



# Tax Fund

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# Tax Fund

Putting money into your Tax Fund. The most important of spaces to create!

(Disclaimer! I'm not an accountant and it can be more complicated and detailed than this, but what follows is the useful stuff I learnt and wish I had known!)





# Profit!

You work out what your income was, so all the money that came in.

You then take away your business expenses, the money you spent on your business

What is left is then your profit for that year.

INCOME - EXPENSES = PROFIT

You are then taxed on the profit you have earned.





# What Isn't Taxed

So each financial year the first £12 570 you earn you do not need to pay any tax on, this is called your personal allowance.

After you have earned your personal allowance, you are then taxed at 20% of any profit you make.

Your very first £1000 of income from self employment is also tax free, this is known as your trading allowance.





# National Insurance

You also have to pay National Insurance contributions which is most likely to be paid as a Class 2 contribution which is £3.15 a week. And a Class 4 contribution which is 9% of any profits you earn over £9568.

This is paid at the same time as you pay your self assessment tax bill.





# Calculate How Much To Save

To calculate your tax contribution, go to:

<https://www.gov.uk/self-assessment-ready-reckoner>



Click Start Now and then choose UK or Scotland.

EE WiFiCall 06:38  
www.gov.uk

## Budget for your Self Assessment tax bill if you're self-employed

Use the self-employed ready reckoner to budget for your [Self Assessment](#) tax bill for the 2022 to 2023 tax year.

Enter your estimated weekly or monthly profit to get an idea of how much [Income Tax](#), Class 2 and Class 4 [National Insurance](#) you'll pay.

**Start now >**

on the HMRC website

### What you need to know

This tool assumes you have no other [taxable income](#) and receive the standard [Personal Allowance](#). It does not include payments you must make for previous tax bills - known as [payments on account](#).

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### Related content



< > AA Not Secure — hmrc.gov.uk

## Self-employed ready reckoner

If you live in Scotland, you pay Scottish Income Tax.

If you live in England, Wales or Northern Ireland, you pay UK Income Tax.

[Scottish Income Tax](#)

[UK Income Tax](#)



Enter your weekly or monthly profit. I have entered £2000. (With the logic being around £500 can be taken off with costs such as mileage each month, so I then earn around £2000 each month.

## Self-employed ready reckoner for UK taxpayers

Enter your estimated profit below then select whether this is weekly or monthly and click the 'Calculate' button.

You must answer both questions.

Estimated net weekly or monthly profit

£ 2000

Select weekly or monthly

Please choose one of the following options

☐ weekly  
☒ monthly

Calculate

Clear form

Back

(This is on the low side of what I earn but I haven't deducted my personal allowance)







Click calculate and it will tell you how much to put away each month.

### Self-employed ready reckoner results

#### Monthly profit results

Monthly Profit	Monthly Tax and Class 2 and 4 NI	Yearly Profit	Yearly Tax and Class 2 and 4 NI
£2,000.00	£307.44	£24,000.00	£3,689.23

#### You told us:

Estimated net monthly profit: £2,000.00

#### Further help and guidance

[Understand your Self Assessment tax bill](#)

[Self-employed National Insurance rates](#)

[Business records if you're self-employed](#)





# Set Up A Standing Order

I then set up a standing order/automatic payment to go from my business account to my Tax Fund saving space.

I do this to come out automatically on the 14th of each month, as we send invoices out on the 1st, so that gives people 2 weeks to pay the invoice.

Note this calculation also includes your National Insurance contribution so that is also saved for.



# Set Up A Standing Order



I recommend setting this up after the first few months of trading.

I don't deduct my personal allowance so that I know I will always have more than enough money in the Tax Fund to pay HMRC and my accountant to do the job.

Then once your tax bill is paid, there will be some money left over which you can treat yourself with! But don't spend it all as you will need to plan ahead for next year when you are likely to go onto payment on account. Continue to the next lesson for further explanation.....





*Top Tip:*

Revisit this task after a year as your income level will have likely increased!





Task:



Work out how much Tax you need to put away  
each month.

