



Starting Up in Business

What do I do first?

If you are thinking of setting up in business it is important that you tell the Income Tax Office.

You will need to tell them the nature of your new business, the date of commencement and, if possible, provide an estimate of your profits for the first year of trading.

Do I need an accountant?

The Director may insist that you provide certified accounts, i.e. certified by a properly qualified accountant, in which case it will be necessary for you to engage an accountant.

Otherwise, provided you are not trading through a company, there is no objection if you prepare your own accounts if you feel able to do so. It is not the job of Income Tax Office staff to prepare accounts for you. For this reason you may prefer to appoint an accountant and you will find some listed in the Yellow Pages. Alternatively you could seek recommendations from people you know.

The Income Tax Office has developed two templates to help those who do not use the services of an accountant. The Trading, Profit and Loss Account (“TPLA”) can be used to produce the first set of accounts for a business and is also available to be used by businesses whose turnover is greater than £15,000 a year. The Three Line Account (3LA) can be used for businesses with a turnover of £15,000 or less, but cannot be used to produce the first accounts. These templates are available on the Income Tax Office website at www.gov.gg/tax under “Income tax returns” and notes are included with the template.

What records do I need to keep?

It is important that you keep proper records of all business income and expenditure from the beginning. You will need to keep all invoices, receipts, etc in support of your business records. The Income Tax Office may need to see them at any time, regardless of whether you have an accountant dealing for you. However, you should not send receipts etc to the Income Tax Office unless you are requested to do so.

The Director has produced a booklet titled “Keeping, Maintaining and Retaining Records for Income Tax Purposes” which explains the provisions of the legislation introduced regarding the type of records which have to be kept for income tax purposes and for how long they have to be retained. This legislation affects everyone, regardless as to whether the Director requires the person to deliver an income tax return. The booklet can be downloaded at www.gov.gg/tax under “Practitioners and technical information”.

Income tax adjustments

If your business consists of the buying and selling of goods, it will be necessary to take stock at the end of your financial year and adjust purchases accordingly. Adjustments will also be required for opening and closing debtors (amounts owed to you) and opening and closing creditors (amounts owed by you). It may also be necessary to value work in progress, and if you do not feel able to do this yourself it is probable that you will need to appoint an accountant.

What if I employ somebody?

If you are going to have people working for you then you should contact the ETI Department at the Income Tax Office (tel: 740440) and they will provide the necessary documents, which will explain how to calculate and deduct tax when paying wages. An employer's guide to the ETI Scheme can be downloaded from the Income Tax Office website (www.gov.gg/tax under "The ETI Scheme") in the section "Tax for Employers".

The tax you deduct has to be sent to the Income Tax Office on a quarterly basis, by a set date (for example, the income tax deducted for the period 1 January to 31 March must be submitted to the Income Tax Office by 15 April). Penalties will be applied if the income tax is paid late.

If you work in the building industry and make payments to employees or to subcontractors, you may require a "Gold Card". Please contact the Income Tax Office for further details.

How do I pay my own tax?

When you first advise this office that you have become self-employed, it is important that you also provide an estimate of the profits for your first year of trading. We will then issue a notice of assessment including the estimate of your profits so that you can pay income tax on account. The estimated assessment will be revised on receipt of your first accounts but you have the right of appeal, as noted on the back of the assessment.

The income tax is payable twice yearly, on 30 June and 31 December, although you can arrange to make regular payments by standing order during the course of the year, if you wish. To arrange a standing order please contact our Collection Section on 740202.

What do I declare on my income tax return?

If you are trading through a company, do not declare the company profits on your personal income tax return; declare only the remuneration (wages) paid to you in Section A of the return. If you are not trading through a company, you must declare the business profit for the accounting period in section B of the return and you should not include your drawings from the business.

How do you calculate my income tax?

The Income Tax Law provides that, for a business, every year of charge must have an accounting period ending within it, except for the first year of charge where a business starts and the first accounting period should not exceed 18 months i.e.

If a business has started in a year and accounts are prepared for a period ending in that first year, it will be necessary to issue an assessment to you for that year including the business profits received.

e.g.

Business commenced on 1 April 2016. First accounts prepared to 31 December 2016 and the next accounts to 31 December 2017.

Your assessment for the Year of Charge 2016 will include the profits arising for the period 1 April 2016 to 31 December 2016.

Your assessment for the Year of Charge 2017 will include profits from 1 January to 31 December 2017 and subsequent years will be based on the profits of the accounts ending in the year.

Where on commencement accounts are prepared for a period ending in the second year (provided the period is less than 18 months) no assessment will be issued including business profits for the first year.

e.g.

Business commenced on 1 April 2016. First accounts prepared to 30 June 2017 and the next accounts to 30 June 2018.

Your assessment for the Year of Charge 2016 will not include any business profits.

Your assessment for the Year of Charge 2017 will include profits for the period from commencement on 1 April 2016 to 30 June 2017.

Your assessment for the Year of Charge 2018 will include profits for the twelve month period ended 30 June 2018 and subsequent years will include profits to 30 June each year.

What about social security contributions?

Please contact the Social Security Department at Edward T Wheadon House, Le Truchot, St Peter Port, Guernsey (tel: 732500)

What can I claim?

You may claim any expenses incurred wholly and exclusively for the purposes of the business, but this does not include your own drawings from the business e.g. your wages, or any other personal expenses. For example, if your telephone is used partly for business calls and partly for private calls then only an appropriate part of the telephone bill, relating to the business, would be allowed. Further information is available as part of the TPLA template at www.gov.gg/tax under “Income tax returns”.

There is no deduction for capital expenditure, e.g. the purchase of a motor car, but instead an annual allowance may be claimed in respect of depreciation (i.e. wear and tear) of the item. A sheet showing the rates of annual allowances for various items may be downloaded from www.gov.gg/tax under “Rates and allowances”.

**THESE NOTES ARE NOT EXHAUSTIVE AND ARE
PRODUCED FOR GUIDANCE PURPOSES ONLY**