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SELF-EMPLOYED FIELD ARCHAEOLOGISTS
(2015)

INTRODUCTION

This is a guide for field archaeologists who wish to provide their services as ‘freelance’ OR ‘self-employed’ rather than as an employee. You can of course be both employed on short term contracts and take on other contracts as self-employed during any tax year.

Traditionally-in the UK “self-employed” is recognised as a “sole trader”

A Sole Trader is:

A business which is owned by one person who is fully liable for the company's debts and fulfillment of contracts with his / her personal wealth unless incorporated. The owner is the business and therefore, unlike with a Limited Company, there is no limited liability. The owner is liable personally for all debts of the business.

This guide is for people who consider themselves as sole traders and responsible for their archaeological fieldwork. The intention is to explain how to register, how to record your expenses and payments as well as ensure you are aware of your responsibilities and those of the client.

To become a sole trader,

- **Register** as self-employed with HM Revenue and Customs (HMRC) to make sure you pay the correct Income Tax and National Insurance
- **Keep accurate records** of your business income and outgoings
- **Pay your tax each year**, usually in 2 payments on the 31 January and 31 July
REGISTERING AS A SELF-EMPLOYED FIELD ARCHAEOLOGIST

Start the process by registering for self-assessment on-line:

HTTPS://ONLINE.HMRC.GOV.UK/SHORTFORMS/FORM/SA1?DEPT-NAME=&SUB-DEPT-
NAME=&LOCATION=43&ORIGIN=HTTP://WWW.HMRC.UK.

HMRC will give issue a Unique Taxpayer Reference (UTR) number and along with a National Insurance Number this will access a password locked On-Line account.

HTTP://WWW.HMRC.UK/SA/REGISTER.HTM

The form can be obtained from a tax office or on-line and sent it in the post:

HTTPS://WWW.GOV.UK/SELF-ASSESSMENT-FORMS-AND-HELPSHEETS

YOU must remember the password –Write it down

Registration can be undertaken whilst working on PAYE or in advance of leaving full time employment or education. HOWEVER - Registration must be within six weeks of starting the first self-employment contract as the individuals National Insurance status is changed. The self-employed pay Class 2 and 4 National Insurance. Paying these will contribute to state pension credits. Exemptions can be obtained if minimum incomes are not met that will still contribute to state pension credits.

HTTP://WWW.GOV.UK/SELF-EMPLOYED-NATIONAL-INSURANCE-RATES

Subsequent Additional employment can be registered when completing the yearly tax form. Completing the yearly tax form will commence for the year of registration even if no self-employed income was generated.

If the archaeologist is reliant on state benefits such as job seekers allowance registering will be construed as a change of circumstance and will affect benefit status:

HTTP://WWW.TURN2US.ORG.UK/INFORMATION__RESOURCES/BENEFITS/WORKING_OR_LOOKI-
NG_FOR_WORK/SELF_EMPLOYMENT.ASPX
A UK tax year runs from 6th April to the following 5th April.

For the tax year 2014/15, the years started on 6th April 2014 and finish on 5th April 2015. The year has a 31st January during the tax year: 31st January 2015, a 5th October following the end of the tax: 5th October 2015 and the 31st January following the end of the tax year would be 31st January 2016.

Any accounts presented for the years 2014/15 would have to be with the tax office by the 5th of October 2015 if presented on paper but if the self-assessor is registered on-line the account can be submitted by the 31st January 2016. Once registered, amendments can be made up to a year later. Registering late will result in fines and also interest on the fines.

**IMMEDIATE LOSSES**

Losses in the first years of new business can be offset against income from the preceding three years, earliest year first. If a self-employment loss was made in 2014/15 it can be offset that against PAYE income from 2011/12. Specify this on the self-assessment return or the losses can be carried forward and offset against future self-employment profits:

[HTTP://WWW.HMRC.GOV.UK/MANUALS/BIMMANUAL/BIM85045.HTM](HTTP://WWW.HMRC.GOV.UK/MANUALS/BIMMANUAL/BIM85045.HTM)

**YOU CALL YOURSELF A FIELD ARCHAEOLOGIST**

The HMRC self-assessment forms ask for the business of the applicant. In the business option you can put Archaeologist, Field Archaeologist, Excavator or describe their business in any way they prefer. There is nothing to stop separating other business out such as teacher or finds specialist and having several self-employments. Separate accounts will have to be maintained for these descriptions.
Until you are experienced with paying tax and filling in the forms, cash flow and finding work, over the first two financial years you should intend to keep back at least 1/3 of your income to pay tax; (keep it in a Savings Account)

Leaving aside the thorny question: how does a field archaeologist earn a living and from whom, whether they produce products or services or combinations thereof?, the immediate effect of an archaeologist informing HMRC that they are self-employed, is that they are tying themselves, probably for life, to accountancy on every income and expense that ever occurs to them, including personal expenses.

The yearly presentation of cross referenced figures will come round all too soon, with the expectation that money will be held in reserve to pay the income tax. Most archaeologists should have an awareness of a plethora of tax law and their thresholds which might be, or not, relevant to them such as Value Added Tax even if their turnover is less than the thresholds. There are on-line resources such as:

HTTPS://WWW.GOV.UK/BROWSE/TAX

**WORKING PAYE ALONG WITH SELF-EMPLOYMENT**

The two earnings will be combined and a combined tax calculated.

In effect PAYE tax is contained within the P60 and the self-assessment deals with the self-employment.

HTTPS://WWW.GOV.UK/PAYROLL-ANNUAL-REPORTING/GIVE-EMPLOYEES-P60-FORM

When you fill out your online tax assessment, you have to include every employment and the details filled in from your P60 –along with the employer tax code. It takes seconds to enter these details and you will already have paid the Tax and NI on that portion of your earnings. A new combined Income tax and National Insurance will be automatically generated.
Accountant’s expenses are a legitimate expense to offset against turnover whereas time spent doing accounts and self-learning about accountancy, tax laws and thresholds are not. Life is made easier by sorting paperwork on a regular basis.

**SHOEBOX, PAPER SPIKE OR CROSS-REFERENCED SPREADSHEET?**

A Paper Spike will keep a stratigraphic, chronological record of the appearance of bills, receipts and paid invoices. Shoeboxes are about the right volume for a years’ worth of fuel receipts and might keep the self-employed in the habit of buying a pair of work boots once a year.

The expense of the boots can be offset as an expense if solely used for work. If sold after one year, second-hand, this should be accounted as an income.

A simple Spreadsheet can be created and should have these headings as a minimum

<table>
<thead>
<tr>
<th>ID</th>
<th>Date</th>
<th>Company/Client</th>
<th>Details</th>
<th>Money Out</th>
<th>Money In</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>23Jan 2015</td>
<td>Brewers Inn</td>
<td>Accommodation</td>
<td>£ 31.05</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>22Jan 2015</td>
<td>Vodaphone</td>
<td>Charges</td>
<td>£ 29.50</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>22 Dec 2014</td>
<td>Developer Co</td>
<td>Little Site Evaluation</td>
<td>-</td>
<td>£ 128.00</td>
</tr>
<tr>
<td>4</td>
<td>21 Dec 2014</td>
<td>Shell Jedburgh</td>
<td>Fuel</td>
<td>£ 19.20</td>
<td>-</td>
</tr>
</tbody>
</table>

The ID option can be written on the receipt or invoice and filed in order (often good practice to do it chronologically every month) The rest are self-explanatory. If you keep up to date with expenses and income, then it is no longer a chore, and if you use an accountant, they will be cheaper, if you arrange your paperwork first!

Whatever paper or digital receipt and invoice collection method is used, at some point, the values on them will have to be transferred to some form of ledger and possibly cross-referenced to bank balances. The receipts and ledgers should be kept for at least seven years for inspection by the HMRC.

The HMRC will also want all savings interest, dividends received from share holdings, overseas earnings and pensions accounted for on the self-assessment forms. Some monies such as ISAs are exempt.
ALLOWABLE BUSINESS EXPENSES

If you have a concern that the costs of a visit to Pompeii to undertake an experiment on the effects of drinking Posca, whilst wearing replica Roman sandals, that you will then write up in an archaeological magazine might not be considered legitimate business expenses, you can quickly discuss this with the HMRC:

- **Telephone**: 0300 200 3310
- **Textphone**: 0300 200 3319
- **Outside UK**: +44 161 931 9070

If you have already registered for Self-Assessment have your **Unique Taxpayer Reference (UTR)** with you when you phone.

See Self-employed: expenses and allowances for more details:


Simply put, if your turnover is £40,000, and you claim £10,000 in allowable expenses. You only pay tax on the remaining £30,000 - known as your taxable profit.

**ALLOWABLE EXPENSES INCLUDE:**

- **office costs**, e.g. stationery or phone bills
- **travel costs**, e.g. fuel, parking, train or bus fares
- **clothing** expenses, e.g. uniforms
- **staff** costs, e.g. salaries or subcontractor costs *(often not applicable)*
- things you **buy to sell on**, e.g. stock or raw materials *(often not applicable)*
- **financial costs**, e.g. insurance or bank charges
- costs of your **business premises**, e.g. heating, lighting, business rates
- **advertising or marketing**, e.g. website costs
- **equipment**, e.g. tools, and hire
WHAT SELF-EMPLOYMENT ISN’T

Be aware that if you have a turnover of £20,000, you cannot draw out £5000 and only pay tax on that proportion as if it is an earning.

The self-employed pay tax on the full profit.

PROFIT is ALLOWABLE EXPENSE deducted from TURNOVER.

No invoice or cash in hand can be hidden. If archaeologists want to take drawings they have to form a limited company with themselves as an employee, pay Class 1 National Insurance and pay employer NI contributions and take dividends and then account for dividends as income.

Self-employed do not earn from turnover, they earn from profit and pay tax on profit, a net figure.

The size of tax and profit will be curtailed by the size of legitimate expenses and capital allowances.

Even before archaeologists pay their first income tax, Class 2 national insurance payments will be regularly due. These are not legitimate expenses and nor are student loans.

HTTP://WWW.TAXGUIDEFORSTUDENTS.ORG.UK/

As of 2014, the Inland Revenue decided to simplify the accounting methods by introducing an alternative Cash Based accounting system for sole traders and the self-employed earning under £81000. The system is based on accounting only for receipts and payments received within a particular tax year.

HTTPS://WWW.GOV.UK/SELF-EMPLOYED-RECORDS

Remember you don’t have many employment rights (except some statutory protections for all workers) if you’re self-employed - you are your own boss and can therefore decide how much to charge for your work and how much holiday to give yourself. So remember you have to charge MORE than a standard employed rate, as you must cover, expenses, insurance, holidays (you lose 28 days paid holiday every year for example) etc.
Unless items bought for the business of archaeology can be passed as legitimate expenses within the accounting year the items are accounted for in a Capitol Asset Account and the legitimate expenses are accounted for by an allowance of depreciation or by subsequent sale.

Although they might appear mostly as allowances for the account of work vehicles and equipment, Capital allowances also include intellectual property and research and design.

[https://www.gov.uk/capital-allowances/overview](https://www.gov.uk/capital-allowances/overview)

**Paying tax on account**

After the first year’s profits are accounted and submit, January 31, midnight, in the year after the end of the last financial year, a figure for tax owed will be generated by the HMRC and will have to be paid. Immediately a second figure, equal to that paid is generated will appear to account for the present years as yet uncalculated profit.

HMRC has in effect estimated the following year’s profits to be to be equal to the preceding year.

So the next year you will pay the balance, up or down, from what you have already paid.

<table>
<thead>
<tr>
<th>First year tax is £3000</th>
</tr>
</thead>
<tbody>
<tr>
<td>You pay £3000 plus £1500 (January 31st) and another £1500 (July 31st)</td>
</tr>
<tr>
<td>Second Tax year your tax owed is £2500</td>
</tr>
<tr>
<td>You are returned £500 (as you paid two x £1500 on account the previous year)</td>
</tr>
<tr>
<td>However you still pay £1250 in both January and July –on account for the next year.</td>
</tr>
<tr>
<td>And so on</td>
</tr>
</tbody>
</table>
Most archaeologists go self-employed because an opportunity has occurred in passing and the first year can appear to be reasonably successful as the painful process of finding a contract has not been appreciated and income taxes have yet to be paid.

Many start-ups aren’t so fortunate because they can be imagined that at a digging level, have trowel will travel is most of the capital outlay but remember that learning to drive is not a legitimate expense:

HTTP://WWWHMRCGOVUK/MANUALSBIMMANUALBIM35660HTM

If losses are made in the first years be aware that although they might be offset against previous taxes the average archaeologist probably does not have much to draw on. Alternatively some losses can be carried forward (see going bankrupt).

FUTURE DEVELOPMENTS AFFECTING SELF EMPLOYMENT

Real time accounting

As of 2015 HMRC would like to introduce Real time Accounting Online. This might have significant affects for starting up a self-employment as well as the day-to-day running. It would appear that the HMRC would like income and legitimate expenses accounted for in real time and presumably taxed at the same time as well. It is not clear how this would work, as there is the potential that for long periods, the accounts might be in tax credit or deficit. Potentially as tax is being paid in real time paying tax on account may come to an end.

Class 2 National Insurance

In the 2014 spring budget a statement was made to the affect that Class 2 National Insurance contributions would be scrapped.

http://www.ft.com/cms/s/0/ecf1dd40-cd81-11e4-a15a-00144feab7de.html#axzz3WA1gZ8tA
With the scrapping of Class 2 National insurance it may become clearer as to what benefits workers on low income maybe due particularly if combined with Universal credits.

Universal credits are to be phased in across the Nation but when varies from area to area. Contact your local Jobcentre to find out what is operating in your area.


Universal Credits may have significant effects on self-employed transitioning from no income or benefits to self-employment and particularly provide a significant alternative for archaeologists working on Zero hour contracts.


**RISK ASSESSMENTS**

Risk assessments lead to good working practice and should be taken into consideration at all times such as when making purchases like work boots.

Prepare an assessment for all eventualities and be site specific. At the bare minimum paper headed “Risk Assessment” should be on hand and available for inspection by a client or HSE inspector.

**INSURANCE**

See The BAJR Guide 27 - Insurance. Never assume you are covered –always check you are

[HTTP://WWW.BAJR.ORG/BAJRGUIDES/27.%20INSURANCE%20FOR%20ARCHAEOLOGY/27INSURE.PDF](HTTP://WWW.BAJR.ORG/BAJRGUIDES/27.%20INSURANCE%20FOR%20ARCHAEOLOGY/27INSURE.PDF)
Cash Flow

Trying to establish regular payments is difficult particularly as site based work is unpredictable. Charging upfront costs is neither an offence nor the use of calculating prices based on rates. Establish from the outset how long the client will take to pay invoices and send reminders.

Bankrupt

In the UK a bankrupt can still continue working as an archaeologist unless they have associations that tell them otherwise. The HMRC can sue for bankruptcy if taxes amounting to £2000 are owed and creditors can petition for £750.

HTTPS://WWW.GOV.UK/BANKRUPTCY/OVERVIEW

VAT

Although it is expected that an individual starting out in self-employed archaeology would not be hitting the VAT threshold within the first years, it is not beyond the possibilities that turnover might approach the level in some circumstances. Also it might be felt best at some point to start the system before any amounts due become critical but it should be noted that VAT is a tax that affects most purchases and sales. It is not a tax on profits. The archaeologist is merely acting as a tax collector. Currently VAT is charged at 20% and some items are taxed at either 0 or 5%.

VAT paid out on bills is called ‘input VAT.’

VAT charged by VAT-registered businesses is called ‘output VAT’.

The difference between the output VAT charged and the input VAT that is reclaimed is passed to HM Revenue & Customs (HMRC), usually quarterly. It is unlikely that the VAT reclaimed is likely to be larger than what is charged.

The VAT threshold for 2015 is £81000. If an archaeologist expects to have a turnover of this figure, which changes most years, they have to register for VAT. The period for this “year” is a rolling year and registration has to be applied for within 30 days of achieving a monthly rate monthly equating to the threshold.

For 2015 this equates to a £368 a day for working a 220 day year and registering is required.
Registering for VAT will result in your **VAT number** to be reproduced on invoices and the presentation of regular VAT returns. There are various accounting schemes to help.

[HTTPS://WWW.GOV.UK/VAT-REGISTRATION-THRESHOLDS](HTTPS://WWW.GOV.UK/VAT-REGISTRATION-THRESHOLDS)

Once registered, VAT has to be charged on all invoices but can be claimed back from expenses that generate VAT such as fuel. This will require bills that have VAT accounted for on them. Ask for VAT receipts at petrol stations. There are some items that are exempt VAT like teaching but it is best to ask first about exemptions before exempting charging.


To prevent the yearly turnover exceeding £81,000 (2015 figure) you could consider not charging directly for costs such as machining. Hiring machines and other equipment may make the archaeologist responsible for public liability and damage to the machine whilst on site as well. If the client does not want to undertake these payments charges for administration and insurance should be made relative to the charges. Obviously these may push the archaeologist further into VAT thresholds.

VAT is not as bad as it sounds; it just needs careful record keeping of what was bought, and what was invoiced. You will already be doing this for Tax purposes, the only difference is you are adding the VAT element, and every three-month, must fill in a VAT Return –online.

We have a simple guide to the 9 boxes you must complete:

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**FILLING OUT VAT ONLINE**

- Go to HMRC website and click on VAT
- On the left hand menu click on SUBMIT A RETURN
- In the right hand section click on the link to the Period required....

**Box 1: VAT due on sales and other outputs**

This is the total amount of VAT you charged Clients.

**Box 2: VAT due from you (but not paid) on acquisitions from other EU countries**

This is the total amount of VAT have NOT paid from EU purchases.

**Box 3: total VAT due**
This figure is worked out automatically for you - and is the total of Box 1 and Box 2 added together. It is the amount of VAT that is due to HMRC.

**Box 4: VAT reclaimable on your purchases**

This is the VAT you have been charged on your purchases for use in your business.

**Box 5: VAT payable or reclaimable**

This is calculated automatically from Box 3 and Box 4 - deducting the smaller figure from the larger one and entering the difference.

**Box 6: your total sales excluding VAT**

Enter the total figure for your sales/charges (excluding VAT) for the period, that is, the sales on which you charged the VAT you put in Box 1. (This may also include items there is no VAT to charge on)

**Box 7: your total purchases excluding VAT**

Enter the total figure for your purchases (excluding VAT) for the period, including:

- The purchases on which you paid the VAT you put in Box 4
- Anything you bought that the reverse charge procedure applies to
- Any amount you put in Box 9

**Box 8: the total value of goods you supplied to other EU countries and only put in this box the sales to EU VAT REGISTERED Customers as this will then have to go on an ESL**

Put in the total value of goods you supplied to another EU country and services related to those goods (such as delivery charges).

EXCLUDE VAT and only put in this box the sales to EU VAT REGISTERED Clients as this will then have to go on an ESL

**Box 9: the total value of goods you ACQUIRED from other EU countries**

Enter the total value of goods you received from VAT registered suppliers in another EU country and services related to those goods (such as delivery charges)

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**READ VAT NOTICE 700/12**

IGNORANCE OF TAX LAW IS NO EXCUSE

HMRC expect that the self-employed obtain information about tax through networks:

HTTPS://WWW.GOV.UK/GOVERNMENT/UPLOADS/SYSTEM/UPLOADS/ATTACHMENT_DATA/FIELD/344800/REPORT238.PDF

CONCLUSION

Numbers of self-employed is an increasing tax status in the UK.

HTTP://WWW.ONS.GOV.UK/ONS/DCP171776_374941.PDF

Most archaeologists work in organisations on PAYE and mostly under non-profit making ethos. They will primarily be concerned that employers are exploiting the self-employed with terms and conditions rather than that legitimate tax is being paid.

Be aware that they will struggle to understand that profit is all taxed and that the more profit that is made the more tax is due and that the tax paid on profit should be the correct amount of tax.

There are probably as yet too few self-employed field archaeologists to form a worthwhile network. A recent survey did not fully address the question but estimated there to be about 58 to 100 people who considered themselves as self-employed archaeologists. They range from consultants, unit directors, one person bands and specialists and probably require much more specific advice for individual circumstances than is the intention of this guide.

HTTP://WWW.LANDWARD.EU/ARCHAEOLOGY%20LABOUR%20MARKET%20INTELLIGENCE%20PROFILING%20THE%20PROFESSION%202012-13.PDF

Self-Employment provides a degree of freedom and choice. It is not a panacea for wealth, as the additional costs and loss of employment benefits create a balance of profit.

However, for those that follow this path, this guide is designed to provide an insight into the processes involved in registering as self-employed. The information
contained in this Guide is of course informal and you should always seek professional advice from the HMRC if you are unsure.

The CIfA also have a document on Self Employment

HTTP://WWW.ARCHAEOLOGISTS.NET/PRACTICES/SELFEMPLOYMENT

Know your worth, act as a professional, get paid and enjoy your work.

FUn Online tax calculators are available

HTTP://WWW.EMPLOYEDANDSELFEMPLOYED.CO.UK/SELF-EMPLOYED-TAX-CALCULATOR