

## Example 4

### Trading and Profit and Loss Account for the year ended 31 March 2023

Sales of livestock	£14,800		
Transfers to herd (Note 1)	<u>1,200</u>	16,000	Box 15
Sales of produce:			
• crops and subsidies	42,163		
• milk	68,337		
• straw	<u>50</u>	110,550	Box 15
Miscellaneous receipts (Note 2)	650		
Sheep grazing	<u>950</u>	1,600	Box 15 & Box 16
		128,150	
Opening valuation	42,500		
Feeds, seeds and fertilisers	<u>42,800</u>		
	85,300		
Closing valuation	44,200	41,100	Box 17
<b>Gross profit</b>		87,050	
Rent (Note 3)	2,350		Box 21
Rates and water (Note 3)	1,700		Box 21
Wages	14,125		Box 19
Insurance (Note 4)	1,205		Box 23
Equipment and vehicle expenditure (Note 5)	15,923		Box 17 & Box 20
Light and heat (Note 6)	3,779		Box 21
Phone (Note 6)	759		Box 23
Contracting and plant hire (Note 7)	1,991		Box 22
Lease of milk quota	4,620		Box 17
Haulage	365		Box 17
Veterinary expenses (Note 8)	1,215		Box 28
Bank charges (Note 9)	2,273		Box 25 & Box 26
Hire purchase interest	1,274		Box 26
Silage wrapping	1,592		Box 17
Accountancy	923		Box 28
Valuation charges	175		Box 28
Miscellaneous expenses	1,297		Box 30
Depreciation	<u>6,292</u>		Box 29 & Box 44
		61,858	
<b>Net profit</b>		<u>£25,192</u>	

### Balance Sheet at 31 March 2023

#### Fixed assets

Land	200,269	Box 84
Buildings	125,694	Box 84
Machinery	32,578	Box 83
Milk quota	9,520	Box 84
Dairy herd (herd basis)	<u>17,700</u>	Box 84
	385,761	

#### Current assets

Valuation (Note 10)		
Growing crops	12,200	
Livestock	14,750	
Produce	14,050	
Deadstock	<u>3,200</u>	
	44,200	Box 85
Debtors and prepayments	<u>14,770</u>	Box 86
	58,970	

#### Current liabilities

Creditors	16,021	Box 91
Overdraft	11,565	Box 92
HP account	<u>25,641</u>	Box 93
	53,227	

#### Net current assets

5,743

#### Net assets

391,504 Box 94

#### Represented by:

Capital Account		
• Balance at 1/4/22	384,623	Box 95
• Net profit	<u>25,192</u>	Box 96
	409,815	
• Less drawings	<u>18,311</u>	Box 98
	391,504	Box 99

### **Note 1**

Herd basis adjustment to exclude the cost of home-bred additions to the herd. Following the suggestions in this helpsheet, the herd basis reconciliation is included in the 'Any other information' box, box 103.

### **Note 2**

Miscellaneous receipts comprise haulage (£401) and way leaves (£249). Haulage has been included as an item of business income in box 15. The way leaves are included in box 16.

### **Note 3**

The private proportions of rent and rates and water are respectively £475 and £200. These amounts need to be disallowed in arriving at the profit for tax purposes and are included in box 36.

### **Note 4**

There are several figures making up the overall insurance expense. £210 relates to motor vehicles partly used for private purposes. This amount is included in the entry in box 20 (read Note 5 below). There's a choice as far as the balance is concerned. That part relating to the premises and property could be included in the entry in box 21, but it would also be reasonable to enter the full amount of the balance in box 23 on a consistent basis from year to year. The latter approach is adopted here.

### **Note 5**

The equipment and vehicle expenditure comprises the following: tractor/combine repairs, £6,351, tractor/combine diesel, £5,102 and motor car expenses, £4,470. This latter figure, together with the motor insurance costs, is entered in box 20. Of the total motoring costs of £4,680 (£4,470 + £210), 30% are for private use and are disallowed by entering the private proportion, (£1,404) in box 35. The tractor/combine expenditure has been treated as a direct cost of production and included in the entry in box 17, although it would be equally acceptable to separate the repairs expenditure and enter it in box 22.

### **Note 6**

The private proportions of light and heat and phone are respectively £650 and £150. To arrive at the profit for tax purposes, these amounts have to be disallowed and are included in the entries for boxes 36 and 38 respectively.

### **Note 7**

Contracting and plant hire comprises costs of a ditching contractor £1,767 and plant hire, £224. The expenditure all relates to maintenance of the farm and has been entered in box 22. Had the contracting been in respect of contract milkers or contract harvesters, for example, it would have been entered in box 17 as a direct cost of production.

### **Note 8**

Veterinary expenses include £177 for treatment to a privately owned pony. This has been disallowed by including the amount in the entry in box 43. All associated expenses of the pony's upkeep have been met privately or charged to drawings.

### Note 9

Bank charges include £701 interest charges which are entered separately in box 25.

### Note 10

Details of the valuation at the year end are included in the 'Any other information' box, box 103, to help clarify the figure shown in box 85. It is not necessary to get professional valuation but the likely reliability of the valuation will be one of the factors we'll consider in deciding whether to open an enquiry.

## Business income

**15 Your turnover** – the takings, fees, sales or money earned by your business

£ 1 2 7 9 0 1 . 0 0

**16 Any other business income not included in box 15** – also include any COVID support payments such as CJRS

£ 2 4 9 . 0 0

**16.1 Trading income allowance** – read the notes

£ . 0 0

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Notes 1 and 2

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Note 2

HMRC 12/22

## Business expenses

Please read the 'Self-employment (full) notes' before filling in this section.

Total expenses		Disallowable expenses		
<p>If your annual turnover was below £85,000, you may just put your total expenses in box 31</p>		<p>Use this column if the figures in boxes 17 to 30 include disallowable amounts</p>		
17	Cost of goods bought for resale or goods used	32		
£	59130.00	£		Note 5
18	Construction industry – payments to subcontractors	33		
£		£		
19	Wages, salaries and other staff costs	34		Note 5
£	14125.00	£		
20	Car, van and travel expenses	35		Notes 3 and 6
£	4680.00	£	1404.00	
21	Rent, rates, power and insurance costs	36		Note 7
£	7829.00	£	1325.00	
22	Repairs and maintenance of property and equipment	37		Note 6
£	1991.00	£		
23	Phone, fax, stationery and other office costs	38		Note 4
£	1754.00	£	150.00	
24	Advertising and business entertainment costs	39		
£		£		
25	Interest on bank and other loans	40		Note 9
£	701.00	£		
26	Bank, credit card and other financial charges	41		
£	2846.00	£		
27	Irrecoverable debts written off	42		Note 8
£		£		
28	Accountancy, legal and other professional fees	43		
£	2313.00	£	177.00	
29	Depreciation and loss or profit on sale of assets	44		
£	6292.00	£	6292.00	
30	Other business expenses	45		
£	1297.00	£		
31	Total expenses (total of boxes 17 to 30)	46	Total disallowable expenses (total of boxes 32 to 45)	
£	102958.00	£	9348.00	

If your business accounts include a balance sheet showing the assets, liabilities and capital of the business, fill in the relevant boxes below. If you do not have a balance sheet, go to box 100. Read the 'Self-employment (full) notes' for more information.

[illegible]

100	If your total profits for 2022–23 are less than £6,725 and you choose to pay Class 2 NICs voluntarily, put 'X' in the box	
101	If you're exempt from paying Class 4 NICs, put 'X' in the box	

102	Adjustment to profits chargeable to Class 4 NICs
	<div>£</div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div></div> <div>•</div> <div>0</div> <div>0</div>

Any other information

103 Please give any other information in this space

**Details of professional valuations in box 83**

Growing crops	12,200
Livestock (not herd basis)	14,750
Produce	14,050
	<u>3,200</u>
	<b>£44,200</b>

Note 10

**Herd basis reconciliation @ 31 03 22**

Opening herd	20 @ £200	4,000	
	20 @ £625	12,500	16,500
Additions	2 @ £600		<u>1,200</u>
			<b>£17,700</b>

Note 1