

Do I have to pay taxes?

Yes. Legally, you must pay Income Tax, National Insurance and, if you earn enough, VAT. It may seem like it's easy enough to wriggle out of, since the vast majority of saunas and establishments treat you as self-employed (so you're not on a Pay As You Earn system, with NI and Tax automatically deducted from a salary), but the tax man has come knocking at a lot of Edinburgh saunas and flats.

Income Tax

If you don't pay Income Tax and you get found out, HM Revenue & Customs (HMRC) will send you a large bill based on what they think you have earned, and they can go back as far as 12 years. It's then up to you to challenge their figures.

Legally, you must notify them within 3 months of starting up a business (such as becoming a self-employed sex worker). If you don't, there's a small fine, but they can choose to ignore this. Don't avoid contacting them in the hopes that they won't notice – they have discovered how to look for licensed and unlicensed establishments and escorts in magazines, newspapers, websites and small ads, and they're getting more pro-active about chasing people down.

You will only pay tax on income over a certain amount (£10,000 2014/15). You can also claim various expenses if you use things exclusively for work – this can extend to clothes, sex toys and condoms.

Self-assessment for tax can be tricky and time-consuming. It will be much easier if you keep good records – a diary of clients, income and expenditure, with all relevant receipts stored safely. You may find it's worth your while to get an accountant to do your returns – they will usually do tax returns for a few hundred points, and will often be able to save you at least that much just because they know the tax system better than you will ever want to. Most people find that if you're honest with HMRC, they will treat you fairly.

VAT

If you are liable for VAT, you really don't want the consequences of being found out. Luckily, unless your income – income, not profits – comes to more than a certain amount (currently £79,000) you don't have to register for VAT. If you have more than one self-employed business then the total for all of them counts. If your income is over £79,000, you should speak to an accountant for advice on VAT.

Claiming Benefits

Most benefits are means-tested, which means they depend on your income. If you're claiming Job-Seekers' Allowance, Housing Benefit, etc and you don't tell them about your income from sex work, you will more than likely lose your benefits and can be done for benefit fraud.

On the plus side, paying taxes and being legitimate and above-board in the eyes of HMRC can have some perks. For example, you will be entitled to Maternity Allowance (at least £138.18 a week from April 2014) if you're pregnant and have worked for 26 weeks in the 66 weeks before your due date. If you have kids, you will be entitled to Child Tax Credit, which (from April 2014) is worth at least £545 a year, plus up to £2,750 per child. You might also be eligible for childcare vouchers.

Other possible benefits include Working Tax Credit, Income Support, Housing Benefit and Council Tax Benefit. It's usually well worth your time to speak to an advisor – at the Citizen's Advice Bureau or the Advice Shop – to have a 'benefit health check' and see if you're missing out on something you're entitled to.

Citizen's Advice Bureau Scotland Advice Shop

There are a number of CAB offices across Scotland - the website lists all their contact details, and they also produce an online advice guide that covers a lot of areas:

www.adviceguide.org.uk/scotland

The Advice Shop
85-87 South Bridge
Edinburgh
EH1 1HN

Tel: 0131 225 1255