

# CHILDMINDING INFORMATION FACTSHEET





# INTRODUCTION

The business of providing early year's education, childcare or play activities is an important one.

Therefore these childminder business information fact sheets have been designed to assist you to better manage your business.

If you are planning to open a childminding business in Islington or you currently run your childminding business, then these business information fact sheets will be a reminder of some of the areas that affect you and how you operate and run your business.

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# SETTING UP & REGISTERING YOUR BUSINESS

Starting a childcare business is not just a matter of child's play! As with any business, there are a number of regulations which you will have to meet before you can open your doors to children.

Ofsted inspects all childcare provision against standards which your business will have to meet and they will also expect you to comply with all other legislation such as meeting Environmental Health requirements; registering your business with HMRC (Her Majesty's Revenue and Customs); and so on. Islington's Children's Information Service (CIS) has a team who can help you with all aspects of registering your business with Ofsted and meeting Ofsted's National Standards for Day Care.

Childminders also have to register with Ofsted and the Childminding Information Officer at Islington's Children's Information Service (CIS), who has developed a childminding support package. To help decide whether childminding is really for you, the team has developed three sessions: (1) Monthly short sessions at the local Children's Centre in your area lasting for 1 hour (2) A childminding Briefing Session.

This will give you the opportunity to go through the Ofsted application form and also look at the National Standards Forms. This lasts for 3 hours, followed by (3) a Registration Course run over a 10 day period and includes a 2 day First Aid training that gives participants the relevant First Aid certification that is required by Ofsted. Currently you attend this course once you have received your official registration letter from Ofsted.

By attending these sessions you will find out all you need to know about becoming a registered childminder and how to register. You will also be told about the Childminder Start-Up Package which helps you with the costs of starting a childminding business.

## What does it cost to set up as a childminder?

There are initial start-up costs that have to be considered when deciding to set up a childminding business. The following gives an indication of what some of the set up costs will be.

### Cost of setting up includes:

- Ofsted application fee - £20.00.
- Health reference fee (depends on your GP) - £0 - £80.00.
- Health and safety equipment (this will depend on the layout of your home and what you have in place) e.g. high chair, stair gates, plug covers, double buggy, locks and fire blanket.
- Toys and play equipment (this also depends on what you currently have). These should cover all age ranges that you would like to be registered for, including equipment that caters for children with disabilities and children from a diversity background.
- Insurance – this can be purchased from the National Childminding Association (NCMA) or Morton Michel.
- Contracts, records, accounts books – these can be purchased from the National Childminding Association (NCMA) or Morton Michel. Alternatively you may wish to create your own templates using a spreadsheet and word processing packages.
- Advertisement

In addition to the above you will have to think about the annual costs that you will undertake as a business. The following gives an indication of what some of the annual costs could be.

## Annual fees and costs include:

Annual Ofsted registration  
Insurance  
Training cost e.g. first aid  
Replacement toys, health and safety equipment etc.  
NCMA membership

Are there grants available to help me with setting up as a childminder?

When you complete registration as a childminder in Islington you can apply for a Start up Grant. The grant is available to new childminders to help them with the costs of setting up their childminding business. However, it should be noted that there is no guarantee that the grants will be accessible. The grants are subject to sufficient funding being available.

## New Legislation

There is new legislation coming into effect from September 2008 that will impact how a childminder has to comply with the national standards that they are measured against by Ofsted. The new legislation is called Early Years Foundation Stage (EYFS) statutory framework. The aim of the EYFS is to help young children achieve the five Every Child Matters outcomes of staying safe, being healthy, enjoying and achieving, making a positive contribution, and achieving economic well-being.

The EYFS sets standards to enable early years providers to reflect the rich and personalised experience that many parents give their children at home. Like parents, providers should deliver individual learning and development and care that enhances the development of the children in their care and gives those children the best possible start in life. Every child should be supported individually to make progress at its own pace and children who need extra support to fulfil their potential should receive special consideration.

All providers have an equally important role to play in children's early years experience – for example, a childminder who sees a child for two hours a day should consider what a child's individual needs are at that time of day, and ensure that the provision they deliver is both appropriate to those needs and complimentary to the education and care provided in the child's other setting(s).

Childminders have a duty to ensure that their early years provision complies with the learning and development requirements, and the welfare requirements.

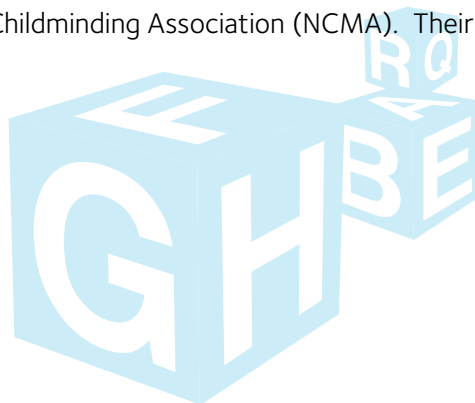
Additional information can be found on the children, schools and families website [www.dfes.gov.uk](http://www.dfes.gov.uk).

If you require further information please contact the Childminding Information Officer on 0207 527 5927.

Additional information can be found on the Islington Children's Directory website [www.islington.gov.uk/Education/ChildrensDirectory.asp](http://www.islington.gov.uk/Education/ChildrensDirectory.asp)

Also information about childminding can be sought from the National Childminding Association (NCMA). Their contact details are:

**NCMA**  
**Royal Court**  
**81 Tweedy Road**  
**Bromley**  
**Kent BR1 1TG**  
**Tel 0845 880 0044**  
**email [info@ncma.org.uk](mailto:info@ncma.org.uk)**  
**Website: [www.ncma.org.uk](http://www.ncma.org.uk)**



# BUSINESS PLANNING & FINANCIAL MANAGEMENT

By providing quality childcare services in their home, childminders are developing and managing their own small businesses. The success of their business relies on two things. Firstly and most importantly, the provision of quality childcare or early years education that meets the children and the parents/carers. Secondly, childminders need to ensure that money received from parents/carers for their childcare services not only covers costs and pays a living wage, but also supports the continued improvement of the business.

There are certain key factors that childminders need to bear in mind when setting up their childcare business.

Each childminder has to ensure that they keep good financial management records to record the flow of money coming into and going out of the business. They also have to ensure that legal requirements such as tax and national insurance must also be met. Administration includes keeping records, developing policies and following set procedures or systems that set out how finances need to be managed.

It is important that as a childminder you develop and constantly maintain and review a business plan for your organisation.

## Why have a business plan?

- It is a reliable way of managing the business
- It collects all the information about the business in one place
- It sets out how much income is expected over the year
- It plans how much is expected to be spent over the year
- It includes marketing, advertising and promotional activities
- It describes the business to grant funders or bankers if needed

If you would like further help with producing a business plan you can speak to your Business Support Manager or Officer at Children's Services.

## Financial Information & Bookkeeping

Under the National Standards for Under Eights Daycare and Childminding, Ofsted have a legal duty to register and inspect childminders. As part of the inspection process, Ofsted requires childminders to keep financial records that relate to the business, and these records must be available for inspection visits.

The Ofsted inspector will only want to examine the records that relate to business activities to ensure that business practice is within the standards of good practice.

The inspector may look at where and for how long documents are kept and that records are accessible. Records must be stored securely and confidentiality is adhered to at all times.

Personal financial records should be kept completely separately.

If you have your financial records checked by an accountant, partner or personal friend you will need to ensure that this information will be treated confidentially. A copy of your confidentiality policy should be shown and discussed. Then this person/s can sign the copy as evidence of their agreement to adhere to your policy. Keep the signed copy for your records.

## Her Majesty's Revenue & Customs (HMRC): Tax

Tax is based on your type of employment. All childminders are self-employed (trading as a sole/individual person), although some may operate as a partnership of two or more people in a company. There are questions that HMRC asks to establish if you are self-employed and a sole trader. All self-employed people manage their own business, risk their own money and are responsible for meeting the losses as well as taking the profits.

The self-assessment tax system makes keeping records a legal requirement. Self-employed people like childminders have a legal responsibility to keep accurate records whether they pay tax or not. The records must support the figures entered on the tax return and should contain details of money received from parents/carers and money spent on running the childminding business. A tax return is a form that self-employed people need to complete to provide HMRC with information so that HMRC can assess tax liability. Self-assessment can be completed on a paper form or online by accessing the HMRC website: [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

When you become self-employed you have to notify HMRC, otherwise a penalty of £100 may be liable. You have to inform them within three months of starting up your business.

The HMRC Business Support Teams offer workshops such as 'Starting up in business' to help people with tax, National Insurance and VAT. Alternatively a member of the team can visit childminders in their home, or will come to talk to a group of childminders.

## VAT

Customs and Excise Notice 701/31 confirms that childcare provision registered and inspected under the Children Act (1989) and Care Standards Act (2000) are exempt from VAT. This means that childminders registered and inspected by Ofsted do not need to consider VAT.

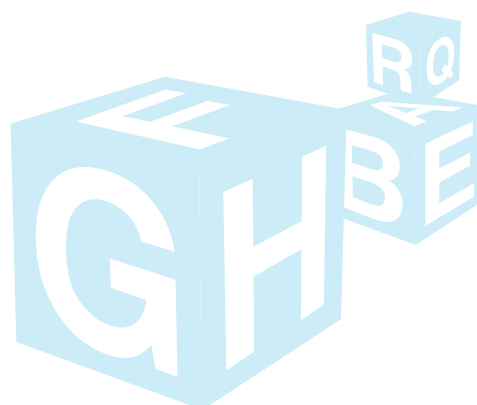
## National Insurance (NI) Contributions

National Insurance contributions are paid by most people in employment. There are several classes of contributions and it is possible that you may need to pay more than one category.

Self-employed people normally pay Class 2 NI contributions, and the flat rate payment for people over 16 years is £2.38 per week. A part-time registered childminder who has another job is also a part-time employee elsewhere and may have to pay Class 2 contributions for childminding, and Class 1 contributions when working for an employer.

Source

Sure Start  
Camden Early Years Development & Childcare Partnership



# SETTING FEES

As a self-employed person, the fees a childminder charges is subject to individual choice. Fee levels need to be set according to the demand for childminding and considering what other registered childminders in the local area are charging.

Things to consider when setting fees are:

- The demand for childminding in the local area
- The impact the childminding business has on the general household expenditure
- National Insurance contributions and tax
- Training and qualifications held
- Hidden costs such as food and outings

What happens if:

- You or a child is sick
  - You are on holiday
  - A minded child is on holiday
  - A minded child attends playgroup
  - Other siblings need places
  - Children are collected later than agreed
- 
- Retainers – to reserve places
  - Payment arrears
  - Annual fee increase
- 
- Full time – Fees for full-time places may be charged at an hourly, daily or weekly rate.
  - Part time – Fees for before or after-school or part-time care are normally paid at an hourly rate which is often higher than the full time rate. Sometimes fees are charged at a higher rate to compensate for the time when the places are not used.
  - Holiday care – The hidden extra costs of holiday care, such as outings and food should be remembered. All these extra costs need to be agreed with the parents/carers in advance, as part of the contract.
  - Reduced rates – Some childminders offer a reduced rate to children from the same family. Providing the discount for the older child, avoids confusion if the child leaves to start school, and standard fees are still due for the remaining child.
  - Non-attendance at booked places. If a parent/carer decides to keep the child at home for whatever reason, childminders would still expect to be paid for that time.
  - Retainer fee – Fees can be charged when a childminding place is reserved for a child and it prevents a place being offered to another child. It is reasonable to charge parents/carers part of the normal fee for the week. Some childminders charge half the normal fee as a retainer. Retainer fees need to be recorded clearly on the contract including a date for starting the place on a permanent basis.
  - Settling in fees – It is common practice to arrange a 'settling' in period for a child and a parent/carer prior to the formal start date. During this period the child may initially attend with their parent/carer, and then alone for short periods of time to aid the settling-in process. Most childminders charge the usual childminding rates for the hours the child attends during this time. If either the childminder or parent/carer wishes to terminate the agreement during the settling-in period it is usual that no notice period is required.
  - Holidays – Fee arrangements should include the holidays. It is usual to charge full fees when the childminding service is available when parents and carers are on holiday. When you are on holiday you may choose to reduce your fees or have no change to fees.

- Illness – There are times when the child, parents/carers and the childminder may become ill. Again, full fees may be chargeable when the service is available and reduced fees or no fees if the childminder is ill. Childminders may choose to have included in their original contract, a paid sick leave agreement of one-two weeks per year. Some childminders work in groups to provide ‘emergency cover’ for each other.
- Sundries – Most childminders expect parents/carers to provide nappies and baby wipes. If this is not the case, the childminder should make charges to cover the costs of purchasing and providing these and other extras.
- Food – Some childminders expect parents/carers to provide food for their child. If the childminder decides to provide food themselves, charges need to be included in the fees.
- Playgroup, outings and other extras – If a parent decides to send their child to a playgroup during the contracted childminding hours, the childminder is usually paid in full and the parent/carer also pays the playgroup fees. This is because the childminder usually retains the responsibility for the child whilst at playgroup. The parent would remain the main contact for the child if there were any concerns or if the child was sick. Additional charges may also be charged for any other costs such as transport, drop in sessions and other activities.
- Arriving late to collect children – Some childminders make an additional charge for any time worked outside those agreed on the contract. Additional charges may be made at the usual rate for the extra time if notification has been given in advance or at a higher rate if they have not. Time credits can also be used; this means that additional time worked one day could be taken off the next. Most childminders, however, choose to work within the agreed contract.
- Payment – Fees can be paid daily, weekly or monthly, depending upon the contract with the parents/ carers, and their patterns of use. It is good practice to be paid in advance, as it protects the childminder and income levels. It should be noted that some parents/carers may not be able to pay in advance, particularly if they have just started employment. In this case flexibility should be used where possible.

## Rates of Pay

Rates of pay for childminders are market led per hour depending on the area of Islington, the service being provided and the need for childcare in a particular area.

The National Childminding Association (NCMA) does not recommend rates of pay for childminders. Instead they conduct an annual survey of members to research what childminders are charging in different parts of the country.

For information regarding the NCMA survey contact:

**National Childminders Association**  
**Royal Court**  
**81 Tweedy Road, Bromley**  
**Kent BR1 1TG**

**Tel: 0845 880 0044**

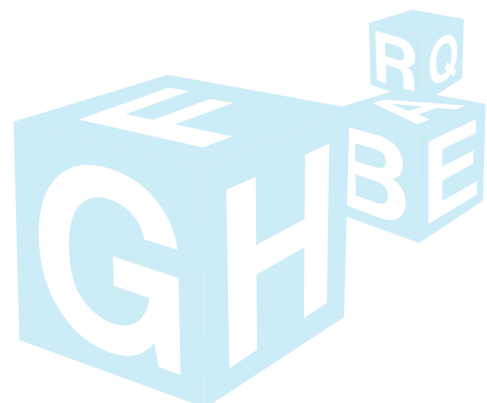
**Email: [info@ncma.org.uk](mailto:info@ncma.org.uk)**

**Website: [www.ncma.org.uk](http://www.ncma.org.uk)**

Source

Sure Start

Camden Early Years Development & Childcare Partnership



# MARKETING YOUR CHILDMINDING BUSINESS

The term marketing describes the business process of always having a good understanding of what parents/carers and children want from your service (which in this case is Childminding). Marketing is also about being able to meet customer's needs by changing work to respond to their needs. It includes the ability to communicate with parents and to promote the service to new and existing users.

## Marketing self-assessment

**You will need to ask all the parents/carers how satisfied they are about your childminding** – You may ask on an informal and regular basis at collection time, or more formally using short questionnaire forms or cards. Make sure that the parents/carers have the opportunity to make comments, complaints or compliments. Ask for ideas on how you can improve your service.

**You may choose to provide information about your service to the headteacher,** teachers and governors of your local school(s) and at your local health centre(s) or local community projects – Linking in with local schools and other projects is key to ensuring that people know where you are and are able to offer a quality service. One of the most effective methods of marketing is 'word of mouth' especially in childcare where parents/carers like to use a 'recommended' childcarer. Keeping a school in touch could be as easy as calling once in a while, making sure they have your telephone number available or general networking (making contacts) at school events.

**Regularly review the information booklet that you will give to prospective parents/carers** – You may not have considered an information booklet before. It will help with communication and builds better relationships with parents/carers. It is really important that your written information is kept up to date and you may want to promote the fact that you are police checked. Prospective parents/carers may feel that they want to read about your childminding before they come and visit you. You may decide to develop a logo or image for your childminding business. Your logo could then be used on your letters, invoices and publicity.

**Publishing a newsletter** – Publishing a regular newsletter may at first seem a little over the top. However, this is a great way of keeping all your parents/carers in touch, to promote success stories and provide information about the range of quality activities you provide. Confidentiality will need to be respected by not naming or referring to individual children. If you look after older children, they could help you compile the newsletter.

**Make newsletters informative** – tell parents/carers what activities will be going on as part of your usual programme, and any special events you will be holding. Use them as an opportunity to sell your service, and to ask for things you may need – such as recycling materials or fabrics for modelling and crafts. Most importantly, provide information and ask for feedback. Give parents/carers the opportunity to tell you what they think of your service. Enable them to make suggestions and constructive criticisms. In doing this you show that you are completely open to them, and wanting to work in partnership with them.

**Making use of other newsletters by placing information in them** – Ensure that you make best use of all the existing newsletters that are distributed in your area. Anyone who ever been responsible for a newsletter will tell you that the most difficult challenge is finding enough interesting information and news to include. Make contacts with the schools, community centre or special interest group (such as women's group, dancing, training/education centre) and give them stories about your activities. This is a great way of promoting your service and getting your contact details out and about.

**Look at whether your numbers are going up or going down** – Monitoring the actual use of your childminding places is a financial and a marketing issue. If your numbers are going down, what are you doing to fill them up again? Are you making the best use of communication? Are there times of the year when your places are emptier and need a marketing boost?

**Look at whether new children and parents/carers are attending your business** – Attracting new children and parents is essential in filling recently vacated places or filling those ad-hoc times when part-time or occasional places become available. Relying on an ever decreasing group of parents/carers (your market) can place you in a difficult situation. Less potential customers may one day equal less actual customers.

The Islington Children's Information Service (CIS) is an important source of marketing support and can help you to fill your vacancies by providing potential parents/carers with your contact information. The local childminding networks can also offer support to individual childminders through regular training and support groups.

## Marketing Checklist

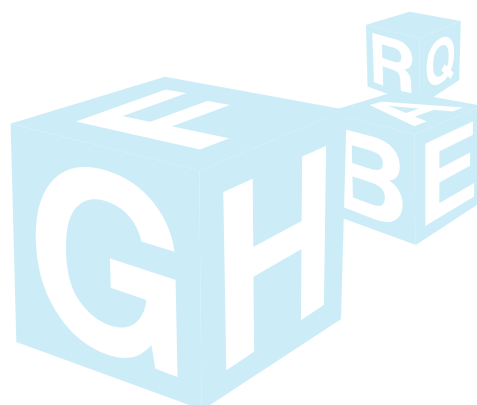
1. Always ask parents/carers what they think about your service.
2. Regularly ask children what they like/dislike and ask for ideas.
3. Make contact with the local school and other projects.
4. Think about providing articles or items for local newsletters.
5. Involve the children in creating your own newsletter.
6. Promote your successes and quality of service.

The CIS may be able to assist you with ideas of how to adapt your service to meet local needs and support your skills and knowledge.

Source

Sure Start

Camden Early Years Development & Childcare Partnership



# ADDITIONAL CHILDMINDING INFORMATION

## Health and Safety

All businesses and places of work – including childminding are legally bound by The Health and Safety at Work Act 1974. The act is enforced by the Health and Safety Executive and the local authority in Islington.

## Health and Safety Law

For any small business, health and safety law is based on:

A general duty of care

Ensuring safety and health so far as is reasonably practicable.

This means that childminders should do everything reasonable to ensure their own safety, as well as the safety of the children in their care, and anyone else in the working environment including assistants and parents/carers. For childminders the other laws that include Health and Safety issues are:

The Children Act 1989

The Care Standard Act 2000 (National Standards for Under Eights Daycare and Childminding)

## Safety Policy Statement

Most small businesses have a written safety policy. Self-employed people have broadly similar duties to those of employers. Childminders who are registered as Homecarers and work in the child's home were required, from 1st April 2003 to complete a risk assessment course.

The statement must include the aim to provide a hazard free, safe environment which enables children to explore and develop their skills in all areas. The childminder must be alert and ensure that the environment provided is safe for the age and developmental stage of the children and supervision is appropriate and allows children to develop their skills.

There should be a written risk assessment; this is a list to prompt regular health and safety checks – a requirement of the National Standards for Under Eights Daycare and Childminding. All equipment and toys need to be safe and appropriate for the age of the children and have a safety mark. This also applies to buying second hand equipment.

Ofsted standards have strict, detailed requirements, which must be adhered to, regarding pets and animals.

## Insurance

Childminders need adequate insurance. The National Standards for Under Eights Daycare and Childminding (Standard 6 – Safety) state **“the required level of insurance cover is not fixed, but a substantial level of cover is necessary”**. When the Ofsted inspector visits they will ask for insurance certificates. To provide reassurance for parents/carers certificates should be displayed on the wall or in an information book available for reading.

Insurance should be checked in case it needs to cover:

- Outings and the use of equipment such as bouncy castles and soft play areas.
- Whether employee liability is needed if you employ an assistant.
- Whether any insurance for vehicles used when childminding includes relevant business use.

## Public Liability

Registered childminders must have Public Liability Insurance cover as legal responsibility may be claimed for an injury (including death) to a child or third party or for damage to a third party's property. If legal responsibility is proved, the childminder will be required to pay damages. Public Liability insurance covers these damages and any resulting legal expenses, up to a limit of the insurance cover, only if the childminder has behaved in a professional way. It is generally recommended that cover to the value of £5 million is secured.

## Household Contents

Because a childminding business is operated from a home, household insurance needs to be updated. Failure to inform household insurers that a childminding business is operated could invalidate any future claim.

## Car (business use)

Childminders need to ensure that their car is insured for business use if it is used to transport minded children.

## Employer's Liability

Childminders employing an assistant are required by law to have Employer's Liability Insurance. This covers the employer should an employee suffer an accident at work for which they are held legally responsible. Employees include paid or unpaid assistants and volunteers.

## Other Insurance

There is a wide range of other insurances that may be considered, but are not compulsory. These include Extended Legal Expenses, Personal Accident, Road Rescue and Healthcare.

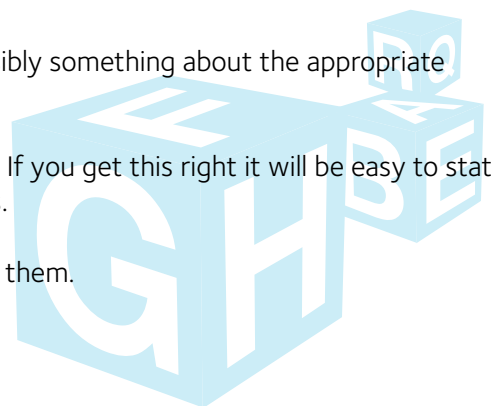
## Writing Policies

A policy is a written document, which sets out work practices. Policies are working documents that should be referred to, shared with parents/carers and reviewed at least every year. Written policies are a good way of explaining to parents/carers the way in which you work and can help to depersonalise sensitive issues.

Childminders work in partnership with parents/carers, taking into account legislation, standards and best practice. All policies should be influenced by the rights and needs of children.

Suggestion for a policy framework

- **Heading**  
This is quite simply what the policy is called.
- **Introduction Statement**  
An introduction statement could include who you are and possibly something about the appropriate legislation that informs your good practice.
- **Aims**  
Your aims are important. An aim is what you hope to achieve. If you get this right it will be easy to state how you achieve them. You might want to include 4 or 5 aims.
- **How these will be achieved**  
Examples of how you, parents/carers and children can achieve them.



Do not worry if you don't feel happy with the first draft. A policy should be reviewed regularly so that you can ensure it is working and you are meeting all children's needs.

## Access to policies

Parents/carers need to have access to your policies and procedures. You may do this when a child first registers, but let parents/carers know that they can ask to see your policy documents at any time. You may have them in a folder by the door where everyone can access them; or you may use a small poster to remind them that the documents are available. Don't feel threatened if a parent/carer asks to see your policy documents – be as open and transparent with them as possible. Try to make sure your policy pack is reasonably well presented and reviewed every year.

Source

Sure Start

Camden Early Years Development & Childcare Partnership

# RECORD KEEPING

Her Majesty's Revenue and Customs (HMRC) want to make sure that you pay only what you owe – that means the right amount of tax and National Insurance contributions at the right time. If you don't keep proper records, you may not be able to prove your income and expenses – and that could mean paying more tax than you need to. They will send you regular updates of what you've paid and what you need to pay, based on the information that you give them. By keeping proper records, you'll be able to check that everything's in order.

## Helping you to help yourself

Keeping records also makes sound business sense. It may seem like a challenge, particularly when you're starting out, but keeping good records will bring real advantages to your business. Get a proper system in place from the outset, and update the information regularly.

By law you must keep records of all your business income and expenditure. You need to keep these records for at least five years after the latest date for sending back your tax return. This is in case the Inland Revenue want more information or want to see the actual records. Keeping good records will also help you to fill in your tax return.

It makes sense to do it properly and make it as easy for yourself as possible. HMRC can help you to do this. If you have one, you might want to get advice from your accountant on what system suits your business and on how to keep your records up-to-date.

## Tip

Having an accountant can save you time and money. They can help you by filing your forms for you and giving up-to-date advice on what suits your business best. It is a good idea to speak to two or three before you appoint someone, to ensure you are getting the best service for your business.

## There are three steps to remember:

### Step 1 – Set up a system

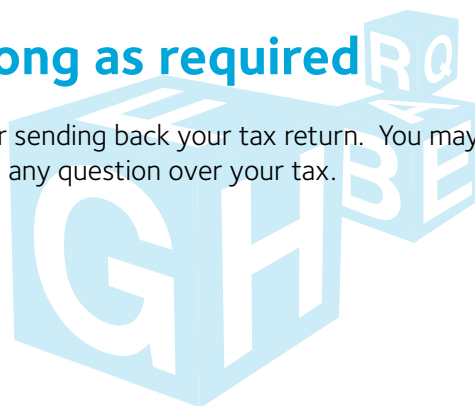
It doesn't matter whether you use a special account book or software package as long as you set up some kind of system to keep the information together. Make sure the system you choose is geared to your business, and simple to use.

### Step 2 – Keep records throughout the year

Keeping only some of your records is almost as bad as keeping none at all. Update your records regularly, rather than letting the paperwork pile up.

### Step 3 – Keep your records for as long as required

You must keep all records for at least five years from the latest date for sending back your tax return. You may need to look back at them yourself, and we may need to see them if there is any question over your tax.



## Record Books

The sort of records you keep will depend on your business. However, the minimum requirement for most types of business will be:

- A cash book (a summary and analysis of all bank account entries, cash receipts, payments and drawings)
- A petty cash book (or some other simple record of your petty cash transactions).

If you run a large business, you may need other account books. You can get further advice from your local Tax office or from your accountant, if you have one. Go to [www.hmrc.gov.uk/local/index.htm](http://www.hmrc.gov.uk/local/index.htm) to find your nearest Tax office or look in the phone book under 'Inland Revenue'.

## Computer records

If you keep your records on computer, you'll still need to keep the original paper invoices or other records of sales, purchases and similar transactions, unless you use an optical imaging system or microfilm all your originals. You do not need to print everything out, as long as the information in the original documents can be recovered from the computer and satisfies the other rules for record keeping.

You must keep the originals of any vouchers showing that tax has been taken from your income, even if you've microfilmed or imaged them. This includes:

- Bank and building society certificates giving details of the tax deducted from any interest you've received.
- Dividend vouchers.
- Certificates of tax deducted under the subcontractors' scheme.
- Details of foreign tax withheld from overseas income.

It does not include tax deducted under PAYE, although you may still find it useful to keep paper records.

## What records should I keep?

Keep any information and documents that you may need to help you fill in your tax return or to make a claim.

Most of the time, you'll be looking at records for the current or previous year. But sometimes you'll need to go back a bit further. For example, you may need to work out your profit or loss on the sale of something you've owned for a long time (such as a vehicle, or special tools). At the very least you may need a record of the amount you originally paid for the asset. There are other times, too, when you need to refer to old records.

Whatever records you keep, they should be good enough for you to fill in your tax return or claim accurately.

If you claim business expenses, you'll need to keep the necessary records to back them up. For example, if you use part of your home for work, you will need to keep sufficient records to back up the proportion of heating and lighting costs that relate to your business and your private use.

## What happens if I don't keep proper records?

The Inland Revenue wants you to pay as much tax as you owe. However, if you can't show sufficient evidence of your income and outgoings, you could end up paying more tax than you should.

Wherever possible, they will give you the benefit of the doubt, but don't forget there are heavy penalties for failing to keep proper records to back up a tax return or claim. If you are charged any penalties, you have the right to appeal against them to the Appeal Commissioners, an independent tribunal. See HMRC leaflet **IR37** Appeals against tax, National Insurance contributions, Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay gives details.

For more information about appeals, visit [www.hmrc.gov.uk/pdfs/ir37.htm](http://www.hmrc.gov.uk/pdfs/ir37.htm) or contact your local Tax Office. You'll find their number in the local phone book under Inland Revenue or visit [www.hmrc.gov.uk/local/index.htm](http://www.hmrc.gov.uk/local/index.htm) to find your nearest office.

## Keeping good records

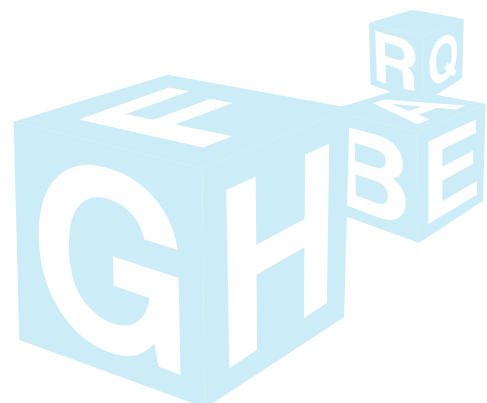
- Helps you to avoid paying too much tax and makes filling in your tax return easier and quicker.
- Avoids interest and penalties by making it easier to pay the right tax at the right time.
- Gives you the information you need to manage your business and help it grow.
- Makes it easier to get a loan.
- Helps you budget for tax payments.
- Helps us to check your tax position accurately.
- Could help reduce your accountant's fees if you use one – well-organised information saves them time, too.
- May support your claims to some relief or capital allowances.

## Common pitfalls

There are some areas that often lead to confusion, such as:

- Claiming expenses without any proof
- Mixing personal and business finances, for example using petty cash to buy personal items
- Motor vehicles (and other assets) that are used for both business and private purposes.

The Inland Revenue **Business Support Teams** can help you understand what records to keep. Visit [www.hmrc.gov.uk/bst/index](http://www.hmrc.gov.uk/bst/index)



# VAT (VALUED ADDED TAX)

You will probably have to register for and charge VAT if

- Your taxable turnover reaches or is likely to reach a set limit, known as the VAT registration threshold
- You have taken over a business as a going concern, or
- You acquire goods from other European Union countries.

The VAT registration threshold is currently £64,000. However, you can opt to register for VAT if your taxable turnover is less than this, if what you do counts as a business for VAT purposes. Turnover is the amount of money going through the business, not just the profit.

To register for VAT you must complete VAT 1, which you must send to Customs and Excise within 30 days of any of the below.

- If the business is trading at a level above the threshold limit then you'll need to register
- Your date of registration will be the day you take over the business.

## What is VAT?

If you are VAT-registered, you will charge VAT on many goods and services you supply to customers in the UK and the Isle of Man.

VAT is also charged on many goods and services imported or supplied from places outside the European Union, and on many goods and services supplied within the EU.

Some examples of business supplies

- Selling new and used goods, including hire purchase
- Renting and hiring out goods
- Using business stock for private purposes
- Providing a service, for example hairdressing or decorating
- Charging admission to enter into buildings.

VAT does not apply to certain services because the law says these are 'exempt' from VAT. These include loans of money, some property transactions, insurance and certain types of education and training. Supplies which are exempt from VAT do not form part of your taxable turnover.

## There are three rates of VAT in the UK:

- 17.5% (standard rate) – applies to most other goods and services
- 5% (reduced rate) – applies to the installation of certain energy saving materials and to fuel and power used in the home and by charities
- 0% (zero rate) – applies to most food (but not meals in restaurants and cafes or hot take-away food and drink), books, newspapers, most young children's clothing, sales of new houses and exports

## ‘Flat rate scheme’

The 2002 Budget introduced an optional flat-rate scheme. It means you don't have to account for VAT on each individual transaction within your own records.

## How does VAT work?

If you are registered, required to be registered, or decide to register voluntarily for VAT, you must charge and account for VAT from the date of registration whenever you make any standard or reduced-rate supplies. These **taxable supplies** are your **outputs**, and the tax you charge is your output tax. The value of these supplies is called your **taxable turnover**.

If your customers are registered for VAT – and what you sell them is for their business – the VAT you charge them is their input tax. In the same way, the VAT charged by suppliers to you on your business purchases is your input tax.

You deduct your input tax from your output tax and pay the difference to the Customs & Excise on your VAT return. If your input tax is greater than your output tax you can reclaim the difference.

However, if your input tax relates to both taxable and exempt supplies, you can normally deduct only the amount of input tax that relates to your taxable supplies. For more information call the C&E National Advice Service **0845 010 0900** or see C&E Notice 706 ‘Partial Exemption’.

If you only supply goods that are zero-rated, you may not have to register for VAT even if your taxable turnover goes above the registration threshold, but you do have to tell C&E first and apply to be ‘exempt from registration’.

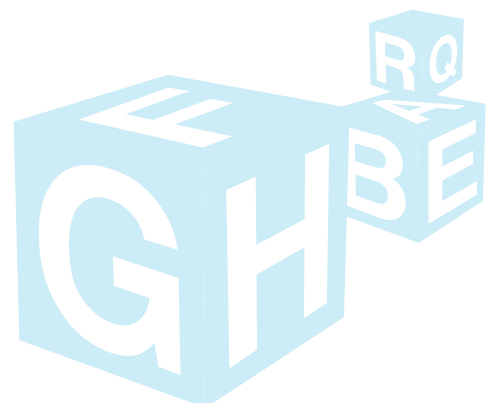
## Why would I want to register for VAT if my taxable turnover is below the threshold?

If your taxable turnover is below the registration threshold you can apply for **‘voluntary registration’**, if you can prove that what you do is a business for VAT purposes. There are advantages and disadvantages to registering voluntarily. Before you apply weigh up carefully whether it will benefit you.

Benefits include increased credibility for your business and, if your business makes standard or zero-rated supplies, you'll be able to claim back input tax.

However, once registered for VAT, you'll have to:

- Account for output tax on all your taxable supplies
- Keep proper VAT records and accounts
- Send in VAT returns regularly.



# SELF ASSESSMENT

## What is self assessment?

Self assessment applies to everyone who gets a tax return. This includes everyone who is self-employed or a partner in a business.

If you're in business, you must send in a tax return each year showing details of your income, gains, reliefs and allowances. You can also work out your own tax bill, although HMRC will do this for you if you send in your return before the 30th September. If you send it in after the 30th September, they can still work what you owe, but they do not guarantee to let you know how much you owe by the 31st January deadline. You can also file your tax return via the Internet.

**For more information go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk)**

If you are late sending your return back, paying the tax or National Insurance contributions due, you may find yourself liable to pay interest charges and surcharges for late payment.

Tax returns are issued shortly after the end of the fiscal year. The fiscal year runs from 6 April to the following 5 April, so 2008/9 runs from April 6 2008 to 5 April 2009.

## How does Self Assessment work?

### 1. Your tax return

You need to register with HMRC and they will send you a tax return every April. This is in two main parts. The first part covers general information, and the second part is made up of supplementary pages that cover your particular situation. If they know that you have an accountant working for you, they will also send you a Tax Return Guide to help you fill it in.

If you're using an accountant who is registered to use the Electronic Lodgement Service, they can file your return electronically on your behalf. If you decide to file your return electronically, in future the HMRC will automatically send you a Notice to Complete a Tax Return instead of a paper version of the tax return.

### 2. Check you have all the pages you need

Ensure that you have been sent the right supplementary pages.

### 3. Decide when to send back your tax return

After the end of the tax year (5 April), you can choose whether to fill in and send back your tax return to HMRC to reach them by:

- 30 September, if you want them to calculate your tax bill for you, or
- 31 January, if you want to work out your own tax bill. Try not to wait until the last minute, though, as you may not have time to put right any mistakes.

### 4. Get your details ready

This is where good record keeping really pays dividends. Get together all the information you need: your bank and building society statements; your expenses; your business earnings; and everything else to do with the money you've spent and received over the year.

## 5. Fill in your tax return

Use the Tax Return Guide and notes to help you fill in your return. It's a good idea to fill it in pencil first, so it's easier to put right any mistakes. If you need more help or explanation, call your local Tax Office for advice. You'll find the number on the front of your return.

## 6. Check your details and send it back

Make sure you haven't forgotten anything, like adding your signature, then send it back to HMRC by either 30 September (if you want them to work out your tax) or 31 January.

## Tip

It's a good idea to photocopy your completed tax return before you send it to HMRC – then you'll have something to refer to if you need to check any figures.

# What happens after I send back my tax return?

## 1. HMRC check your details

When they get your tax return, they'll enter your figures on to their Self Assessment computer system. If they spot any obvious mistakes, they'll put them right and let you know. If you don't agree, you can ask them to reverse or amend any changes they have made.

## 2. Your tax calculation

If you asked HMRC to work out your tax, they will send you a tax calculation that explains what you owe. They will also send you a tax calculation if you've worked it out yourself and they need to correct any mistakes. They will ask you to

Check that you agree with any corrections they have made

Check that the figures used in the tax calculations are correct.

If you want to change anything, then let them know right away so that they can sort it out as soon as possible.

## 3. Your statement of account

HMRC opens a tax account for everyone who gets a tax return. You'll get statements telling you what you've paid and when you paid it, as well as when you owe money, and when you need to pay it by. You'll also get one if you've paid more than you owe.

If you pay all your tax on time, they'll send you statements of account in June and December. If you don't send back your tax return in time for them to send you a statement in December, they'll send you a reminder to pay by 31 January. You will have to work out how much tax to pay.

## 4. Making payments

To avoid having to pay interest, you must make sure that HMRC receive any payments you owe by the date they are due. There's also a surcharge if you're late in paying the balance of any tax due.

## 5. How Self Assessment Payments are calculated

Most self-employed people make two payments on account for the tax year before the return for that year is due, on

- 31 January in the tax year, and
- 31 July following the end of the tax year



When you send in your tax return, HMRC compare the amounts you've paid on account with your tax bill for the year. If you haven't paid enough they'll ask you to pay the balance on 31 January following the end of the tax year. If you've paid too much, they'll refund the excess. HMRC will charge interest on any payments on account received after the deadlines.

Each payment includes half of your income tax and Class 4 contributions bill for the previous year. For example, if your tax bill for 2006/7 is £2,000, you will be asked to make payments on account for 2007/8 of £1000 each on 31 January 2008 and 31 July 2008. If your tax return for 2007/8 shows that your tax bill for that year comes to £2500, you will have to pay a balance of £500 on 31 January 2009.

## However, you will not need to make any payment on account if

- Each payment would be less than £250, or
- 80% of your income tax and Class 4 contributions for the previous year were paid for by tax deducted at source.

### 6. How to pay

HMRC aims to make it easy as possible for you to pay your tax. You can pay

- Through your bank (using telephone or Internet banking), BACS, CHAPS or other electronic payment methods which your bank offers)
- At your bank (using bank giro)
- At the Post Office, or
- Direct to the Inland Revenue.

### 7. Refunds

When you complete your tax return, you can choose whether you want any refunds paid to you or someone else you nominate.

### 8. Checking your tax return

Occasionally, HMRC may need to ask questions about the entries on your tax return. If they do, they will write to you to let you know that they are opening an 'enquiry'. This will normally be within one year of the deadline for sending back your return, but may happen later if you send in your return late.

For more information, visit [www.hmrc.gov.uk/sa/index.htm](http://www.hmrc.gov.uk/sa/index.htm) or for leaflets on Self Assessment, call the Self Assessment Orderline on **0845 9000 404** or visit [www.hmrc.gov.uk/leaflets](http://www.hmrc.gov.uk/leaflets)

# CLAIMING EXPENSES

Self-employed people who work at home can now claim more business expenses than ever, according to the new tax guidelines published.

HM Revenues & Customs updated **Business Income Manual** states you can now claim a proportion of telephone line rental on a domestic phone, a proportion of exterior house repairs, and even a proportion of the cleaning bill for your home-based office.

Under the guidelines, self-employed people who work at home can now claim “a great deal more”.

In the updated manual, available on HMRC’s website, expenses of running a home-based business are broadly divided into two categories – running costs and fixed costs.

The former includes expenses where the total bill may vary with the amount of business use, whereas fixed costs – like mortgage, council tax, repairs and insurance – are payable even if there is no business use.

However, if part of the home is set aside “solely for business use for a specific period” then a part of these costs is allowable, HMRC said.

This means that in terms of both mortgage and rental payments for a property, self-employed people can appropriate part of the interest or rent as an allowable expense, but only if part of the home is used solely for business.

Conversely, there are some expenses where the total bill varies depending on the amount of business use. For example, cleaning, heat, light, metered water, broadband and telephone services.

For these expenses, tax officials have been told that “if the claim is small and there is only minor business use of the home” – such as the taxpayer writes up their business records at home – “you may accept a claim based on any reasonable basis”.

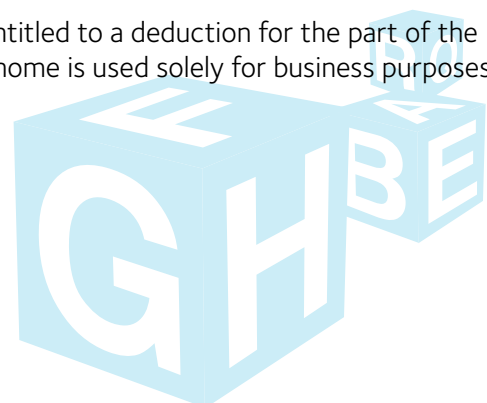
Officials at HMRC must also take a “flexible approach” when considering the level of claim a business makes through Web or telephone use, in light of “all inclusive packages offered by providers.”

To help taxpayers calculate their allowance expenses from running costs for Self Assessment deadlines, HMRC have issued the following advice:

- **Area:** what proportion in terms of area of the home is used for business purposes?
- **Usage:** how much is consumed? This is appropriate where there is a metered or measurable supply such as electricity, gas or water.
- **Time:** how long is it used for business purposes, as compared to any other use?

HMRC state that the home has a dual role for many self-employed people. It is where they live and also where they carry on some or all of their business.

Even if they carry on most of their business elsewhere, they are still entitled to a deduction for the part of the household expenses provided that there are times when part of their home is used solely for business purposes.



# Expenses that can be claimed as a business expense for Childminders

- Petrol
- Food
- Advertising
- Car insurance / House insurance (the increase)
- Additional equipment
- Toys
- Safety Equipment
- NCMA Insurance
- Heating/Lighting
- Telephone
- Wear and Tear
- Outings
- Milk
- Registration
- Printing ink
- Stationery
- Art and craft materials
- Photo development
- Water
- Gifts
- Council Tax
- Depreciation can be claimed on a car which is purchased for business use. For the first year 40% can be claimed and for the 2nd year onwards the amount claimed is 25%.
- In order to claim other expenses for the car, all receipts must be kept for the petrol, car tax, MOT and services and any other expenses which are incurred for the car. You will need to keep a log of all business and social miles and apportion the expenses accordingly. For example if you use the car 60% for business and 40% for personal then you can claim 60% of all the expensed through your business.

In addition to the above the National Childminding Association (NCMA) can give you advice as to the type of business expenses that you can claim as a childminder.

Their contact details are as follows:

**NCMA**  
**Royal Court**  
**81 Tweedy Road**  
**Bromley**  
**Kent BR1 1TG**

**Tel 0845 880 0044**  
**email [info@ncma.org.uk](mailto:info@ncma.org.uk)**  
**Website: [www.ncma.org.uk](http://www.ncma.org.uk)**

**For further information visit [www.hmrc.gov.uk](http://www.hmrc.gov.uk)**

A recently-published government report on volunteering is suggesting that if a volunteer has her/his childcare costs reimbursed, this is not a legitimate "expense" but is essentially a financial benefit.

The issue here is that if the reimbursement of childcare costs is seen as a form of payment - which is what the report is suggesting - then the volunteer in law becomes a "worker" and entitled to the minimum wage. Naturally this completely changes the relationship between such volunteers and the organisation they are assisting.

The Association of Volunteer Managers is organising a campaign to have childcare expenses recognised as a legitimate expense and disregarded for minimum wage purposes.







**Business Support Team  
Children's Services**

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