

Guide to Starting Self Employment or Business

Guide No.6 in the Tax Guide Series

About This Guide

This Guide has been prepared to help someone starting out in a new business or self employment venture understand how the income tax system will affect them. The guide is based on the system that will commence on the 1st April 2010.

Further information about the records you are required to keep are contained in the “Guide to Setting up a basic Record Keeping System”


In certain circumstances, the Income Tax Office may wish to be satisfied that you are genuinely self employed – that is to say you are trading on your own account and not an employee. In many cases, the decision is clear and straightforward but to help people be sure of their status, there is a separate guide for determining whether someone is actually self employed or an employee. You should refer to that guide if necessary and ask the Income Tax Office if you are unsure.

This guide also includes a time line setting out the dates on which your tax obligations fall due and an example of the application for registration and registration certificate.

1. What to do as soon as you decide to start self employment or a business.


As soon as you decide to start, you should register with the Income Tax Office. To register, simply complete the registration form IT1 (shown on the opposite page) and return it to the Income Tax Office before starting your self employment or business.

(Please note: this form is a sample if you need one it can be obtained from the Income Tax office)

 Government of St Helena Income Tax Office Application for Registration		IT 1
1. Tax Registration Number	<div style="border: 1px solid black; width: 100px; height: 15px; margin: 0 auto;"></div> <small>For Office Use Only</small>	
2. Name	<div style="border: 1px solid black; width: 100px; height: 15px; margin-bottom: 5px;"></div> <small>Title</small>	
	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <small>Family Name</small>	
	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <small>First Names</small>	
	or	
	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <small>Company Name</small>	
	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <small>Place of Incorporation</small>	
	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <small>Registered Number</small>	
3. Business Name	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div>	
4. Address For Correspondence	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div>	
5. Telephone	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div>	
6. Date of Birth <small>(if applicable)</small>	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Day</div> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Month</div> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Year</div> </div>	
7. Nature of Self Employment or Business	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div>	
8. Place of Self Employment or Business	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div>	
9. Date of Commencement	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Day</div> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Month</div> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Year</div> </div>	
10. Is the self employment or business carried in in partnership or joint venture? <div style="float: right;"> Yes <input type="checkbox"/> No <input type="checkbox"/> </div>		
<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <small>If so, please advise the full name/s or each partner.</small>		
<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div>		
<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div>		
11. Will you have any employees? <div style="float: right;"> Yes <input type="checkbox"/> No <input type="checkbox"/> </div>		
<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div> <small>If so, please advise the approximate number of employees.</small>		
12. Signature of Applicant	<div style="border: 1px solid black; width: 200px; height: 15px; margin-bottom: 5px;"></div>	
Date of Application	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Day</div> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Month</div> <div style="border: 1px solid black; width: 30px; height: 15px; text-align: center; font-size: 8px;">Year</div> </div>	
This form should be completed by every person carrying on self employment or business.		

After you are registered, the Income Tax Office will issue you with a Tax Registration Number and send you a Certificate of Registration (shown on the following page). The Tax Registration Number is your unique number and you will need to use it if you issue a tax invoice.

This section does not apply in relation to any activity which produces gross annual income (before deducting the costs of producing the income) of less than £20,000 per annum.

 Government of St Helena Income Tax Office Registration Certificate		IT 2
I. Tax Registration Number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
<small>I certify that the person name hereunder has registered in accordance with the Income Tax Ordinance, 2009.</small>		
Name of Registered Person	<input style="width: 100%;" type="text"/>	
Address for Correspondence	<input style="width: 100%;" type="text"/>	
Nature of Activity	<input style="width: 100%;" type="text"/>	
Date of Commencement	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"><input style="width: 30px;" type="text"/> <small>Day</small></div> <div style="text-align: center;"><input style="width: 30px;" type="text"/> <small>Month</small></div> <div style="text-align: center;"><input style="width: 30px;" type="text"/> <input style="width: 30px;" type="text"/> <small>Year</small></div> </div>	
Place at Which Activity is Conducted.	<input style="width: 100%;" type="text"/>	
<div style="border: 1px solid black; padding: 5px; margin: 0 auto; width: 80%;"> Dated this day of 20 </div>		
<div style="border: 1px solid black; height: 40px; margin: 0 auto; width: 80%;"></div> Commissioner of Income Tax		
This certificate is not valid unless the official stamp is affixed hereto.		

If you intend to employ anybody, you will need to indicate this on the registration application and make an estimate of the number of employees. If you are an employer, you will be required to deduct income tax from employee wages under the PAYE system. The Income Tax office will educate you in operating the PAYE system and make sure you understand your obligations.

2. Partnerships and joint ventures.

If you are thinking of working in a partnership or joint venture with somebody else, it is important that you understand how the income tax law applies.

Each partner or member of a joint venture is individually liable for income tax on their share of the partnership or joint venture profits. The partnership or joint ventures is not, itself, liable for income tax on profits but it must file an income tax return showing the total business profits and each partner's or joint venture member's share of those profits.

Each partner must then declare their share of profits in their individual income tax return together with any other non partnership income. The income tax payable by a partner is then calculated on their own income tax return.

3. Keeping books and records.

It is very important that you keep records of all income and expenditure that relates to your self employment or business. You will need these records to complete your annual accounts and income tax

return. If you do not have sufficient records, your income tax return may be prepared incorrectly and you might then become liable to penalties and prosecution. You may have to pay more income tax than you think you should, simply because you do not have any evidence of your expenses.

As a simple rule, your records should include:

- (i) A cash book to record all money that comes into and goes out of your self employment or business.
- (ii) A record of your sales and any other income you receive. This is often called a sales journal or sales ledger.
- (iii) A record of your business expenses and other outgoings such as purchases of plant and equipment or personal drawings.
- (iv) Source documents such as receipts, invoices, cheque books and bank statements.
- (v) A record of your business assets. This is often called an asset register.

You may also be required to issue a Tax Invoice if you are supplying goods and services to another person in business. Tax Invoices are a means of ensuring that everybody who is self employed or in business is part of the tax system. If someone is not part of the tax system, they are not contributing their fair share of taxes to the community and gain an unfair competitive advantage over people who are part of the system. You should not deal with people who do not issue you with a tax invoice. If you do not have a tax invoice for your purchases of goods and services, you will not be able to claim an income tax deduction.

A Tax Invoice is a legal document and must show the words "Tax Invoice" and the following information:

- (i) The name and tax registration number of the supplier.
- (ii) The name and address of the recipient.
- (iii) The date goods or services were supplied.
- (iv) A description of the goods and services.
- (v) The quantity or volume of goods and services supplied.
- (vi) The total amount charged.

An example of a tax invoice is shown below.

St Helena Trading Enterprises			
Market St	Phone +291 1234	Tax Invoice	
Jamestown, St Helena	Fax +291 1235	Tax Registration Number XXXXXXX	
To: James Bay Enterprises Half Tree Hollow St Helena		Date:	1st April 2010
Quantity	Description	Unit Price	Total
10kg	Cabbages	£1.00	£10.00
20kg	Tomatoes	£1.25	£25.00
Total			£35.00

You will generally be able to buy various types of accounts books for self employed and business people at a stationery supplier. There are different books for different purposes but remember that at the end of the tax year, you will need to have evidence to show:

- (i) Your total receipts for the year plus the amount of money still owed to you for goods you have supplied or work that you have done.
- (ii) Separate items of expenditure such as stock; purchases; rent; electricity; repairs etc. Schedule P50 S (end of year account form, available from the Income Tax Office) sets out all the different types of expenditure for which you will need keep a record.
- (iii) The cost of any purchases of assets, plant and equipment used in your business.
- (iv) The amount of any loans, gifts or other private money introduced into the business that is not taxable.
- (v) The amount of money you have taken out of your business for family, personal and domestic expenses.
- (vi) The value of any trading stock on hand.

The Income Tax Office has prepared a guide on record keeping for self employed and small business people and you should obtain a copy of that guide if you are unsure about what records you should keep.

4. Deducting and paying PAYE.

If you have employees, you will also need to keep a wages book setting out the following information:

- (i) The name and address of every employee.
- (ii) The amount of wages and other payments made to each employee.
- (iii) The amount of any allowances or benefits paid to each employee
- (iv) The amount of any deductions from wages for items such as PAYE or pension fund contributions.

Your obligations as an employer are not complex and the Income Tax Office is always available to help you work out how much income tax you should deduct and how to comply. Every month, you only need to do two things and they are both due on the 15th day of the month.

Firstly, you need to advise the Income Tax Office of how much wages you paid in the month before and how much PAYE tax you deducted. **Secondly**, by the same day, you will need to pay the PAYE deducted into the Customer Service Centre or the Bank of St Helena. When you have done this, you will not have any more monthly obligations other than to make sure that you continue to deduct PAYE tax from payments to employees.

You will have one annual obligation, this is to provide the Income Tax Office with a summary of all your wages paid during the year and the tax deducted. This is simply a summary of the information shown in your wages book.

6. Paying instalments of income tax.

Income tax is generally not deducted from income earned by a self employed or business person, but the income tax law has an instalment payment system for those businesses with a total taxable income of £50,000 and over. This system will require you to pay income tax in four instalments during the tax year.

The instalments are only an estimated prepayment of tax and will be held as a credit on your account and offset against the final calculation of income tax. If your instalments are greater than the final calculation of income tax, the difference will be refunded. At the end of the year, if the instalments are less than the final calculation of income tax, you will be required to pay some more money.

The instalments are due on the 15th July, October, January and April and will be based on the amount of income tax you paid in the previous year.

For example, if your income tax paid for the tax year ended 31st March 2011 was £1,000, each of your instalments for the tax year ended 31st March 2012 will be £250, (£1,000 x ¼).

In your first year of self employment or business you will need to make an estimate of your profit for the year and calculate the income tax on that profit. The amount of each instalment will be one ¼ of the

estimated income tax.

7. Preparing annual accounts.

The annual accounts prepared by self employed and business people will differ according to the size of your activity and whether you have professional help in preparing them. It is important to realize that you are personally responsible for the accuracy of the information contained in them. If the accounts are wrong and you declare the incorrect profit in your annual income tax return, you will be liable for the penalties, not the person who helped you.

For small self employed and business people, the minimum requirement is a profit and loss account similar to that shown below:

Government of St Helena		Income Tax Office	
Individual Income Tax Return - Self Employment & Business Income Schedule			
Tax Year Ended 31st March 20		P 50 S	
1. Tax Registration Number			
2. Name			
Title			
Family Name			
First Names			
3. Type of Business			
4. Gross Sales / Income		A ⇒ £	
Goods Taken for Own Use		B ⇒ £	
Total		C ⇒ £	
5. Cost of Sales (if applicable)			
Opening Stock		D ⇒ £	
Purchases		E ⇒ £	
Freight & Customs		F ⇒ £	
Closing Stock		G ⇒ £	
Cost of Goods Sold		H ⇒ £	
6. Gross Profit		I ⇒ £	
7. Other Income		J ⇒ £	
8. Total Gross Income		K ⇒ £	
9. Expenses			
Accounting Fees		£	
Advertising		£	
Bad Debts		£	
Depreciation		£	
Electricity		£	
Entertainment		£	
Insurance		£	
Interest		£	
Motor Vehicle		£	
Rent		£	
Repairs		£	
Salary and Wages		£	
Stationery and Printing		£	
Telecommunication		£	
Travelling		£	
Other Expenses		£	
Show Details		£	
		£	
		£	
		£	
Total Expenses.		L ⇒ £	
10. Trading Profit		M ⇒ £	
11. Other gain or loss on disposal of assets.		N ⇒ £	
12 Net Profit		O ⇒ £	

Attach the Schedule to your Income Tax Return and transfer the Net Profit to Item 15 on Page 2.

If your self employment or business is only small, the only other requirement is to keep a record of your business assets such as plant, equipment and machinery. You can claim a deduction for the depreciation (wear and tear) on these items and will need to complete a depreciation schedule to work out the amount of wear and tear.

A guide on calculating your depreciation allowance has been prepared by the Income Tax Office.

People who have a large self employment or business activity will often be able to enlist professional assistance to help preparing annual accounts. In that case, there will often be a full set of accounts to give a more complete view of the financial position of the business at the end of the tax year. The income tax law does not specifically require a full set of accounts but if they have been prepared, you should include them with your annual income tax return.

8. Working out your income tax liability.

The income tax law is complex and unfortunately, it is not possible to summarise all the rules for arriving at your taxable net profit and income tax liability. Because of that, you are encouraged to seek professional assistance or call into the Income Tax Office for help. The staff are always happy to provide assistance.

Income tax for individuals is charged on your taxable profits after deduction of your Personal Allowance. This figure is referred to as your chargeable income.

Income tax for individuals for the year commencing 1st April 2011 is calculated on chargeable income at the rate of 25%

Income tax for companies is charged on taxable net profits at the rate of 25% and there are no deductions for allowances.

9. Filing an annual income tax return.

You must file your annual income tax return by 30th June every year and calculate the income tax you have to pay.

If you cannot file your return by this date, you must ask the Income Tax Office for an extension of time to file or you will be charged a late filing fee. Provided you have an out of the ordinary exceptional reason for not filing by the due date, you may be granted additional time to file without penalty. Please note: You can not expect to get an extension unless there is a good reason as to why you have been unable to lodge.

10. Paying your income tax.

Income tax is payable in instalments during the year in which you earn income (see paragraph 6). These instalments are only an estimate of your income tax . More than likely the instalments will not equal the actual amount of income tax payable as this can only be determined when you file your annual income tax return. If you have paid too much income tax by instalments, you will receive an income tax refund

11. Disputing an income tax assessment.

If you disagree with the Income Tax Office's decision on your objection, you have another 90 days in which to file a request for your dispute be heard in Court. This second dispute is referred to as an "appeal". If you file an appeal, the Court will make a decision on the matters you have raised and the Income tax Office will be bound by Court's decision.

If your self employment or business activity for any tax year makes a loss, you will not be required to pay any income tax for that tax year and the loss can be deducted from future years' taxable profits. You will have five years in which to claim that loss as a tax deduction, commencing from the end of the year in which you made the loss. If the whole loss has not been deducted during this five year period, it will expire and will no longer be available to claim as a deduction.

[illegible]

Government of St Helena
Income Tax Office
April 2011