

DO NOT SEND THIS FORM TO THE TAX CREDIT OFFICE

Tax Credits Self Employed Help Card

If a customer is claiming Tax Credits and they are self employed HMRC may ask them for evidence of their self employment.

This helpcard can be used to help a customer determine whether they meet the criteria for claiming Tax Credits as a self employed worker & it can be used to provide additional guidance to them around calculating the usual hours worked & record keeping which can help them if they are asked by HMRC to provide evidence of their self employment.

Please also refer to the claim form [Notes](#) included in the claim pack or refer to [HM Revenue & Customs: Tax credits](#) for further guidance

Self Employment

For Tax Credit purposes, self employed work means any work that is done for payment or in expectation of payment.

Work done in expectation of payment means more than a mere hope that payment will be made at a future date. There should be a probability rather than just a possibility that a payment will be made. If a person reasonably expects payments for work done then the condition is satisfied. However, if the person knew before starting the work that payment was unlikely to be made, the remunerative condition is not satisfied.

To claim Working Tax Credit, work should be expected to continue for at least four weeks.

An individual can be employed and self employed at the same time in different jobs. Generally we say that an individual is self employed if they work for themselves or are a partner in a partnership rather than working for someone else.

Below is a link that may help determine if a customer is Employed or Self Employed:

<http://www.hmrc.gov.uk/working/intro/empstatus.htm>

This link may also help customers who are thinking about becoming Self Employed or new to Self Employment:

<https://www.gov.uk/browse/business/setting-up>

Remember everyone's circumstances are different, please refer to the [HM Revenue & Customs: Tax credits](#) if you are unsure or require further information. This card is only a guide and is not exhaustive.

Determining if someone is Self Employed or has a Hobby for Tax Credits

Sometimes customers may carry out certain activities that they associate with being self employed, such as:-

- craft work, e.g. soft toys, floral decorations, greetings cards
- needlework, e.g. soft furnishings, children's clothes
- art work, e.g. painting, photography, pottery
- model making, e.g. dolls' and wendy houses
- literary, e.g. writing novels or short stories
- composition, e.g. songs, musical scores
- cooking, e.g. cake making, jams and preserves

In order for this to count as self employed work or count towards the usual hours worked they must be able to demonstrate:-

- they are carrying out the activity for payment or a genuine expectation of payment
- they have a client base
- the activity is regular, developed & organised

Usual Working Hours / Remunerative Work

To work out usual working hours you should ask the customer to include the number of hours normally spent working in the business, either on work billed to client(s) or related activity, for example:-

- Trips to Wholesalers / Retailers
- Visits to potential clients / proving quotes (include travel if customers usually works from home)
- Time spent on advertising / research
- Cleaning the business premises / vehicles used as part of business e.g. taxi
- Book Keeping
- General administration, for example dealing with emails, post , phone calls

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- Training courses relevant to the business

If the customer has only recently become self-employed, use the number of hours the customer would normally expect to work in a week.

Records to Keep

Customers should be reminded to keep records that will help them confirm entitlement to Working Tax Credit (dependant on the type of business). **Customers need to be aware that Tax Credits will sometimes ask for evidence of Self Employment.**

Examples include:-

- Cash book / petty cash book
- Sales and purchase ledger
- Wages book
- Unique tax payer reference number (UTR)
- invoices and receipts issued and received
- electronic records of sales / till rolls
- Advertisements placed
- bank and building society statements, pass books, cheque stubs and paying-in slips which include details of business transactions
- mileage records
- Diary of appointments detailing hours worked each week & appointments

This list is not exhaustive.

Please remind the customer that they are fully responsible for ensuring the information provided on their Tax Credit claim is correct and for reporting any changes to Tax Credits Office.

Note – To authorise an Intermediary to act on their behalf the customer should complete form TC689 – to download a copy use this link <http://www.hmrc.gov.uk/taxcredits/forms-and-leaflets/forms.htm>