MTD 4Subbies

CIS HMRC Compliant

BONUS 3

Tax Words TRANSLATED

HMRC jargon in plain English



42 terms

A–Z

One line each

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BONUS 3 · TAX WORDS TRANSLATED

Tax words A → D

Keep this open while you read letters from HMRC or fill in your return.

Accounting period
The dates your business figures cover. For most sole traders: 6 April to 5 April.

Activation code
A code HMRC posts so you can switch on Self Assessment online. Use it within 28 days.

Allowable expenses
Business costs you can take off your income before tax is worked out.

Balancing payment
The rest of your bill paid on 31 January after payments on account.

Basic rate
20% Income Tax on income between £12,571 and £50,270 (outside Scotland).

Bridging software
Software that sends figures from your own spreadsheet to HMRC for Making Tax Digital.

Budget Payment Plan
Regular weekly or monthly payments towards your next Self Assessment bill.

Capital allowances
Tax relief on equipment and vehicles, used when you can't simply expense them.

Cash basis
Counting income when money arrives and costs when you pay. The default for sole traders.

CIS
Construction Industry Scheme: contractors take 20% or 30% off subcontractors' pay as advance tax.

Class 2 NI
Flat weekly National Insurance. Now voluntary – protects your State Pension if profits are low.

Class 4 NI
National Insurance on profit: 6% between £12,570 and £50,270, 2% above.

Digital records
Records kept in compatible software or a linked spreadsheet – required in Making Tax Digital.

Drawings
Money you take out of the business for yourself. Not an expense.

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Tax words F → P

Every word in plain English – the way you'd explain it to a friend.

Final declaration
The end-of-year return in Making Tax Digital, due 31 January.

Flat Rate Scheme
A simpler way to pay VAT: a fixed % of turnover. For VAT-taxable turnover under £150,000.

Government Gateway / One Login
The sign-in details you use for HMRC online services.

Gross payment status
CIS status where contractors pay you in full with no deduction.

Higher rate
40% Income Tax on income from £50,271 to £125,140 (outside Scotland).

HMRC
His Majesty's Revenue and Customs – the UK tax authority.

Making Tax Digital (MTD)
The new system of digital records and quarterly updates, from April 2026 onwards.

National Insurance number
Your personal number for NI and tax, like AB 12 34 56 C.

Notice to file
An HMRC request to send a return. You must file even if you owe nothing.

P60 / P45
End-of-year and leaving certificates from an employer showing pay and tax.

PAYE
Pay As You Earn: tax taken from wages by your employer.

Payments on account
Two advance payments towards next year's bill, on 31 January and 31 July.

Personal allowance
The £12,570 of income most people can earn tax-free each year.

Profit
Income minus allowable expenses. What tax and Class 4 NI are based on.

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Tax words Q → V

If a word isn't here, search it on GOV.UK – the official explanation is always free.

Qualifying income
Self-employed + property turnover used to decide if Making Tax Digital applies.

Quarterly update
A summary of income and costs sent to HMRC every 3 months in Making Tax Digital.

Reasonable excuse
A genuine reason (like serious illness) that can cancel a penalty on appeal.

SA302
Your tax calculation for a year – often asked for by mortgage lenders.

Self Assessment
The UK's yearly tax return system for the self-employed and others.

Simplified expenses
Flat rates for mileage and working from home, instead of real costs.

Sole trader
A self-employed person running a business alone, with no company.

Tax code
The code your employer uses to take tax, e.g. 1257L (S1257L in Scotland).

Tax year
6 April to 5 April. Written like "2026/27" or "2026 to 2027".

Time to Pay
A payment plan with HMRC to spread a tax bill into monthly instalments.

Trading allowance
£1,000 you can deduct instead of real expenses – or the level below which you may not need to report.

Turnover
Everything your business was paid before any costs.

UTR
Unique Taxpayer Reference: your 10-digit Self Assessment number.

VAT
Value Added Tax. You must register if VAT-taxable turnover goes over £90,000 in 12 months.