

Webinar Series Recap: Becoming Financially Savvy as a Freelancer

Thank you for joining our recent webinar series on becoming more financially savvy. It was a pleasure to bring this to you in collaboration with **Back Up Tech**, **The Back Lounge**, and **The Live Event Freelancers Forum**.

Below are the key notes and takeaways from our sessions, designed to help you take control of your finances as a freelancer.

Session One: Setting Up Shop

Guest Speakers:

- **Jon Cowley**, David Howard Accountants
- **Jake Ward**, Oakwood Financial

Sole Trader Basics (with Jon Cowley)

Definition: A sole trader is an individual running a business who is personally responsible for its debts.

2024/25 Tax Overview

- **Personal tax-free allowance:** £12,570
- **Class 2 NI:** £3.45/week if profits > £6,725
- **Class 4 NI:**
 - 6% on profits £12,570–£50,270
 - 2% above £50,270
- **Income Tax:**
 - 20% on profits £12,570–£50,270
 - 40% up to £125,000
 - 45% thereafter

2025/26 (Expected Updates)

- **Class 2 NI:** £3.50/week if profits > £6,845
Other rates remain the same.

Here's an example

Test-TR

29/04/2025

Tax Calculation for 2024/25 (year ended 5 April 2025)

	£	£	£
Income received (before tax taken off)			
Profit from self-employment		<u>37,000</u>	
Total income received			37,000
minus Personal Allowance			(12,570)
Total income on which tax is due			<u>24,430</u>
Income Tax calculated on total income above			
Pay, pensions, profit etc. (UK rate for England and Northern Ireland) Basic rate	24,430	@ 20% =	4,886.00
Total income on which tax has been charged	<u>24,430</u>		
Income Tax charged after allowances and reliefs			4,886.00
plus Class 4 National Insurance contributions			
	24,430 @ 6% =	<u>1,465.80</u>	
Total Class 4 National Insurance contributions due			1,465.80
If you've registered for Class 2 NICs, your contributions have been treated as paid. Your Class 2 National Insurance contributions due are			0.00
Income Tax and Class 4 National Insurance contributions due			<u>6,351.80</u>
2024-25 Payment summary			
Reduced payment on account due 31 January 2025			<u>0.00</u>
Reduced payment on account due 31 July 2025			<u>0.00</u>
Tax owed for 2024-25 at 31 January 2026			6,351.80
First payment on account for 2025-26 due 31 January 2026			3,175.90
Total amount owing at 31 January 2026			<u>9,527.70</u>
Second payment on account for 2025-26 due 31 July 2026			<u>3,175.90</u>

Payments on Account

If your tax bill is over £1,000, HMRC requires advance payments:

- **31 January:** 50% of prior year's tax + balancing payment
- **31 July:** Remaining 50%

This often catches new sole traders by surprise.

Making Tax Digital (MTD)

From **6 April 2026**, MTD will require sole traders earning over **£50,000** to:

- Submit **quarterly digital returns**.
- Keep all records digitally.

Thresholds will drop to **£30,000 in 2027** and **£20,000 in 2028**.

Limited Companies

- A limited company is a **separate legal entity**.
- Treated differently by HMRC than sole traders.

Corporation Tax

- **Up to £50,000 profit:** 19%
- **£50,001–£250,000 profit:** Tapered up to 25%
- **Due:** 9 months + 1 day after year-end
e.g., year-end 31 March → due 1 January

 **Note:** Dividends are **not** deductible business expenses.

Dividend Income (Personal Tax)

- **£12,570 personal allowance + £500 tax-free dividends**
- **Dividend tax rates:**
 - Basic rate: 8.75%
 - Higher rate: 33.75%
 - Additional rate: 39.35%

Payments on account apply as with sole traders.

Key Consideration:

Limited companies offer **limited liability**, but:

- No longer have major tax advantages vs sole trading.
- Accounting costs are **4–5x higher**.

Example

Company year end 31/03, tax payment date 01/01 the following year.

Whilst the above rates seem preferential, they are not.

Personal income tax.

Income tax is also due on any amounts drawn as income by the directors as follows.

£12,570 is tax free as with a sole trader

£500 of dividends are tax free

Dividend tax rates are as follows and are due as well as the corporation tax mentioned above.

- **Basic Rate: 8.75% - on dividends taken up to £50,270, which includes the tax-free personal allowance and the £500 tax free dividend.**
- **Higher Rate: 33.75% - once total income exceeds £50,270**
- **Additional Rate: 39.35% - once total income exceeds £125,000**

As with a sole trade, the same rules apply for payments on account.

Payments on account for corporation tax are not required unless profits exceed £1.5m.

Allowable Expenses (for Sole Traders & Limited Companies)

Generally allowable:

- Travel for business
- Office supplies
- Software subscriptions
- Professional fees
- Car Van and Travel expenses
- Rent, Rates, Power and insurance
- Irrecoverable debts written off
- Phone, stationary and other office costs
- Depreciation and loss/profit on sale of assets
- Accountancy, legal and professional fees

Not allowable:

- Clothing, unless **branded** or **safety wear**
(HMRC disallows general clothing as “dual purpose”)

Capital Allowances

You may deduct the full cost of:

- Vans
- Tools

- Business equipment

Usually, we can get 100% tax relief on the full cost in the first year of purchase.

Example

Sole trader has profits of £37,000 but spent £10,000 in a Van/tools and equipment. This would make the profits £27,000 and reduce the tax and NI due in that year.

This is the same for Limited Companies - I won't get into the complexities of differing tax rates for Limited Companies and individuals on this matter.

It is worth noting that any of the above bought via "Hire Purchase" are treated as if fully paid for, for capital allowances purposes so the full tax relief can be claimed in the first year.

However, "Lease Hire" equipment is not, only the lease payments made in the year are allowable.

So, if planning to renew any large items, usually Vans, then consideration should be taken as to what is best for the individual/business at that time.

Hire Purchase items: Eligible for **full tax relief** in Year 1

Lease items: Only lease payments are deductible

VAT (Value-Added Tax)

- Any business can register for VAT, however all businesses that turnover £90,000 or more in any 12-month period needs to register and start paying VAT.
- The catch here is the 12-month rolling period, so if you are getting close, you need to keep an eye on each 12-month period from the previous month.
- VAT needs to be reported at least quarterly, there is an annual scheme, but this is complex and quite messy to deal with.
- VAT records need to be kept digitally via Xero or similar software, this is another HMRC MTD regulation.
- VAT is currently 20%, so all sales invoices would be + 20% VAT, unless invoicing outside the UK, but that is for another time.
- VAT can be reclaimed on all business-related purchases as long as there is a valid VAT receipt.

 **Sales VAT:** Typically, 20%, added to invoices (except exports).

Tax Filing Best Practices

- Submit early to **avoid last-minute stress**.
- Early filing = more time to plan and pay.
- The earlier your accountant receives info, the better!
- I cannot emphasise the importance of getting everything done as early as possible, and not to leave it to the last minute.
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- The earlier we complete the accounts/tax returns, the more time you have to pay HMRC, tax payment dates do not change if accounts/returns are done early.
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- Also, the earlier we complete everything the more time we have to make adjustments.

John gave so amazing insight and information, and we then handed over to Jake Ward

Jake Ward of Oakwood Mortgage Services Limited is an appointed representative of The Openwork Partnership, a trading style of Openwork Limited which is authorised and regulated by the Financial Conduct Authority.

Pension Presentation was Approved by The Openwork Partnership on 28/04/2025.

The value of your investment and any income from it can go down as well as up and you may get back less than you invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

1. Overview of Pensions

- Defined pensions as **tax-efficient savings vehicles** for retirement.
- Emphasised the importance of **long-term investing** and described pension contributions as “a payday for the future.”

2. Tax Advantages of Pensions

Jake outlined three main tax benefits:

1. **Tax-free growth** within the pension wrapper (no capital gains or dividend tax).
2. **Tax relief on contributions** (e.g., £100 contribution becomes £125 with basic-rate relief).
3. **25% tax-free lump sum** available from minimum pension age (55 currently, rising to 57 in 2028).

3. Types of Contributions

- **Personal contributions** (typically sole traders/self-employed):
 - Automatically receive 20% tax relief.
 - Higher-rate taxpayers can claim an additional 20% via self-assessment.
 - Subject to an **annual allowance** of £60,000 or 100% of income, whichever is lower.
- **Employer (limited company) contributions:**
 - Treated as a **business expense** and reduce **corporation tax**.
 - No 20% uplift like personal contributions.
 - Must be “wholly and exclusively” for business purposes (accountant to confirm).

4. Pension Access and Flexibility

- Explained **Flexi-Access Drawdown**:
 - Offers ongoing investment after retirement.
 - Allows flexible withdrawals, helping supplement income (ideal for part-time or phased retirement).
- Compared with **annuities**:
 - Annuities provide a **guaranteed income for life** but lack investment growth potential.
 - Flexi-access allows continued growth and flexibility in income drawdown.

5. Practical Advice

- Highlighted the importance of doing a **tax return** to claim full relief if a higher-rate taxpayer.
- Urged attendees to view pensions as **lifelong investment tools**, not just something to be accessed at retirement age.

Pensions & Drawdown: Key Takeaways

Flexibility of Drawdown Pensions

- You don't have to take the 25% tax-free lump sum all at once — you can **spread it over years**.
 - Drawdown pensions allow you to:
 - Keep the **money invested in markets**.
 - **Withdraw as much or as little** as needed, offering significant flexibility.
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What Happens to Your Pension When You Die?

Current Rules (as of 2024)

- **Pensions (including drawdown pensions) sit outside your estate**, so they:
 - **Aren't subject to inheritance tax (IHT)**.
 - Can be passed to beneficiaries **tax-free** (if you die before age 75) or **with income tax** at their marginal rate (if you die after 75).

Possible Change in 2027

- Proposed by **Rachel Reeves** (likely Chancellor under a future Labour government):
 - Pensions could become part of the estate — **making them subject to IHT**.
 - There's legal uncertainty, as pensions are usually **written into trust** structures.

Important: Even if pensions do become taxable, for most people, it will only matter if their **total estate exceeds £1 million (for married couples)** due to the nil-rate bands and residence allowances.

LISA vs ISA vs Pension

What is a LISA?

- A **Lifetime ISA** lets you:
 - Contribute up to **£4,000/year**.
 - Receive a **25% bonus from the government** (max £1,000/year).
- Aimed at:
 - First-time property purchases.
 - Retirement (accessible from age 60).

Key Differences

Feature	ISA	LISA	Pension
Max Contribution	£20,000/year	£4,000/year (within ISA limit)	Up to 100% of earnings (subject to annual allowance)
Bonus	✗	✓ 25% bonus	✓ Tax relief on contributions
Withdrawal Rules	Anytime	Age 60 or buying a first home (penalty otherwise)	Age 55+ (57+ from 2028)
Access in Hard Times	Easy	Penalty for early withdrawal	Very restricted – early access = big tax charge (~55%)
Tax on Growth	Tax-free	Tax-free	Growth is tax-free; withdrawal is partly taxable

Inflation Concern: Is LISA a Bad Idea?

- LISAs don't inherently beat inflation, but the **25% bonus compensates significantly**, especially if you're only getting low interest elsewhere (e.g., 5% return on ISA = £200 vs. £1,000 bonus on LISA).
- If you want inflation protection, you'd need to consider **stocks & shares LISAs**, or **pensions invested in global markets** — which carry more risk but higher return potential.

Question: I'm 51 and have multiple old pensions – what should I do?

What Jake Ward Advised:

- **Very common scenario:** People accumulate several pensions from previous jobs or contracts.
- **Best approach:**
 1. Gather **plan details**: provider name, plan numbers.
 2. A professional (like Jake or a financial advisor) can:
 - **Contact providers**, request up-to-date values.
 - **Analyse the pensions** to assess performance, charges, benefits, etc.
 - **Consolidate** into a single, managed pension platform if appropriate.

- This consolidation helps with visibility, performance tracking, and proper planning toward retirement.

Why It Matters:

- **Don't wait until your 60s** to deal with it.
 - **Professional guidance** ensures the pension is invested wisely and aligned with your retirement goals.
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Question: Should I keep my Aviva pension if I become self-employed?

Jake's Response:

- The pension is **still yours** — it doesn't vanish if you leave the employer.
- You **can keep paying into it** even while self-employed.
- However, be aware:
 - You likely won't get **ongoing advice** or investment reviews from Aviva directly.
 - You may not understand:
 - How it's invested.
 - Charges and fees.
 - Available benefits like death benefits or fund options.

Options:

- **Keep it** if you're comfortable managing it.
 - Or **seek an advisor** to help assess whether to consolidate it with other pensions for better oversight and growth.
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General Advice on Access and Strategy

- Always have a **liquid emergency fund** that you can access quickly in a crisis.
 - **Long-term investments** (like pensions, LISAs, stocks & shares ISAs) should be seen as **locked away** until you need them for major life stages (retirement, buying a home).
 - Don't rely on pensions or LISAs to bail you out during emergencies — that's what **cash savings or instant-access ISAs** are for.
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Essential links and contact details

Firstly, our guests if you wish to contact them for more advice:

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The all-important list of helpful links

☒ UK Tax Help & Resources List (Freelancers & Small Business)

Official Government Resources

1. HMRC Self-Assessment Hub

-  <https://www.gov.uk/self-assessment-tax-returns>
 - Register as a sole trader
 - File tax returns
 - View payment deadlines

2. Business Tax Account (HMRC)

-  <https://www.gov.uk/log-in-register-hmrc-online-services>
 - Manage VAT, PAYE, Corporation Tax
 - Set up payment plans and check liabilities

3. Making Tax Digital (MTD)

-  <https://www.gov.uk/government/publications/making-tax-digital/overview-of-making-tax-digital>
 - Understand upcoming digital tax submission rules

Educational & Guidance Tools

4. HMRC Webinars & YouTube Channel

-  <https://www.youtube.com/user/HMRCgovuk>
 - Free videos explaining self-assessment, VAT, MTD, and more

5. Low Incomes Tax Reform Group (LITRG)

🔗 <https://www.litrg.org.uk/>

- Simplified tax guidance for low earners and self-employed
- Good for benefits + tax intersections

6. MoneyHelper (Pensions & Tax)

🔗 <https://www.moneyhelper.org.uk>

- Government-backed advice on pensions, budgeting, and taxes

Pension & Investment Help

7. Pension Wise (by MoneyHelper)

🔗 <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pension-wise>

- Free guidance on pension options from age 50+

8. Unbiased

🔗 <https://www.unbiased.co.uk>

- Find local tax advisors, accountants, and IFAs (independent financial advisors)

9. Check My State Pension Forecast

🔗 <https://www.gov.uk/check-state-pension>

- See how much you'll get and when

Freelancer-Friendly Tools & Software

10. FreeAgent (MTD-compliant)

🔗 <https://www.freeagent.com>

- Good for freelancers and small business accounting
- Often free if you bank with NatWest or Mettle

11. Xero

🔗 <https://www.xero.com/uk>

- Robust small business accounting platform
- MTD-ready with strong VAT tools

12. TaxScouts

🔗 <https://taxscouts.com>

- Affordable tax return filing service
- Combines automation with real accountants

Communities & Forums (with Links)

13. The Back Lounge

A community for freelancers and live event professionals offering peer support, networking, and financial wellbeing sessions.

🌐 <https://healthy-touring.com/the-back-lounge/>

14. Live Event Freelancers Forum

Peer-led forum for freelancers across the events industry to share advice on finance, tax, and business setup.

 <https://www.facebook.com/groups/644788262984756>

15. Reddit: r/UKPersonalFinance

One of the most active UK finance communities — great for asking questions about self-employment, taxes, pensions, and budgeting.

 <https://www.reddit.com/r/UKPersonalFinance/>

For those of you that may have a hearing impairment we can supply you with a full transcript of the session

If you have a visual impairment and would like a copy of the audio, we can supply this too

Please do let us know and we would be happy to help.