

Tax help series

Self Assessment - what you need to know about using the three line account

The three line account is a simple way of giving us details about your income and expenses from self-employment or from UK property. You can use it if your annual turnover from self-employment or income from UK property is below the VAT registration threshold.

Here we tell you about:

- what the three line account is
- who can use the three line account
- what we mean by 'annual turnover'
- simpler Income Tax
- filing your return online
- what records you need to keep
- where to get help and advice.

What is the three line account

The three line account is an easy way of giving us condensed information about your business income and expenses. Rather than having to give us a lot of detailed information, all you need to provide on the relevant pages of your tax return are:

- details of your business
- turnover (on page 2 we explain what we mean by 'turnover')
- the total of allowable business expenses, rather than a breakdown of each expense
- net profit or loss (these boxes will be calculated automatically if you complete your tax return online)
- details of any adjustments, allowances or losses.

You do not have to use the three line account but most people find this an easier way of completing their tax return. If you prefer, you can still give a breakdown of all your expenses in the relevant boxes on your tax return.

For more information about expenses, please see the notes enclosed with the relevant parts of the return.

If you need help

For help and advice on completing your tax return and supplementary pages and for general advice about Self Assessment, go to gov.uk/self-assessment-tax-returns or phone the Self Assessment Helpline on **0300 200 3310**. Open from 8am to 8pm, Monday to Friday and 8am to 4pm Saturday.

Customers with particular needs

If you need extra help, please let us know. For example, if:

- English is not your first language you would like us to use a certain format to communicate with you, for example, Braille or Text Relay.
- you would like us to visit you at home because it is difficult for you to get to one of our offices.

For more information, go to hmrc.gov.uk/contactus/particular-needs.htm

What if you are unhappy with our service

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain.

There is more information on our website.

Go to hmrc.gov.uk/complaints-appeals/how-to-complain/make-complaint.htm

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information, go to hmrc.gov.uk/charter

Who can use the three line account

You can use the three line account if your annual turnover from self-employment or income from UK property is below the VAT registration threshold. For the current VAT threshold, go to gov.uk/vat-registration-thresholds

You can use the three line account on:

- the self-employment pages (short and full) and UK property pages of the Self Assessment tax return
- the self-employment and UK property sections of the Self Assessment Short Tax Return
- the trading and professional income section and UK property pages of the Self Assessment Partnership Tax Return.

You can't use the three line account for:

- income and expenses from land and property abroad
- employment income and expenses
- any income shown on the Self Assessment Trust and Estate Tax Return.

You can't use the three line account if you have been told you are in the *Managing Deliberate Defaulters* programme.

What we mean by annual turnover

If you are self-employed or receive income from property, 'turnover' means the total income earned from your business or UK property. It includes:

- cash and cheques
- tips, fees and commissions
- value of any payments 'in kind' for work that you've done
- the value of any stock or goods taken without payment from the business for use by you, your family or your friends
- money due to you up to your accounting date whether or not you have actually been paid
- income from any land that you own or lease out
- income from any property that you let
- any rent over £4,250 from a furnished room in your own home.

It does not include:

- money received from the sale of a piece of equipment or machinery that you have previously owned and used in your business
- money received from the sale of business premises
- Business Start-up Allowance or Enterprise Allowance.

If you have been self-employed or have been receiving income from property for less than a full tax year, or if your accounting period is shorter or longer than 12 months, then the annual turnover limit goes down or up proportionately.

Simpler Income Tax

Cash basis is a way of working out your income and expenses for your Self Assessment tax return.

You can use cash basis if you:

- are a small self-employed business (sole traders and partnerships)
- have an income that does not exceed the threshold when you have to register for VAT.

You can start using cash basis from the 2013–14 tax year.

Go to gov.uk/simpler-income-tax-cash-basis

Simplified expenses allows you to use flat rates instead of working out your actual business expenses which can require more complex calculations. Only sole traders or business partnerships can use simplified expenses.

You can start using simplified expenses from the 2013–14 tax year. Go to

gov.uk/simpler-income-tax-simplified-expenses or watch 'Simpler income tax - cash basis and simplified expenses' on [youtube.com/user/HMRCgovuk](https://www.youtube.com/user/HMRCgovuk)

File your return online

If you are sending us your Self Assessment tax return, you can do it online using the secure service. There are many advantages to filing online instead of by paper, including automatic calculations, faster processing and later deadlines. You can find out more about filing online, go to gov.uk/how-to-send-self-assessment-online

The records you need to keep

Whether or not you choose to use the three line account, it's vital you keep full and accurate records of your income and expenses. Keeping records makes sound business sense and is a legal requirement, so it's important you have a proper system in place and update the information regularly.

Also, keeping records is important as you may be charged a penalty for not taking **reasonable care** with records and tax returns.

For more help with record keeping and taking reasonable care, go to gov.uk/self-employed-records

For a short online presentation on keeping records, go to hmrc.gov.uk/startup/help-support.htm

For penalties, go to gov.uk/self-assessment-tax-returns

Find out about mobile apps for record keeping at gov.uk/government/news/mobile-apps

Self Assessment tax return forms, notes and helpsheets

You can view and download these at gov.uk/self-assessment-forms-and-helpsheets

Business help and education email service

We can send you emails that are tailored to your needs, designed to help you understand what you need to do and how to get it right first time.

To sign up to receive these emails, go to <https://public-online.hmrc.gov.uk/business-emails/subscription>

Online presentations and videos to help you

We have a range of products and services including online presentations (webinars) and e-learning to help you understand the different aspects of starting a business.

Go to hmrc.gov.uk/startup/help-support.htm to see the range of help and support available.

You will also find lots of 'bite-sized' tax information videos on HMRC's YouTube pages.

Go to [youtube.com/user/HMRCgovuk](https://www.youtube.com/user/HMRCgovuk)

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