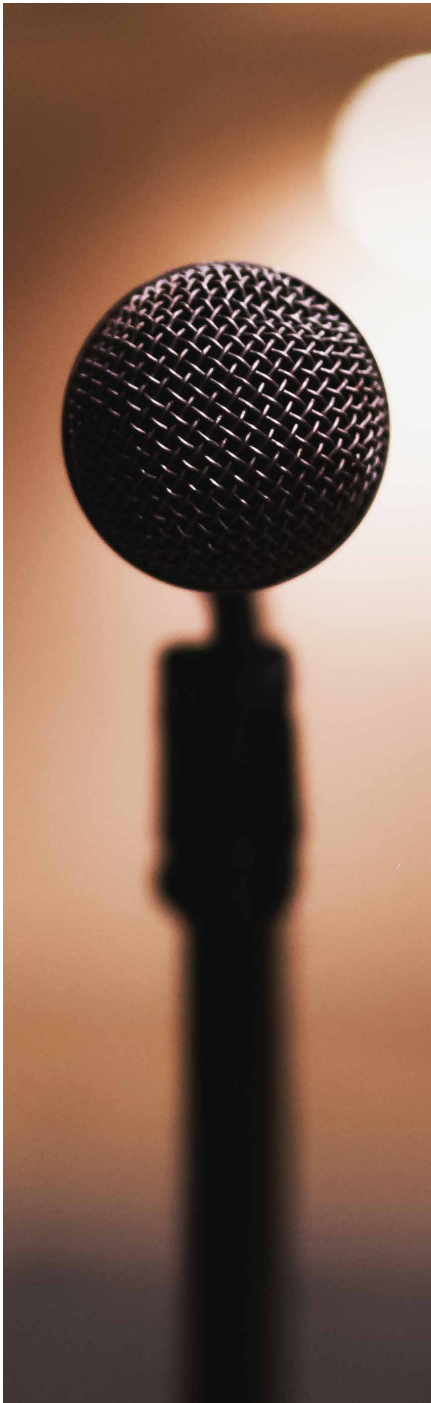
You may be asked by HMRC to provide evidence of the business expenses you are claiming so you should keep train tickets and receipts wherever possible and a record of the miles you have travelled to gigs if you are driving. Mileage can be claimed at 45p per mile up to 10,000 miles and 25p per mile thereafter.

Offset Any Losses

It is very probable that in the early years of performing your expenses (travelling, mileage etc.) may significantly outweigh your income. It is important to keep a records of these as such losses can be carried forward and offset against any profits you start to make in later years.

Losses may be offset against other earnings in the same year or earlier years providing there was a view to making a profit – i.e. you can prove your comedy was not just a “hobby”.





Payment Of Tax

Your income less your business expenses for the year from 6th April 2012 to 5th April 2013 will form the basis of your 2012/13 tax liability. This will need to be shown on your 2012/13 tax return which needs to be submitted to HMRC by 31st January 2014 (assuming that the return is submitted on-line).

As an illustration,

Let us assume also assume that 2012/13 is the first year of your self-employment and that your tax liability for 2012/13 is £700.

Normally the tax liability for 2012/13 is payable in three instalments. A first Payment On Account (POA) on 31st January 2013, a second POA on 31st July 2013 and the final balancing payment on 31st January 2014.

The POAs are calculated as 50% of your total liability for the previous year.

So, on 31st January 2014, you will need to pay £700 – being your final balancing payment for 2012/13 as you have not made any payments on account – PLUS £350 – being your first payment on account for 2013/14.

You will then need to pay another £350 on 31st July 2014 being your second POA for 2013/14.

Also if your self-employed earnings (i.e. income less expenses) are above £5,725 per year then you have to pay Class 2 national insurance contributions at a flat rate of £2.65 per week. You are obliged to register as self-employed with HMRC and also set up a direct debit payment to pay your Class 2 NIC. You will also have to pay Class 4 national insurance contributions on any profits over £7,755.

To learn more about current tax rates and personal allowances; Google search "HMRC tax thresholds"

Get in touch with Keith

Keith is a Chartered Accountant based in Hampshire. His interest in all things comedy began during the eighties as a regular on the stand-up circuit.



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