SMART SUBCONTRACTING

HOW TO BE A SELF-EMPLOYED SUBCONTRACTOR IN THE CONSTRUCTION INDUSTRY

Developed by

ENTREPRENEURS UNLOCKED CIC

THE TAX ACADEMY™

INTRODUCTION

This booklet has been co-produced by:

ENTREPRENEURS UNLOCKED CIC:

Entrepreneurs Unlocked CIC vision is to reduce re-offending through entrepreneurship. It provides specialist and focused programmes of learning and support for people who are looking to develop their entrepreneurial talent as an employee, small business owner or self-employed subcontractor and become a positive contributor to society.

THE TAX ACADEMY CIC:

The Tax Academy CIC is a social enterprise, the purpose of which is to provide tax support, education and training to underrepresented taxpayers, and in particular to those with criminal convictions.

The aim of the booklet is to provide you with the knowledge and insights required to take the right steps to a sustainable income and to develop a career in the construction industry as a subcontractor.

It includes the opportunity for your tax affairs to be reviewed so that they are up to date. There is nothing worse than being released from prison or, starting a job and finding that you have tax penalties and tax debt that need to be resolved with HMRC.

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CONTENTS

Click to go to page

INTRODUCTION TO THE CONSTRUCTION SECTOR

The value of construction new work in Great Britain continued to rise in 2019, reaching its highest level on record at £119 Billion; this was driven by growth in both public sector work of £3,008 million and in the private sector of £2,897 million.

Construction new orders grew by 2.5% in 2019 following the fall of 13.2% in 2018; this represented an increase of £1.5 Billion.

Average weekly earnings in the construction industry in Great Britain grew by 1.8% to £648 per week in the year to December 2019.

However...

The number of construction firms operating in the construction industry fell sharply in 2019, falling by 10.9% compared with 2018 to 290,374 registered firms operating in Great Britain. Construction-related employment in Great Britain fell by 6.0% in 2019, which is the first annual decline since 2014 when it fell by 0.1%.

CONSTRUCTION EMPLOYMENT PROVIDES UP TO

15%

OF THE WORKFORCE

DEPENDING ON THE REGION.

Source: Construction statistics, Great Britain: 2019. Published by the Office of National Statistics Jan 2021

LABOUR MARKET INFORMATION

In the middle of 2020, there were almost 2.2 million people employed in the construction sector, with 1.3 million classed as self employed. The coronavirus impact on the sector was significant in the early to mid part of 2020, with output down by 45% compared to the start of 2020.

By the end of 2020, output had recovered to almost the same levels as at the end of 2019. The forecast for 2021-2025 is cautiously optimistic with the average growth rate across the UK predicted to be 5 –6%.

Sectors of the construction industry will see different growth levels i.e.

Public Housing	Private Housing	Infrastructure
8.2%	**7.8%**	**5.6%**

In the medium term, 2023-2025, as the sector recovers:

Recruitment of new entrants from training and career changers will become more important, particularly due to growing competition with other sectors for talent.

Apprenticeships starts will pick up as confidence in recovery grows, and a vaccine or better workplace controls both encourage and enable a return to higher levels of work-based learning.

Employers increased demand for training in response to new ways of working, the adoption of new technologies, and the changing nature of jobs and skill requirements in the post-pandemic world.

Source: CITB / Construction Skills Network Industry Outlook Report 2021-2025

TYPES OF CONSTRUCTION JOBS

General building operative

A general building operative is someone who carries out non-specialist operations such as kerb laying, concreting, path laying and drainage.

They support other craft workers and do general labouring and use a variety of hand tools and power tools as well as plant, such as dumper trucks and JCBs.

Specialist building operative

A specialist building operative is someone who carries out specialist operations such as dry wall lining, asphalting, scaffolding, floor and wall tiling and glazing.

Craft jobs

The hands on workers on a construction site who are trained and qualified, also known as tradesmen. These include:

- Plumbers
- Electricians
- Bricklayers
- Plasterers
- Roof tilers and slaters
- Carpenters and joiners
- Painters and decorators
- Maintenance operations

Plumber

A plumber is someone who fits all water services within a building, including sinks, boilers, water tanks, radiators, toilets and baths. The plumber also deals with lead work and rainwater fittings such as guttering.

Electrician

An electrician is someone who fits all electrical systems and fittings within a building, including power supplies, lights and power sockets.

Plasterer

A plasterer is someone who adds finish to the internal walls and ceilings by applying a plaster skim. They also make and fix plaster covings and plaster decorations.

Maintenance operations

Maintenance operations is a fast growing trade within the construction industry. Many learners now undertake an apprenticeship in this discipline. Maintenance operations workers carry out a range of tasks to a basic level but good standard. This discipline suits companies that carry out maintenance work on houses.

Bricklayer

A bricklayer is the person who creates the structure of the building. They lay the bricks and blocks in patterns to ensure the structure of the building is sound.

Carpenter and joiner

A carpenter and joiner is someone who works with wood but also other construction materials such as plastic and iron. A carpenter primarily works on site while a joiner usually works off site, producing components such as windows, stairs, doors, kitchens, and trusses, which the carpenter then fits into the building.

Painter and decorator

A painter and decorator is someone who uses paint and paper to decorate the internal plaster and timberwork such as walls, ceilings, windows and doors, as well as architraves and skirting.

Roof tiler and slater

A slater and tiler is someone who fits tiles on to the roof of a building, ensuring that the building is watertight.

Specialist building operative

A specialist building operative is someone who carries out specialist operations such as dry wall lining, asphalting, scaffolding, floor and walltiling and glazing.

General building operative

A general building operative is someone who carries out non-specialist operations such as kerb laying, concreting, path laying and drainage. These operatives also support other craft workers and do general labouring. They use a variety of hand tools and power tools as well as plant, such as dumper trucks and JCBs.

TRADE WAGES

According to the Office of National Statistics, the average weekly wage for a person employed in the construction sector at the end of 2020 was £654 – This equates to an annual wage of £34,000.

AVERAGE WEEKLY WAGE

£654

This of course is an average, with the various trades differing by job type, location, demand and availability of labour.

An indication is shown below for comparison (weekly based on 40hr/ week).

Type	Hourly	Weekly	Monthly	Annual
Labourer	£9	£360	£1,560	£18,720
Joiner	£12	£480	£2,080	£24,960
Painter / Decorator	£12	£480	£2,080	£24,960
Tiler	£12	£480	£2,080	£24,960
Carpenter	£13	£520	£2,253	£27,040
Roofer	£13	£520	£2,253	£27,040
Plasterer	£14	£560	£2,427	£29,120
Plant Operative	£14	£560	£2,427	£29,120
Plumber	£14	£560	£2,427	£29,120
Excavator Operative	£15	£600	£2,600	£31,200
Electrician	£15	£600	£2,600	£31,200

NOTE: As a subcontractor, your employer will deduct 20% of your earnings so the money in your pay packet will be less than advertised.

GETTING PREPARED

If you are considering working as a subcontractor it is important to be as prepared as possible, to apply for work and be "site ready" if an offer of work is made.

CV

Sometimes organisations require a CV as part of the application process. Make sure yours is up to date.

RIGHT TO WORK DOCUMENTS

Any legitimate employer will want to see the relevant documentation to prove you have the right to work in the UK.

RELEVANT QUALIFICATIONS

Some jobs require specialist qualifications. Ensure you can provide evidence of your achievements.

INSURANCES

Depending on the type of work, you may need to provide certain insurances. Do some research on where you could get cover if needed.

BANK ACCOUNT

You will need to provide details of the bank account your wages will be paid into. A basic bank / building society account will do.

SITE ACCESS

To get on site, it is recommended that you gain as a minimum the CSCS Green Labourers Card. Partner cards are also available, depending on the type of work you get.

REGISTERING WITH HMRC

If you are going to be self-employed you need to be able to provide the employer or agency with your Unique Tax Reference (UTR) so they can make the relevant deductions and pay you correctly.

TOOLS / PPE

Depending on the site and the work, you may well have to provide your own PPE and hand tools.

GETTING THE WORK

There are many ways to look for work in the construction sector.

Recruitment agencies acting on behalf of contractors is common practice. The reason is that they are seeking unskilled / skilled people to meet short and medium term demand. The contractor may not want to employ staff directly due to the associated costs and the flexible nature of the demand.

Online job sites offer the ability to search for a variety of jobs based on the type of work and the location. Some sites allow you to upload your details and your CV to be read by agencies looking to recruit. You can also sign up for email alerts when new vacancies, that match your requirements, become available.

Find a Job is the governments online portal to search and apply for jobs. It has replaced Universal Jobmatch. You need to create an online account to apply for jobs. You can also set up alerts and receive the latest jobs for your search criteria.

Word of Mouth is still a great way to get work. Once you are established on site and you are doing a great job you can get recommended for other work with the same agency / contractor if they are looking to develop other sites.

Newspapers still offer a way to find work. It could be via the traditional printed version, though many offer online versions too.

GOOD WORKING PRACTICES

Not only do you need to have the relevant trade skills to land a job on site, you need to possess other skills that will be valuable to help you stay on site, and more importantly be the person recommended for that next job.

Some examples of good working practices include:

- Timekeeping
- Organisational skills
- Negotiation skills
- Keeping yourself safe
- Working under pressure and to deadlines
- Valuing diversity and others
- Keeping others safe
- Ability to learn and adapt
- Problem solving skills
- Being productive
- Communication and interpersonal skills
- Numeracy and IT skills
- Using initiative
- Teamwork
- Being self motivated

CSCS CARDS

CONSTRUCTION SKILLS CERTIFICATION SKILLS (CSCS) cards provide proof that individuals working on construction sites have the appropriate training and qualifications for the job they do on site. By ensuring the workforce are appropriately qualified the card plays its part in improving standards and safety on UK construction sites.

Holding a CSCS card is not a legislative requirement. It is entirely up to the principal contractor or client whether workers are required to hold a card before they are allowed on site. However, most principal contractors and major house builders require construction workers on their sites to hold a valid card.

(Extract from CSCS Website November 2020)

The most common form of card is the Labourer (Green) Card.

You will have needed to have gained an appropriate L1 Health and Safety In a Construction Environment qualification and passed the operative CITB Health, safety and environment (HS&E) test within the last two years (see next page for details).

This is issued directly by CSCS and you can either apply by contacting them on 0344 994 4777 or online at www.cscs.uk.com

You can check if your qualification is appropriate with them or search for organisations that can provide this.

The cost to apply for the card is £36 payable by debit or credit card.
(As of November 2020)

HS&E TEST

According to the CSCS Website:

The HS&E test is an important way for construction workers to show employers that they can be safe on the job. The aim of the test is to examine knowledge across a wide range of topics to improve safety and productivity on site.

The test is usually taken as a PC-based touch screen test at one of the many CITB approved test centres located throughout the UK.

Please note: The test is owned and managed by CITB (not CSCS). If you have any queries relating to the test please contact CITB directly (Tel: 0344 994 4488).

Which type of test do I need to take?

There are different types of tests and the one that is right for you depends on your occupation and the qualifications you hold. Please make sure that you sit the correct test as completing the wrong one will delay your CSCS card application.

According to the CSCS Website:

There are 3 types of HS&E test. The most likely one would be:

OPERATIVE

Tests for a basic level of health, safety and environmental awareness. This test is required when applying for the Labourer card, the Trainee card, the Apprentice card, most Blue Skilled Worker cards and most Gold Advanced Craft cards.

The others are:

MANAGER AND PROFESSIONAL

Tests for everything in the operative test, plus additional material relevant to managers and professionals. This test is required when applying for the Black Managers card and the Academically or Professionally Qualified person cards.

SPECIALIST

Tests for everything in the operative test, plus additional material relating to a specialist area such as supervision or working at heights. Specialist tests are required when applying for the Gold Supervisor card, as well as Blue Skilled Worker and Gold Advanced Craft cards in certain occupations.

The test costs **£22** from April 1st 2021. If you are asked to pay more find out what that covers.

If you know which type of test to take, you can contact CITB to book and pay for the test online or phone CITB on **0344 994 4488**.

CSCS AND PARTNER CARDS

CSCS works closely with a number of other card schemes which display the CSCS logo. These are the Partner Card schemes.

Partner Card schemes represent the very specialist sectors in construction such as plant, demolition and scaffolding. Partner Card schemes are based on the same standards as CSCS, requiring cardholders to have a recognised qualification and pass a health and safety test.

Details can be found online at:

www.cscs.uk.com/about/partnercard-schemes

Or call **0344 994 4777**

These partners include:

ACAD/ARMI
Asbestos analysis, surveying or removal

CISRS
Scaffolding

CPCS/NPORS
Plant

PAL
Powered access operations

PASMA
Access tower specialists

Q-CARD
Glazing and Construction

RIGHT TO WORK DOCUMENTS

An employer / agency will require you to prove you have the right to work in the UK. Make sure you have:

1 document from the following:

- A passport showing that the holder is a British citizen or a citizen of the United Kingdom and Colonies having the right of abode in the United Kingdom
- A passport or national identity card showing that the holder is a European Economic Area (EEA) or Swiss national
- Residence permit, registration certificate or Home Office or Border Agency document indicating rights of permanent residence to an EEA or Swiss national or family member
- A passport, biometric ID card or other travel documents indicating the holder is exempt from immigration control, is allowed to stay indefinitely in the country or has no time limit on their stay

OR 2 documents from the following:

P45, P60, NI number card or letter from an approved Government agency. (Please note that a National Insurance number does not automatically indicate that the individual is eligible to work, and is not sufficient evidence), plus:

- Immigration Status Document (ISD) with indefinite leave to remain, or
- Full UK, Channel Islands, Isle of Man or Irish birth certificate, or
- Full UK, Channel Islands, Isle of Man or Irish adoption certificate, or
- Certificate of registration or naturalisation as a British citizen, or
- Letter issued by the Home Office or UK Border Agency indicating indefinite leave to remain

WHAT DO I NEED TO EARN?

One of the key calculations you need to make is working out how much you need to live on. This is known as your PERSONAL SURVIVAL BUDGET (PSB).

You can use the table below to work out what the MINIMUM need to live on is for your household. It should not include any subcontractor costs.

If your household has other income (a partner for example) then subtract that from the total to get your PSB.

An example is on this page for reference. Fill in yours on the following page.

Estimated weekly expenditure	£
Mortgage and/or rent	£150.00
Council tax	£40.00
Utilities (gas, electricity, water etc)	£25.00
Personal and property insurance	£10.00
General housekeeping expenses (food etc)	£60.00
Phone and internet / tv	£20.00
Car tax and insurance	£20.00
Car running expenses	£40.00
Savings plans & pension contributions	£25.00
Children's costs	£40.00
TOTAL	**£450.00**
Other household income	**£150.00**
WHAT YOU NEED TO EARN AS A SUBCONTRACTOR	**£300.00**

PERSONAL SURVIVAL BUDGET

Try to put down as many items as you can. Remember, be realistic.

Make sure you have the essentials as the nice to have's might take a bit longer to afford. Do your list first on a separate piece of paper.

Estimated weekly expenditure	£
TOTAL	
Other household income	
WHAT YOU NEED TO EARN AS A SUBCONTRACTOR	

HOW TO REGISTER ONLINE

If you don't have a Unique Tax Reference (UTR) you need to register with Her Majesty's Revenue and Customs (HMRC) in the first instance. The simplest way to do this is online. You can access it here:

www.gov.uk/log-in-register-hmrc-online-services

You enter your government gateway ID and password to access the service. If you need to set up an account, you just:

1. **Click the GREEN sign in button.**
2. **Click "Create sign in details"**
3. **Enter your email address**
4. **You will be emailed a confirmation code. Use this code to confirm your email address.**
5. **You will be issued with a 12-digit User ID for your government gateway account.**

NOTE: Keep a record of this number as you will need it every time to login to your self assessment record!

You can now use the system to register for online self assessment.

You will need to provide further information including: Your personal details, address, date of birth, National Insurance number and the date you are going self employed.

You will get a letter with your 10-digit Unique Taxpayer Reference (UTR) within 10 working days, and you will also get a letter **within 10 working days** with an activation code for when you first log in to your online account.

You can also register for the Construction Industry Scheme (CIS) at the same time by ticking the **"working as a subcontractor"** box. (see overleaf for why).

CONSTRUCTION INDUSTRY SCHEME (CIS)

You should register if you work for a contractor and you are self-employed, the owner of a limited company or a partner in a partnership or trust.

Under CIS, a contractor must deduct 20% from your payments and pass it to HM Revenue and Customs (HMRC).

These deductions count as advance payments towards your tax and National Insurance bill. If you don't register for the scheme, contractors must deduct 30% from your payments instead.

TO REGISTER FOR THE CONSTRUCTION INDUSTRY SCHEME (CIS) YOU'LL NEED:

- **Your business name / trading name**
- **UTR number**
- **National Insurance Number**
- **VAT number (if registered)**

OTHER WAYS TO REGISTER:

- **You can register with the HMRC by calling 0300 200 3310. You will need to have your National Insurance Number to hand.**

  Tip – You can also register for the Construction Industry Scheme at the same time!

- **You can also contact The Tax Academy CIC – see details later in this booklet.**
- **You can also speak to an accountant who would be able to support you in the process, but they will more than likely make a charge for their time.**
- **Furthermore, some recruitment agencies may assist in the process.**

CALCULATING TAX & NATIONAL INSURANCE

When calculating if you need to pay income tax for the financial year, depending on your circumstances you will more than likely have a personal allowance which is what you can earn tax free each financial year.

Standard Personal Allowance (PA) for 2021-22 =
£12,570
(This may be lower dependant on your personal circumstances)

Therefore, you are taxed as below:

0% on annual profits up to your PA
20% on annual profits above the PA and up to £37,700
40% on annual profits between £37,701 and £150,000
45% on any additional profit over £150,000

Class 4 National Insurance Contributions:

0% on annual profits ups to £9,568
9% on annual profits between £9,569 and £50,270
2% on any additional profit over £50,271

Class 2 National Insurance Contributions:

£3.05 per week
This is a voluntary contribution if your profits are less than £6,515 per annum.
If your profits are over £6,515 then you pay a flat rate of £3.05 per week.

The HMRC recommends paying Class 2 as gaps in your national insurance contributions can result in not being able to access the full state pension on your retirement.

NOTE: The personal tax allowance will remain the same until April 2026 as announced in the March 2021 budget.

WORKED EXAMPLE

Over the course of a financial year you have been **subcontracting for a couple of agencies and contractors.**

Agency A	£15,000
Contractor B	£12,000
TOTAL earnings	**£27,000**
20% direct to HMRC	£5,400

As a subcontractor, you would have **incurred expenses** in earning that income which can be **deducted from your total earnings** to give a lower figure:

Original earnings	£27,000
Expenses	£4,430
New total earnings	**£22,570**

If you **personal allowance is the standard £12,570** then you also **deduct** that from your new total earnings to give you a:

TAXABLE INCOME FIGURE which is:	
£22,570 - £12,570	£10,000
Tax Due = £10,000 x 20%	**£2,000**

You also have to allow for **National Insurance** which are paid on your new total earnings of £22,570:

Class 2 NI	£3.05 x 52	£158.60
Class 4 NI	(9% over £9568)	£1,170.18
So your total Tax / NI liability		**£3,328.78**

As you have **already paid £5,400** you have overpaid and would be able to claim a **refund of £2,071.22**.

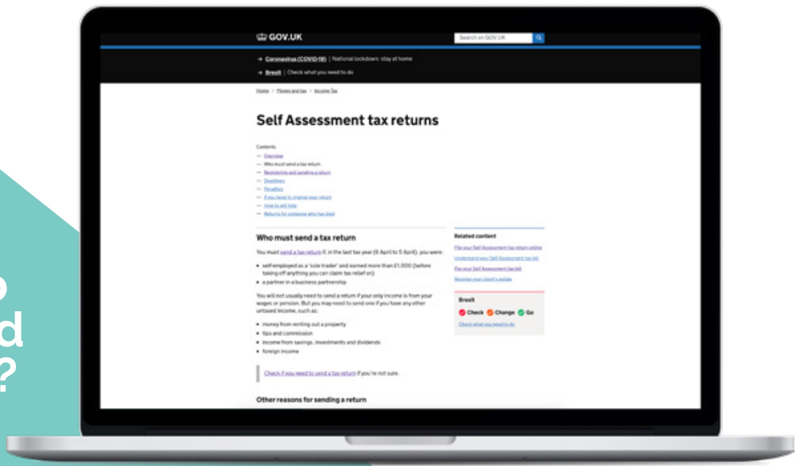
SELF ASSESSMENT TIMESCALES

Self Assessment forms get filled in after the end of the tax year (5th April) it applies to.

e.g. For the tax year 6th April 2021 to April 5th 2022:

Deadlines:

Register for self assessment:	**5th October 2022**
Paper tax returns:	**31st October 2022**
Online tax returns	**31st January 2023**
Pay any tax due	**31st January 2023**



What do you need to know?

Penalties:

£100 fine if your tax return is up to 3 months late.

Additional penalties will apply after that (up to £10 a day for 90 days) plus interest after that.

SELF EMPLOYMENT AND UNIVERSAL CREDIT

Depending on your circumstances, you may already be in receipt of Universal Credit payments to you / your family for help with paying for living costs. The amount you get will depend on your personal circumstances, and your award will be paid monthly.

When you are looking at becoming self employed, you may be concerned at how you will pay your living costs whilst you develop and grow. There may be times when your net income after paying for your business expenses could leave you potentially worse off than on Universal Credit.

At the end of each monthly assessment period you report your earnings, pension, tax and NI contributions (if any) along with any business expenses.

If your net earnings are less than your universal credit award you will receive the difference as a Universal Credit payment.

Example:
Universal Credit Award **£1200**

	Month 1	Month 2
Earnings (Sales)	£1200	£2000
Expenses	£250	£500
Tax / NI / Pension	£150	£300
Net Income	£800	£1200
Universal Credit "top up"	£400	£0

Talk to your work coach at the Job Centre to find out in more detail how this would be useful for you.

KEEPING TRACK OF YOUR MONEY

It is important to record what you are spending and when you spend it for a number of reasons:

- You can see if you are spending more or less than you are earning
- You can see where to make savings if needed
- Most spending is considered a taxable expense which the HMRC allow you to offset against your income to reduce the amount of tax you might have to pay

Make sure you keep all your receipts for purchases such as:

- Office costs
- Travel costs
- Staff costs
- Clothing expenses
- Things you buy and sell on e.g. stock / raw materials
- Financial costs e.g. insurances / bank charges
- Cost of your business premises
- Advertising / marketing
- Training costs

A detailed guide can be found at:

www.gov.uk/expenses-if-youre-self-employed

There are potentially many ways that you can keep track of your income and expenditure. You could consider the following:

Manual

You could have 2 notebooks. One records all your income on a weekly / monthly basis and the other records everything you have spent. At the end of each period you can check to see if you have been able to earn more than you have spent.

Remember – keep all your receipts! You could simply put them in envelopes for each week / month.

If you use an accountant then this is far better and less costly than handing over a carrier bag with everything in a muddle when they are working out your year end accounts.

Semi-Automatic

If you are good at using spreadsheet software, you could set up a simple income and expenditure system that calculates everything for you. You can then add to this some calculations if you wish to work out any tax / national insurance due.

PC / Phone software

For a monthly fee, you can purchase software that allows you to track your income and expenditure. You can raise invoices for your goods / services and link to your bank account to show all your spending and track your how your business is doing.

There are a number of providers, and you should make sure that they are compliant with the HMRC for making tax digital. A guide can be found at:

www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax

Online Banking

Most banks offer an online service. You can set this up on a laptop or a mobile phone and it provides you with an up to date balance and you can see what your income and expenditure has been. Some provide the ability to categorise your types of expenditure e.g. travel, materials, food / drink).

INSURANCE

There are various types of insurance that you may need to have to meet the legal or contractual requirements when doing business with other businesses or organisations:

PUBLIC LIABILITY INSURANCE

Covers claims made against your business by clients, contractors, or members of the public for accidental injury or damage to their property.

EMPLOYERS LIABILITY INSURANCE

If you employ people it is a legal requirement. It safeguards businesses against legal and compensation expenses from employee claims.

PROFESSIONAL INDEMNITY INSURANCE

To protect your business if a client alleges that there are faults in your work. This can be either physical (electrical / gas installation) or professional advice.

MOTOR VEHICLE INSURANCE

A legal requirement – make sure it covers "business use" if you are using your own vehicle also for personal use.

LEGAL / MOTOR LEGAL INSURANCE

If you are involved in an accident that wasn't your fault, need to claim for injury, medical expenses of loss of income that could be useful.

PERSONAL ACCIDENT INSURANCE

Will protect you, your employees, your partner, or your whole family should an accident (or illness) result in hospitalisation, disability or even death.

Having an unspent conviction can adversely affect the availability of a suitable policy, and even then, policy premiums will be higher which can be a drain on precious financial resources.

If you need advice and guidance on the subject, you can check out the resources from Unlock (as previously mentioned) on their hub hub.unlock.org.uk – just type insurance in the search box.

As a guide, their website states:

"Most insurance companies ask about criminal convictions because they believe it is relevant to the risk. Although this often seems unfair, they are, unfortunately, entitled to ask. If asked, you need to answer this question honestly and accurately. The questions will normally include the convictions of everyone covered by the policy, such as children or a partner. If you are not asked, you do not need to disclose".

Organisations do exist and provide specialist cover. If you are needing to discuss your requirements you could contact one such organisation – Sale Insurance (see below).

They provide cover for people with criminal convictions and adverse financial histories. (Other companies are available of course).

SALE INSURANCE SERVICES

15-17 Washway Road, Sale, Cheshire, M33 7AD

Phone: 0161 969 6040

Email: enquiries@saleinsurance.co.uk

Website: www.saleinsurance.co.uk

BANK ACCOUNTS

Having an account where you can have any monies paid to you is an important step in the self employment journey. There are choices that you can make depending upon your circumstances.

Business account

If possible, having a different account for your business finance is a good idea as keeping your money separate can help you to stay on top of your finances. If you hold a personal account with a bank, you can ask about opening a business account with them as they will already have a relationship with you.

Typically, you will either be a Sole Trader or set up as a Limited Company. Most high street banks (Barclays, HSBC, Nat West, Santander for example) offer business bank accounts but there are now newer providers (Tide, Metro, Starling for example) that are offering accounts that may be suitable for your requirements.

As the accounts are for business, sometimes there are monthly fees and transaction fees that have be to paid. Some accounts do come with additional features such as money management tools, online banking, business advice and accounting tools.

As with all applications, you will need proof of identify and UK address, and that you are setting up or have registered your business.

Certain convictions such as fraud and money laundering may be a barrier, you will need to conduct your own research, or seek help from other organisations such as Citizens Advice Bureau or Money Advice Service.

HMRC / TAX ADVICE

Becoming a self-employed subcontractor is a way to lead a crime free future.

Being able to meet the requirements of Her Majesty's Revenue and Customs can be challenging and time consuming, but a legal requirement none the less. As a reminder, the government produces a full range of resources and guides online and these can be accessed via www.gov.uk.

HMRC is now under the gov.uk website and can be accessed here:

www.gov.uk/government/organisations/hm-revenue-customs

You can of course employ the services of an accountant to help you manage your requirements and ensure your tax returns are submitted on time.

There are also organisations that can provide specialist advice and guidance to people with criminal histories.

One such organisation is **The Tax Academy CIC**, the co-author of this booklet.

It specialises in ensuring your tax affairs are up to date for when you start you business or re-commence one that has not traded since being in custody. It also works with prisoners after release to ensure that their tax affairs are kept current and helps them understand their tax obligations through education and training.

Details on the following pages have been provided by Paul Retout, its Founder and Director who is a tax specialist and tax author.

THE TAX ACADEMY CIC

Message from Founder and Director – Paul Retout.

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The Tax Academy is the leading tax support provider in prison.

We are an organisation dedicated to helping you bring your tax affairs to order pre-release and to support you with your self-employment journey post release.

We are proud to be the only prison organisation that represents the prison network by sitting on the HMRC Individuals Stakeholder Forum and we are also members of the HMRC Individuals Stakeholder Forum (‘VSTRS’).

Our work in prisons has demonstrated that typically those individuals working in the Construction industry tend to ‘bury their heads in the sand’ when it comes to tax! Pre-release provides you with the opportunity to bring your tax affairs up to date.

There is a misconception that as tax is being paid at source that there is no further requirement to comply with requests from HMRC. Individuals also often believe that being in the ‘prison bubble’ they are somehow sheltered from their taxpayer obligations. It is only after release that you find that is not the case and that outstanding tax, interest and penalties are pursued by HMRC and ultimately by a debt collector.

Where you work in the Construction industry and you are self-employed, you need to complete a self-assessment tax return annually.

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Self-assessment tax penalties

We have worked on many cases where tax returns have not been filed for a number of years and tax penalties have accumulated running into many thousands of pounds.

The following summary shows just how quickly penalties can accumulate whilst in prison and indeed on the outside:

1 day - £100 penalty

3 Months - £10 daily penalty for up to ninety days (maximum £900)

6 Months – higher of 5% of tax due or £300

12 Months and later – higher of 5% of tax due or £300

Each tax year can therefore accumulate tax penalties of £1600.

Unique Taxpayer Reference (see registration section in this booklet)

If you already have a UTR number, you will retain that number when you leave prison and work as a sub-contractor.

You will need to contact HMRC though to re-open your self-employed self-assessment tax record.

The only time that you are issued with a further UTR number is if you have been bankrupt.

REMINDERS, HINTS AND TIPS

Registering under the Construction Industry Scheme (CIS)

Registering with the CIS is critically important as any tax deducted needs to be credited to your personal tax account and linked with your National Insurance number.

Under the CIS, a contractor must deduct 20% from your payments and pay this monthly to HMRC under the monthly Real Time Information Scheme ('RTI').

Contractors will deduct 30% if:

- **You are not registered for CIS;**
- **They can't verify who you are;**
- **You give the wrong name for your business.**

Tip: Contractor monthly statements

Always request from your contractor monthly statements showing payments made to you and the tax deductions. This is very important in that should the contractor fail to make the corresponding payment of your tax to HMRC, the payment statements they give should be enough for HMRC to credit your tax record.

Be on your guard if the contractor does not want to give you a pay statement as they are probably not paying the tax that they have deducted from you to HMRC.

Tip: Telephoning HMRC

Contacting the HMRC at times can be challenging. We at The Tax Academy can register you for a UTR number and CIS at the same time.

SUPPORT FROM THE TAX ACADEMY

- Preparation of outstanding self-assessment tax returns including multiple years. We complete with your assistance and send these to you in prison on paper to be signed and then we file electronically
- Dealing with self-assessment penalty appeals for late submission or late payment of tax
- Working with you on your tax debt and working with you to reduce this and where necessary agree a structured payment plan
- Where a determination has been made by HMRC, The Tax Academy is able to work with you to make a Special Relief Claim on your behalf
- The Tax Academy CIC prepares you for self-employment by registering you for self-employment and CIS
- We provide you with ongoing support once you leave prison
- If you cannot remember your UTR number, we can contact HMRC on your behalf to obtain this
- Forgotten your National Insurance Number? We can run a search with HMRC to locate this
- We can provide you with leading cloud-based accounting software that will work on your smartphone/tablet or PC

SUPPORT FROM THE TAX ACADEMY

The Tax Academy CIC has teamed up with Checkmyfile to enable you to check your credit report and your credit score for FREE.

A credit report is like your financial CV.

This is a Multi Agency Credit Report that shows results for Experian, Equifax, Transunion and Crediva in one place.

This is worth doing as simply defaulting on your mobile phone or mortgage whilst in prison can have a catastrophic impact on how, for instance lenders, letting agencies and utility companies perceive you as a financial risk.

You can look at your own credit file as much as you like without impacting on it.

Try to get this done if you have home leave, or as soon as you can post-release.

Just go to our website www.thetaxacademy.co.uk **and on the front page click on the Checkmyfile link.**

You will need your credit/debit card as part of the identification process. The normal charge is £14.99 per month but Checkmyfile will not charge you if you cancel within 30 days.

An email will be sent to you by Checkmyfile when you sign up to explain how after reading your credit report, you can cancel immediately your subscription.

Free four-year tax review

There is nothing worse than being released from prison and finding that you have tax penalties and tax debt that need to be resolved with HMRC, particularly when going self-employed.

We offer a FREE four-year tax review to establish your tax position prior to release.

For instance, if you were an employee and paid tax under PAYE you may well be due a tax refund as you would have been entitled to a full year of tax allowance. Where refunds have been previously issued by HMRC and not received by you, we can ensure the original cheque is cancelled and a new payment is made to you.

To access the free tax review, complete the forms included with this pack, and return to the Tax Academy CIC.

THE TAX ACADEMY

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After reading the previous sections, you need to be thinking about making some decisions for the future. At this stage, what are your thoughts on:

The construction sector you wish to get into:

Reasons for choosing this:

How am I going to find out about vacancies?

Do I need any additional training? If so what?

What method would you want to use to record your income and costs?

How do you intend to register with the HMRC (online or paper)?

Will you need help, and if so do, you know who to talk to?

ACTION PLANNING – BE SMART

After reading this booklet, if working in the construction industry as a sub-contractor is for you, start your planning now to give you the best chance of success. Start filling out the planner and add to it as needed.

TASK	DATE SORTED
Set up an email address	
Have a registered address	
Have a contact number (mobile / landline)	
Confirm National Insurance Number	
Business / trading name sorted	
Create a government gateway account	
UTR number gained	
Applied for CIS registration	
Right to work documents in place	
Any insurances needed in place	
Site access – CSCS or equivalent	

TASK	DATE SORTED
Research on how to find work	
Registered with relevant organisations	
CV updated	
Vocational qualifications (if needed)	
Tools or equipment sorted	
PPE / Workwear sorted	
Personal Survival budget completed	
Contact with Tax Academy CIC	
Access to accountancy software claimed	
Bank account in place to have wages paid into	
If I am currently claiming benefits – discuss with Job Centre	
Other	
Other	

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We hope that by reading and completing this booklet you have a better understanding of how to become a subcontractor in the Construction industry.

You can utilise the knowledge to give yourself the best opportunity to find and secure the role you are looking for, You can put in place what is needed to manage your finances, and access the support on offer if needed.

Once you have gained your site experience, you can seek to move on, develop your career plans and gain new skills and earn more money.

ENTREPRENEURS UNLOCKED CIC

THE TAX ACADEMY

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