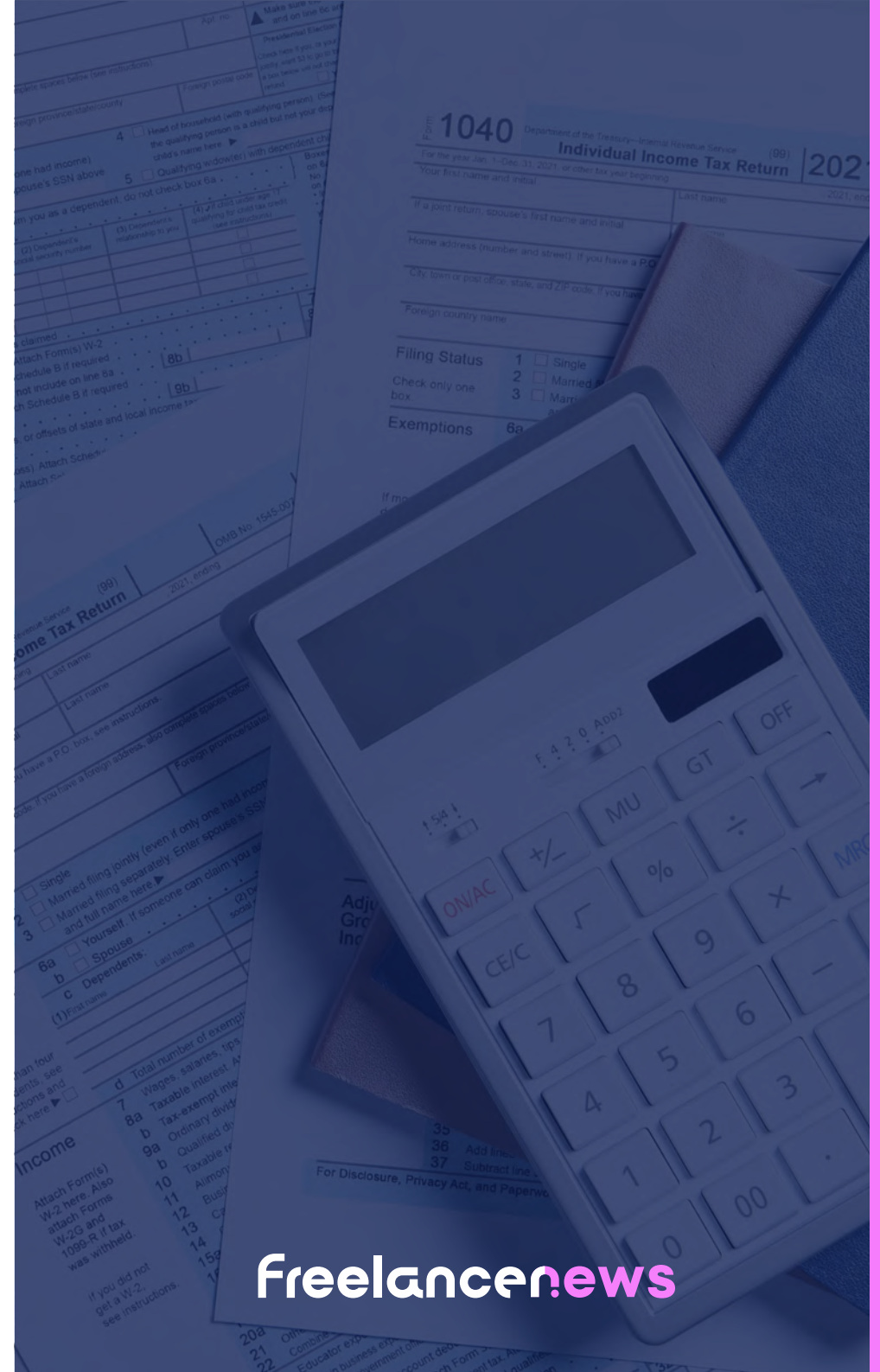


TAX ADVICE

How Do Freelancers Pay Tax?

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Intro

If you're a self-employed freelancer, you'll be responsible for reporting your income and paying tax to HMRC – even if you also work for an employer who handles all your employment taxes.

Do I Need to Register for Tax?

You can earn up to a maximum of £1,000 from self-employment or other miscellaneous income every tax year, and you won't need to report this to HMRC.

If you're freelancing and earning more than the £1,000 trading allowance in a tax year, you must register as self-employed with HMRC.

How you do this depends on how your freelance business is set up, and how much you earn. Most freelancers operate as either:

- Sole trader
- Limited company

Each has different tax rules, which we'll discuss in this guide.

Paying Tax as a Sole Trader

This is usually the most common set up for freelancers.

As a sole trader you must register by 5th October following the end of the tax year in which you started freelancing.

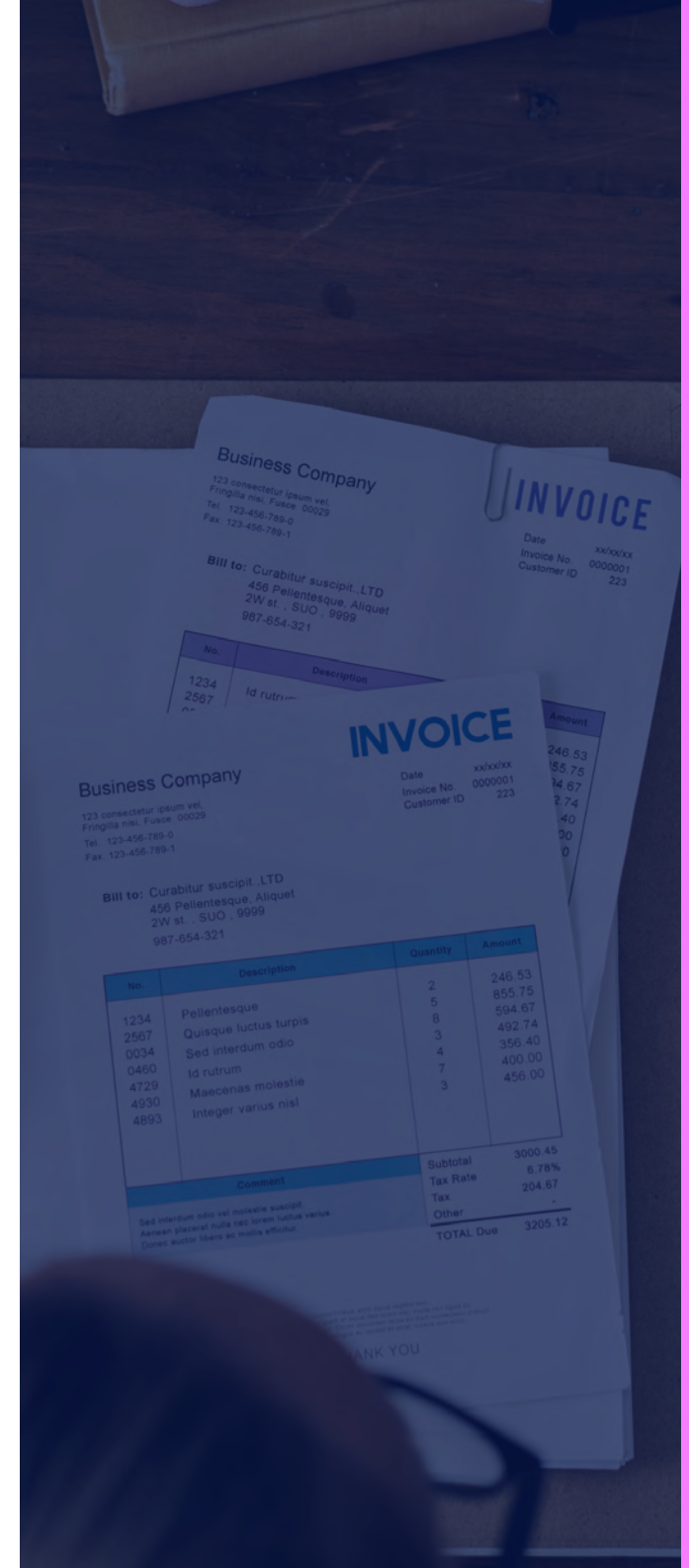
For example:

- You started freelancing in **June 2025**
- The first tax year ends **5th April 2026**
- You must register by **5th October 2026**

Once registered, HMRC will send you a Unique Taxpayer Reference (UTR) which you'll need to submit your tax return.

As a sole trader you must:

1. Submit a Self Assessment or send HMRC quarterly updates under Making Tax Digital for Income Tax (MTD IT) with a final tax return at the end of the year
2. Pay Income Tax and National Insurance on your profits



Self Assessment Deadlines

The deadline depends on how you submit your tax return.

| Method | Deadline |
|---------------|--------------|
| Paper Return | 31st October |
| Online Return | 31st January |

Self Assessment
made simple.



[Learn more](#)

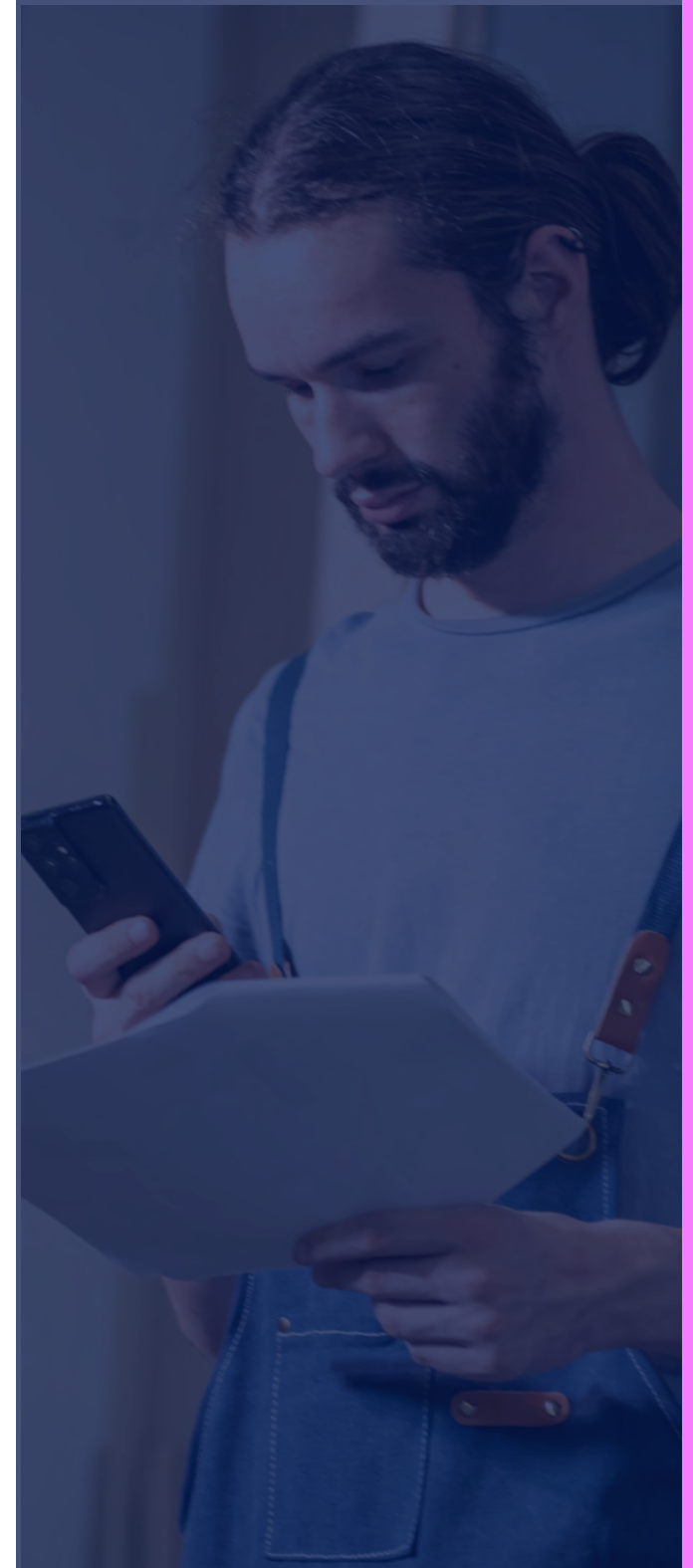
Making Tax Digital for Income Tax deadlines

We know it sounds daunting – but Making Tax Digital is designed to make life easier for freelancers and sole traders alike. It involves submitting quarterly updates to HMRC, followed by a final declaration.

You'll submit updates using MTD IT compatible software, within one month of the quarter end. The quarters typically fall on the following dates:

- **Quarter 1 (6 Apr – 5 Jul):** 7 August
- **Quarter 2 (6 Jul – 5 Oct):** 7 November
- **Quarter 3 (6 Oct – 5 Jan):** 7 February
- **Quarter 4 (6 Jan – 5 Apr):** 7 May

The final tax return that replaces the Self Assessment is due 31st January. This is rolling out in stages depending on your qualifying income, so double check with an accountant to ensure you're submitting the correct tax return.



Paying your Tax Bill

After submitting your return, HMRC will calculate how much you owe.

You can pay using:

- Debit or corporate credit card (online)
- Direct Debit
- Bank transfer
- Online banking
- Telephone banking
- Bank or building society
- Cheque by post

Paying Tax Through your Tax Code

If freelancing is your side hustle, and you also have a PAYE job, you may be able to pay any tax you owe from freelancing via your tax code. There are requirements for this though, for example you need to:

- Owe less than £3,000
- Already pay tax through PAYE
- Submit your return early (paper by 31st October, and online by 30th December)

Your employer will then deduct the tax automatically. This will mean your tax code changes, so it might not be an option if you'd rather your employer not know you work freelance too.



Payments on Account

If your tax bill is over £1,000, HMRC may ask for advance payments toward next year's tax. These are called payments on account.

You pay them in two instalments:

| Payment | Deadline |
|----------------|--------------|
| First Payment | 31st January |
| Second Payment | 31st July |

Each payment is usually half of your previous year's tax bill.

How Much Tax Do Freelancers Pay as Sole Traders?

Freelancers pay Income Tax and National Insurance on their profits.

Income Tax rates in England, Wales and Northern Ireland are currently:

| Band | Taxable Income | Rate |
|--------------------|--------------------|------|
| Personal Allowance | Up to £12,570 | 0% |
| Basic Rate | £12,571 - £50,270 | 20% |
| Higher Rate | £50,271 - £125,140 | 40% |
| Additional Rate | Over £125,140 | 45% |

Freelancers may also pay Class 4 National Insurance on profits above £12,570.

Income tax bands are different if you live in Scotland.





Paying Tax as a Limited Company

If you operate your freelance business through a limited company, the company pays Corporation Tax on its profits.

You must:

1. Submit a Company Tax Return
2. Pay Corporation Tax

Filing deadline: Your Company Tax Return must be filed 12 months after the end of your accounting period.

Paying Corporation Tax

Payment deadlines depend on your profits.

- If profits are **under** £1.5 million you must pay tax: 9 months and 1 day after the accounting period ends
- If profits **exceed** £1.5 million: You need to pay tax in four equal instalments over the course of the year

Claiming Expenses

Freelancers can reduce their tax bill by claiming allowable business expenses.

These must be:

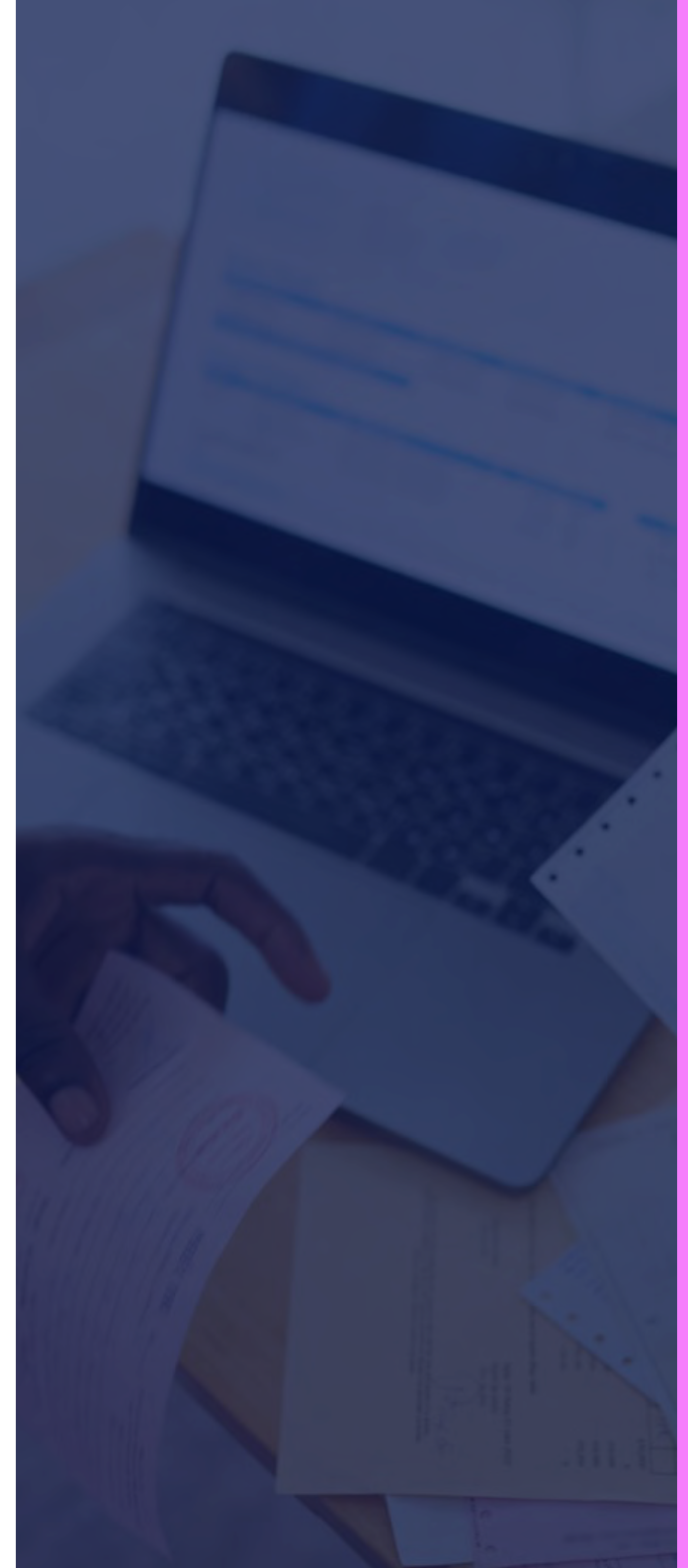
- Directly related to your work
- Necessary for running your business

For example, if you're a freelance photographer and you purchase a laptop, camera and editing software specifically for your business, you'll be able to deduct this from your profit. Smaller taxable profit means less tax to pay.

Common Freelance Expenses Include

Here are some common freelance expenses you may incur:

- Work from home costs (for example, a portion of rent, utilities and internet)
- Equipment and supplies (like laptop, software, printers etc)
- Travel for work (hotels, travel costs to and from clients)
- Professional services (such as an accountant or solicitor)
- Marketing (professional subscriptions and industry memberships)



Keeping Records

Always keep:

- Receipts
- Invoices
- Bank statements
- Expense records

HMRC may request them if you're ever audited. Bookkeeping software can help you manage all of this, and keep you compliant if you are operating under MTD IT.

**Freelancer finances
made easy.**



[Learn more](#)

How to Prepare For Your Tax Bill

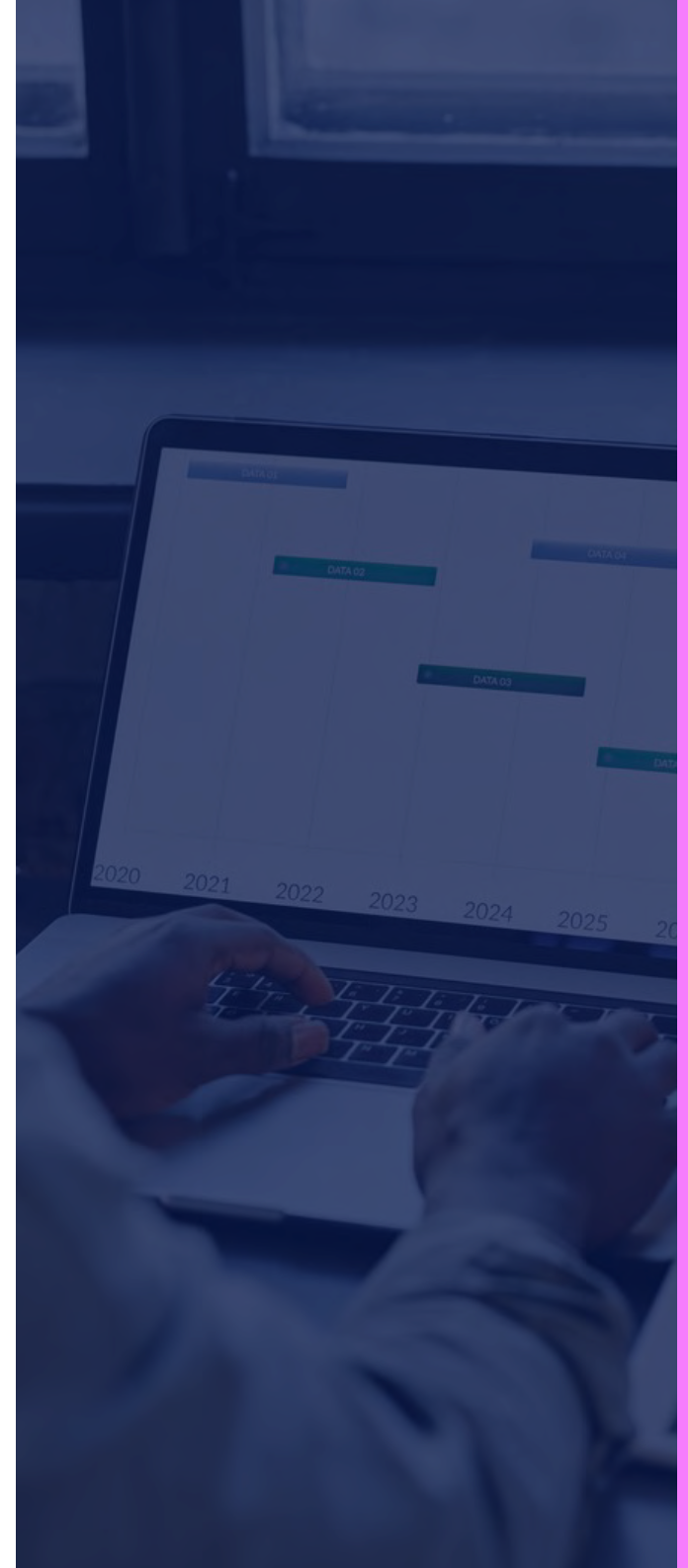
One of the biggest challenges freelancers face is setting money aside for tax.

A common rule of thumb is to save 25-30% of your freelance income to cover tax and National Insurance.

Many freelancers:

- Transfer this money into a separate savings account
- Use bookkeeping software to track profits
- Review their tax estimate quarterly

Planning ahead can help you avoid a large surprise bill when the 31 January deadline arrives.



Got a Question?

Need clarity on paying tax as a freelancer?

Drop us a line - your question could feature in the next edition of this guide.

Contact us