

THE SUCCESS PLAN'S

GUIDE TO SELF- EMPLOYMENT

Being your own boss
can be baffling as well as
breath-taking.

Here's an simple guide to
ensuring you get it right first
time.



THE
Success
PLAN

CONGRATULATIONS!

Starting your own business is an exciting opportunity.

You might want to become self-employed so that you can spend more time with your family, or so that you can focus on a project you're passionate about.

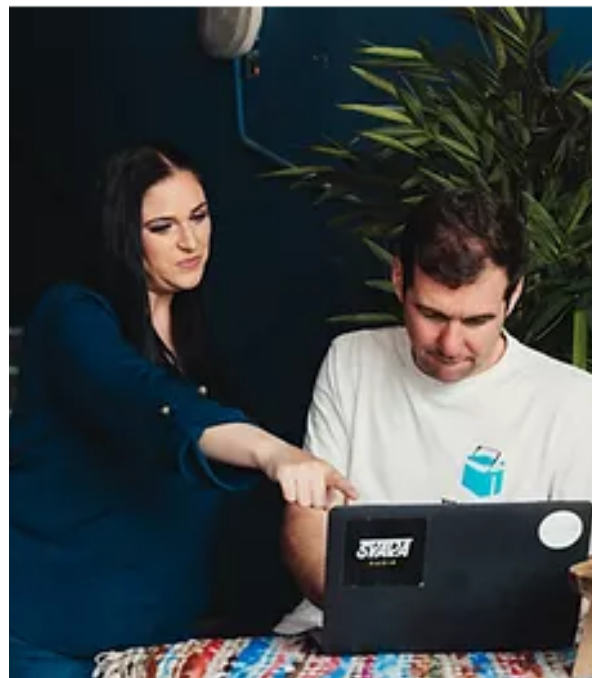
Becoming self-employed can be a lot to take on, but by taking things slowly, step-by-step and getting advice and support when needed, you can make your new business work for you and your family.

This guide is designed to give you a good basic knowledge of what is involved in getting started, your role and responsibilities as a business owner and is not designed to cover everything in great detail.

If you have a specific query please feel free to contact The Success Plan directly at info@thesuccessplankellyroskell.co.uk to book in a free business consultation.

You never know, it could be just what you need to get started!

Good luck in your new business!



KELLY ROSKELL
DIRECTOR

WHEN TO REGISTER AS SELF-EMPLOYED

... and so the adventure begins...



If you start working for yourself, you're classed as a sole trader.

This means you're self-employed - even if you haven't yet told HM Revenue and Customs (HMRC).

If you seek advice from a professional and a Limited Company is an option to you, you are still self-employed (your own boss) however you are seen as an owner and an employee of your own company in HMRC eyes, not self-employed.

You could also form a partnership in which you would both share financial ownership for the business or a charity or CIC may also be an option for you.

All of these options are available to you when planning the best business model for you.

You need to set up as a sole trader if any of the following apply:

- You earned more than £1,000 from self-employment between 6 April 2018 and 5 April 2019
- You need to prove you're self-employed, for example to claim Tax-Free Childcare
- You want to make voluntary Class 2 National Insurance payments to help you qualify for benefits.



HOW TO REGISTER AS SELF-EMPLOYED

As a sole trader you run your own business as an individual and you are self-employed.

You are also personally responsible for any losses your business makes but you receive 100% of all profits too.

You can call your business anything you like however there are a few rules set out by HMRC.

To set up as a sole trader, register for Self-Assessment at Gov.UK and file a tax return every year.

**Follow your
dreams,
Be your own boss.**

YOUR RESPONSIBILITIES

You'll need to:

- keep records of your business's sales and expenses
- send a Self Assessment tax return every year
- pay Income Tax on your profits and Class 2 and Class 4 National Insurance
- apply for a National Insurance number if you're moving to the UK to set up a business.



RECORD KEEPING

You must keep records of your income and expenses to report for your self-assessment tax return.

You'll need to keep records of:

- all sales and income
- all business expenses
- VAT records if you're registered for VAT
- PAYE records if you employ people
- records about your personal income

You do not need to send your records to HMRC however you will need to keep them for 5 years in case you need to prove your workings to HMRC for any reason.

HM Revenue and Customs (HMRC) may check your records to make sure you're paying the right amount of tax at any point.



If you are self-employed your business will no doubt have some sort of running costs and these can be deducted from your taxable profit provided they are an allowable expense.

(If you run your own limited company, you need to follow different rules. You can deduct any business costs from your profits before tax. You must report any item you make personal use of as a company benefit.)

These include:

- **office costs**, for example stationery or phone bills
- **travel costs**, for example fuel, parking, train or bus fares
- **clothing expenses**, for example uniforms

EXPENSES YOU CAN CLAIM

Have you seen our free guide
A-Z Business Costs Expenses for
Sole Traders?

- **staff costs**, for example salaries or subcontractor costs
- **things you buy to sell on**, for example stock or raw materials
- **financial costs**, for example insurance or bank charges
- **costs of your business premises**, for example heating, lighting, business rates
- **advertising or marketing**, for example website costs
- **training courses related to your business**, for example refresher courses

You cannot claim expenses if you use your £1,000 tax-free 'trading allowance'.

Contact your accounting professional or HMRC if you're not sure whether a business cost is an allowable expense.

**Work hard,
dream big.**

Self Assessment is a system HM Revenue and Customs (HMRC) uses to collect Income Tax.

Tax is usually deducted automatically from wages, pensions and savings.

People and businesses with other income must report it in a tax return.

If you need to send one, you fill it in after the end of the tax year (5 April) it applies to. For example, if you registered as self-employed from 5th June 2018 your tax year would end on 5th April 2019 and your period to report would be 5th June 2018 to 5th April 2019.

You can use the online service to:

- fill in and send your tax return to HM Revenue and Customs (HMRC)
- go back to a tax return you've already started
- check your details, view returns and print your tax calculation.

You'll need to register for Self-Assessment again if you've sent a tax return in the past but you did not have to send one last year.

SELF ASSESSMENT INCLUDING BUDGETING FOR TAX AND NI

In order to file your return online you will need to have registered for the Personal Tax Account at Gov.UK and activated the Self-Assessment section using the authorisation codes you will receive in the post upon requesting access.

You will need your personal UTR number (10 digits) sent from HMRC when you registered as self-employed.

Please note, you cannot use this service if

- you are a partnership,
- for a trust or estate,
- if you have lived abroad a non-resident,
- to report multiple chargeable gains, or if you get income from a trust,
- you're a Lloyd's underwriter or a religious minister.

Depending on your level of income and expenses in the reporting year you may have tax to pay upon submission of your return to HMRC.

How much tax you pay depends on the rates set by HMRC and do change each year.

For current rates please refer to HMRC. You may wish to set aside an amount each month in order to pay the tax bill at the end of the year. Your accounting professional can advise you on this depending on your level of income.

PAYROLLING EMPLOYEES

As a sole trader you can still hire employees and pay them a wage.

There are 7 things you need to do when employing staff for the first time.

1. Decide how much to pay someone - you must pay your employee at least the National Minimum Wage.
2. Check if someone has the legal right to work in the UK. You may have to do other employment checks as well.
3. Check if you need to apply for a DBS check (formerly known as a CRB check) if you work in a field that requires one, e.g. with vulnerable people or security.
4. Get employment insurance - you need employers' liability insurance as soon as you become an employer.
5. Send details of the job (including terms and conditions) in writing to your employee. You need to give your employee a written statement of employment if you're employing someone for more than 1 month.
6. Tell HM Revenue and Customs (HMRC) by registering as an employer - you can do this up to 4 weeks before you pay your new staff.
7. Check if you need to automatically enrol your staff into a workplace pension scheme. As an employer, you normally have to operate PAYE as part of your payroll.



PAYE is HM Revenue and Customs' (HMRC) system to collect Income Tax and National Insurance from employment.

Payments and deductions

When paying your employees through payroll you also need to make deductions for PAYE.

Payments to your employees

Payments to your employees include their salary or wages, as well as things like any tips or bonuses, or statutory sick or maternity pay.

Deductions from their pay

From these payments, you'll need to deduct tax and National Insurance for most employees.

Other deductions

You may need to include student loan repayments or pension contributions.



Everything begins
with an idea...

PAYROLLING EMPLOYEES

Reporting pay and deductions

If you run payroll yourself, you'll need to report your employees' payments and deductions to HMRC on or before each payday.

Your payroll software will work out how much tax and National Insurance you owe, including an employer's National Insurance contribution on each employee's earnings above £166 a week.

You'll need to send another report to claim any reduction on what you owe HMRC, for example for statutory pay. Paying HMRC

You'll be able to view what you owe HMRC, based on your reports. You then have to pay them, usually every month.

If you're a small employer that expects to pay less than £1,500 a month, you can arrange to pay quarterly.

Other things to report

As part of your regular reports, you should tell HMRC when a new employee joins and if an employee's circumstances change, for example they reach State Pension age or become a director.

You have to run annual reports at the end of the tax year - including telling HMRC about any expenses or benefits.

Most accounting professionals will offer an outsourced payroll function for you, please speak to them for more information if you decide not to do this yourself.

VAT

You must register your business for VAT with HM Revenue and Customs (HMRC) if its VAT taxable turnover is more than £85,000.

When you register, you'll be sent a VAT registration certificate.

This confirms

- your VAT number
- when to submit your first VAT Return and payment
- your 'effective date of registration' - this depends on the date you went over the threshold, or is the date you asked to register if it was voluntary.

You can register voluntarily if your turnover is less than £85,000, unless everything you sell is exempt.

You'll have certain responsibilities if you register for VAT.

Your VAT responsibilities

From your effective date of registration you must:

- charge the right amount of VAT
- pay any VAT due to HMRC
- submit VAT Returns
- keep VAT records and a VAT account

Most VAT registered businesses that earn over £85,000 must also follow the rules for 'Making Tax Digital for VAT'.



Register for VAT

Most businesses can register online - including partnerships and a group of companies registering under one VAT number.

By doing this you'll register for VAT and create a VAT online account (sometimes known as a 'Government Gateway account').

Using an agent

You can appoint an accounting professional to submit your VAT Returns and deal with HMRC on your behalf.

USEFUL CONTACT NUMBERS

If you have questions on any of the above it is suggested you see advice from your accounting professional in the first instance.

Its highly likely you will get an answer to your question however should they not be able to help you for whatever reason HMRC have dedicated helplines according to your topic:

HMRC Income Tax - 0300 200 3300

HMRC VAT - 0300 200 3700

HMRC Self Assessment - 0300 200 3310

HMRC NI - 0300 200 3500

HMRC Employers Helpline - 0300 200 3200

HMRC CIS - 0300 200 3210



The Success Plan Limited

Tel: 07958 651327

**Email:
info@thesuccessplan.co.uk**

Website: www.thesuccessplan.co.uk