

**A Rough Guide to Self Employed**  
**Claimant's Loss of Income Calculations**  
**(Less than 12 months)**

- 1) Obtain details of the Claimant's gross income / sales income / work done / turnover on a weekly basis for:
  - a) the 6 months prior to the commencement of the period of loss
  - b) the period of loss
  - c) the 2 months following the period of loss
  
- 2) Spreadsheet the gross income on a weekly basis (net of VAT, if VAT registered, and gross of VAT, if not VAT registered) for the whole period.
  
- 3) Calculate the Claimant's average gross weekly income, in the pre and post period of loss period.
  
- 4) To arrive at the Claimant's projected gross income in the period of loss, multiply the average gross weekly income, calculated at 3) above, by the number of weeks of the period of loss.
  
- 5) Deduct any actual gross income received in the period of loss to arrive at a loss of gross income.
  
- 6) Obtain a copy of the Claimant's Income and Expenditure Account / Profit and Loss Account most contemporaneous to the accident date.

- 7) Consider the expenses normally incurred by the Claimant in the operation of their business and identify those which are variable with respect to sales income, calculating a relevant variable expenses rate, using the methodology as shown below.

Actual Gross Income	<u>a</u>
Variable Expense 1	*
Variable Expense 2	*
Variable Expense 3	*
	<u>b</u>
Variable Costs Percentage	<u>(b/a) x 100</u>

- 8) Apply the variable expenses rate, calculated at 7) above, to the loss of gross income to arrive at the variable expenses that would have been incurred in achieving the lost gross income.
- 9) Deduct the variable expenses, calculated at 8) above, from the gross income, calculated at 5) above to arrive at a loss of net profit.
- 10) Obtain a copy of the Claimant's Tax Return most contemporaneous to the date of the accident. Using the same, apply the relevant marginal rates to the loss of profit, calculated at 9) above, to arrive at the Claimant's loss of net income.

It is obviously the case that there are numerous nuances on the records of different self employed people, however, by following the above methodology a relatively good broad assessment should be arrived at.

If you have any queries regarding any of the cases you are working on, then please do not hesitate to contact us on the details below.

**Leeds Office**

The Station  
77 Canal Road  
Armley  
Leeds  
LS12 2LX

Tel: 0113 3875670  
Fax: 0113 3875686

**Manchester Office**

Office 1b  
Amazon House  
3 Brazil Street  
Manchester  
M1 3PJ

Tel: 0161 2370699  
Fax: 0161 2370698