TAKING THE FEAR OUT OF TAX: JARGON BUSTER

ycat

WITH JOSHUA OWEN MILLS

TENOR AND AUTHOR OF 'THE ART OF MONEYSAVING' PODCAST

Business

That's you! Anything that refers to 'your business' refers to your takings as a musician.

Earnings

Also referred to as net, or profits. It's your turnover minus your expenses.

Expenses

This is how much money you spent whilst running your business, on things wholly for business purposes (or a proportion you have worked out). It can include travel tickets, part of your phone bill, equipment, instrument servicing costs and more (for a list of allowable expenses, visit HMRC).

Fintech Banks

These are newer, app-based banks (e.g. Monzo, Starling) that are particularly useful to musicians as they allow you to divide your account into 'pots' without having to open additional savings accounts. That's good news for when you start putting money away for next year's tax bill!

HMRC

Stands for Her Majesty's Revenue and Customs. It's who you deal with and who you pay your tax to.

Income Tax

This is the majority of your tax contribution. You're taxed at 20% of your earnings between £12,500 and £50,270, and then at 40% on any of your earnings that go above that. You might consider putting away a certain proportion of your income every month, for example 25% just to be on the safe side.

National Insurance Contributions

You'll often see these referred to as NICs. Anyone self-employed earning over £6,515 a year has to pay Class 2 National insurance, though if you earn less you can still voluntarily pay. You need to pay enough NI in order to access the full state pension when you retire, so you should probably consider it. Class 2 NIs are £3.05 a week, and Class 4s are calculated at 9% of your earnings between £9,569 and £50,270. Check your National Insurance record here: https://www.gov.uk/check-national-insurance-record

PLANNING FOR YOUR TAX RETURN: JARGON BUSTER

WITH JOSHUA OWEN MILLS

TENOR AND PODCASTER

SEISS
Short for the Self Employed Income Support Scheme. Don't include in your turnover, or you could end up being taxed twice! There's a separate gap for it on the Self Assessment website.

Self-assessment
The system that HMRC uses to collect your tax. It's where you have to self-assess how much you owe.

Tax deductible
If something is tax deductible it's an allowable expense.

Tax return
Doing your tax return is the yearly process you go through to pay what you owe for the previous tax year. Your 'return' is the document you prepare – this used to be on paper but now you complete a series of steps online that prepares the return for you.

Turnover
This is how much money you took last year. You might also hear this referred to as gross. It's the figure made up of all your earnings before deducting expenses and tax.

UTR
Stands for Unique Taxpayer Reference. You need this ten-digit number to file your return. Sometimes companies you work for need you to put it on your invoices as well, so it makes sense to make a record of it in a couple of places and keep it safe.

Visit Joshua's artist page

Check out *The Art of Moneysaving*

Visit HMRC

Want more advice from industry experts?

Explore our 21cMusician Toolkit