

ALL YOU NEED TO KNOW ABOUT TAX FOR NETWORK MARKETERS

PRB Accountants in Haywards Heath

There are many things to consider when running a successful Network Marketing business, and for many business owners, their tax obligations are one of the most confusing and daunting aspects. But it doesn't have to be that way!

This handy guide aims to provide an overview of UK tax legislation relevant to Network Marketers and provides specific tips on how Network Marketers can minimise their tax burden. Whether you are starting out or are running an established direct selling business, the tips below will ensure you are running your business in the most tax efficient way.



Starting out

Register with HM Revenue & Customs

Contrary to the advice most people receive when setting up their own business, you will need to register your business with HM Revenue & Customs as soon as you start to trade.

Registering your business sounds more complicated than it is – these days, it is an easy process and can be done online via the HMRC website. You will need to be clear on which trading style is most suitable for your Network Marketing business. Options include sole traders, limited companies, partnerships or limited liability partnership. We recommend the sole trader option if you're setting up a business on your own, or the partnership option if you are starting the business with someone else. Watch this [video](#) to find out more about trading styles.

Keep records

It is in your interest to ensure that you keep business related receipts in a safe and easily accessible place. Even after HMRC have approved your accounts, you are obliged to keep proof of receipts for a minimum of six years. We also recommend that you keep your receipts in chronological order, arranged by months and years, to save time in future.

Claim all expenses to which you are entitled

Motor expenses

You can claim for motor expenses in one of two ways. Most Network Marketers claim on a mileage basis and keep a mileage log to support the claim. This is probably the simplest method. Alternatively, you can claim a business proportion of your actual motoring costs i.e. petrol/diesel, repairs, insurance and road fund licence.

Travel and subsistence

You can claim for travel costs such as train fares, bus fares and parking related to the business. With regards to subsistence, modest subsistence expenses may be deducted from business profits. Where a business trip necessitates one or more nights away from home, the hotel accommodation and reasonable costs of overnight subsistence are deductible.

Office cost

If you spend money on computers and office furniture for use in the business then these are fully tax deductible. Also, any overhead costs in relation to computers such as broadband payments and website costs are allowable.

Promotional items

Promotional items such as business cards or brochures are all claimable if they relate to the business, as are general stationery and postage costs and advertising.

Household bills

If you work from home, then you are entitled to claim for a proportion of your home bills. Fixed costs such as mortgage interest/rent and council tax are claimable on a proportionate basis, whereas variable costs such as gas and electricity are claimed using flat rates provided by HM Revenue & Customs.

Make a note of products used for demonstration purposes

One of the benefits of running a Network Marketing business is that you can get tax relief on products that you use within your business for sample and demonstration purposes, so be sure to make a note of these.

Make a rough estimate of the value of stock at the end of the accounting year

Any stock that you have in hand at the end of the accounting period needs to be valued at cost price and deducted from the total purchases figure for the year.

Complete your tax return as early as possible

Every year, the deadline for filing your tax return is 31st January, don't leave it until the last minute! Set yourselves reminders around November/December time to ensure you leave enough time. If your tax return is not received by 31st January, the HMRC will apply penalties. If you are not sure what a self-assessment tax return involves give us a call and we can talk you through it.

There are various accounting software programmes available that will assist with running your accounts efficiently, such as Xero, Quickbooks, Sage etc. As specialist accountants in the network marketing sector, PRB have developed their own bespoke bookkeeping software [PRBookkeeping](#).

Running a growing business

Once you start making a profit resist the temptation is to spend it all. Our recommendation is to set money aside on a regular basis to build up your tax funds.

The threshold for registering for VAT (Value Added Tax) is £85,000 so once your business turnover exceeds this amount you will need to register with the HMRC and complete a VAT return. The threshold is based on your VAT taxable turnover – the total value of everything you sell or supply that isn't VAT exempt together with your commissions/bonuses.

If you're not already using accounting software, we recommend that you start now. Initiatives by the government such as Making Tax Digital are encouraging business owners to complete their accounts in a digital format.

About this guide

This guide is intended as a complimentary resource aimed to help Network Marketers better understand their tax obligations. If you've found it useful, feel free to share it with your downlines and peers.

You can also find more free resources on our [YouTube channel](#). If you require any assistance with your accounts, we as network marketing specialists would be delighted to assist.



Chris Whitley-Jones is Managing Partner at Sussex based accountancy firm PRB Accountants. He has advised clients in the network marketing sector for over 30 years. Chris regularly speaks at industry events and runs webinars for groups of distributors, on a range of tax related topics.

PRB Accountants LLP Chartered Accountants & Business Advisers
Kingfisher House | Hurstwood Grange | Hurstwood Lane | Haywards Heath RH17 7QX

Telephone: 01444 458252 | Email: network-marketing@prbmp.com