

Tax help series

Self Assessment – what you need to know about using the three line account

The three line account is a simpler way of giving us details about your income and expenses from self-employment or from UK property. You can use it if your annual turnover from self-employment or income from UK property is below the VAT registration threshold (£68,000 for the 2009-10 tax year and £70,000 for the 2010-11 tax year).

Here we tell you:

- what the three line account is
- who can use it
- what we mean by 'annual turnover'
- what records you need to keep
- where to get help and advice.

What is the three line account

The three line account is a way of giving us condensed information about your business income and expenses. Rather than having to give us a lot of detailed information, all you need to provide on the relevant pages of your tax return are:

- details of your business
- turnover (on page 2 we explain what we mean by 'turnover')
- total allowable business expenses, rather than a breakdown of expenses
- net profit or loss (these boxes will be calculated automatically if you complete your tax return online)
- details of any adjustments, allowances or losses.

You do not have to use the three line account. If you prefer, you can still give a breakdown of all your expenses in the relevant boxes provided on your tax return. For further information about expenses, please see the notes enclosed with the relevant pages of the return.

Who can use the three line account

You can use the three line account if your annual turnover from self-employment or income from UK property is below the VAT registration threshold. For the current VAT threshold, go to www.hmrc.gov.uk/vat/forms-rates/rates/rates-thresholds.htm

You can use the three line account on:

- the self-employment pages (short and full) and UK property pages of the Self Assessment Tax Return
- the self-employment and UK property sections of the Self Assessment Short Tax Return
- the trading and professional income section and UK property pages of the Self Assessment Partnership Tax Return.

You **can't** use the three line account for:

- income and expenses from land and property abroad
- employment income and expenses
- any income shown on the Self Assessment Trust and Estate Tax Return.

If you need help

For help and advice on completing your tax return and supplementary pages and for general advice about Self Assessment, go to www.hmrc.gov.uk/sa/index.htm or contact the Self Assessment Helpline **0845 900 0444**. Open from 08.00 to 20.00, seven days a week. Closed Christmas Day, Boxing Day and New Year's Day.

Customers with particular needs

If you need extra help, please let us know. For example, if:

- English is not your first language
- you would like us to use a certain format to communicate with you, for example, Braille or Text Relay.
If you use Text Relay by
 - textphone, dial **18001** + number
 - phone, dial **18002** + number
- you would like us to visit you at home because it is difficult for you to get to one of our offices.

What if you are unhappy with our service

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain. Our factsheet *C/FS Complaints*, also tells you how to make a complaint. You can get a copy of this from our website. Go to www.hmrc.gov.uk and look for C/FS within the search facility or under the *quick links* menu select *Complaints & Appeals*.

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. You can find more information at www.hmrc.gov.uk/charter

What we mean by annual turnover

If you are self-employed or receive income from property, 'turnover' means the total income earned from your business or UK property. It includes:

- cash and cheques
- tips, fees and commissions
- value of any payments 'in kind' for work that you've done
- the value of any stock or goods taken without payment from the business for use by you, your family or your friends
- money due to you up to your accounting date whether or not you have actually been paid
- income from any land that you own or lease out
- income from any property that you let
- any rent over £4,250 from a furnished room in your own home.

It does not include:

- money received from the sale of a piece of equipment or machinery that you have previously owned and used in your business
- money received from the sale of business premises
- Business Start-Up Allowance or Enterprise Allowance.

If you have been self-employed or have been receiving income from property for less than a full tax year, or if your accounting period is shorter or longer than 12 months, then the annual turnover limit goes down or up proportionately.

For example (for the 2009-10 tax year):

- if you have only been working for nine months, then the limit is reduced to £51,000 ($9/12 \times £68,000$)
- if your accounting period is 18 months long, the limit is increased to £102,000 ($18/12 \times £68,000$).

File your return online

If you are sending us your Self Assessment tax return, you can do it online using the secure service HMRC provides. There are many advantages to filing online instead of by paper, including automatic calculations, faster processing and later deadlines.

You can find out more about filing online at www.hmrc.gov.uk/sa/file-online.htm

The records you need to keep

Whether or not you choose to use the three line account, you must still keep all the records and documents to support the information that you show on your return:

- if you do not keep adequate records or you do not keep your records for the required period of time, you may have to pay a penalty
- if you send us an inaccurate tax return, you may have to pay a penalty. Keeping detailed, accurate and up to date records will help you fill in your return accurately.

It is especially important if you are starting a new business that you have a proper record keeping system in place from the beginning.

You can find information about setting up in business, including a video about record keeping, at www.businesslink.gov.uk/taxhelp

You can find information about keeping records at www.hmrc.gov.uk/factsheet/record-keeping.pdf and in the factsheet TH FS1 *Keeping records for business - what you need to know*.

Self Assessment tax return forms, notes and helpsheets

You can get these by:

- phone - call HMRC Orderline **0845 900 0404**
- online - use 'Find a form' at www.hmrc.gov.uk/findaform

Go to our website for a list of records that you need to keep

Record keeping for tax - the basics

www.hmrc.gov.uk/sa/record-keeping.htm

Record keeping for the self-employed

www.hmrc.gov.uk/sa/rec-keep-self-emp.htm

Record keeping for partners and partnerships

www.hmrc.gov.uk/sa/rec-keep-part-partners.htm

VAT

www.hmrc.gov.uk/vat/managing/returns-accounts/accounts.htm

PAYE

www.hmrc.gov.uk/payee/payroll/day-to-day/records.htm