

Darlington Business Venture - How to Register as Self-Employed

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Set up and register as self-employed

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navigating to:*

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Introduction

Setting up as a self-employed sole trader is the simplest and quickest way to start a one-person business. There isn't much paperwork to do. There are no registration fees to pay, but you must register as self-employed. Record keeping and accounting is straightforward, and there are the benefits of being your own boss.

Find out the consequences - and the **legal requirements** - of setting up as a sole trader in this guide. You will also find out how to meet your responsibilities for paying your own tax and National Insurance. Finally, our checklist will help you make sure that you have put your business on a proper legal footing.

Before you start

Anyone can set up in business as a sole trader, although for certain types of work you may need a licence or permission from your local authority. Restaurants, childminders, cab drivers and street traders, for example, all need to have a local authority licence. Your qualifications and business premises may be inspected beforehand to ensure you comply with regulations.

Working from home

If you run a business from home, you may have to pay business rates for the part of your home that you use for your business. This mainly depends on whether the business area of your home is also used for domestic purposes. If you simply work on a computer in a bedroom, for example, you will probably not have to pay business rates. See our guide on [business rates](#).

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You may need to get planning permission to set up a business at home. For example, if your business could cause a nuisance to your neighbours, or if you intend to do any building work to adapt your home. If in doubt, contact the planning department of your local authority. [Download a guide on planning permission from the Planning Portal website \(PDF\)](#).

Choose a name for your business

You can trade under your **own name**, eg M.Y.Self, or use another business name, eg Peerless Promotions.

If you decide to use a business name, you must make sure that your business **stationery** displays your name as well as the trading name of the business for example, M.Y.Self, trading as Peerless Promotions.

Your trading name should not be the same as - or too similar - to that of a business that already exists. Be careful that it does not contain words that people might find **offensive or misleading**. See our guide on how to [choose the right name for your business](#).

[Use our interactive tool to find out which legal structure is right for your business.](#)

Tax matters

As a sole trader you will have to pay income tax on any profits from your business. You must fill in a self-assessment tax return each year, detailing your income and expenses. See our guide on [income tax self assessment for self-employed people](#).

Make sure you register as self-employed with HM Revenue & Customs (HMRC) as soon as you start up in business on your own. If you fail to do this within the first three full months of becoming self-employed, you may have to pay a penalty of £100.

[Download a form to register as self-employed from the HMRC website \(PDF\)](#).

National Insurance

You'll have to make flat-rate Class 2 National Insurance contributions (NICs) throughout the year - £2.10 a week in 2006/07. Setting up a monthly direct debit is a good way to ensure you pay in time - [download a leaflet on how to make direct debit payments for Class 2 and 3 NICs from the HMRC website \(PDF\)](#).

If your annual profits are over a certain amount - £5,035 for the 2006/07 tax year - you will have to pay Class 4 NICs. You pay these along with your income tax - the amount you have to pay is calculated from your self-assessment tax return. See our guide on [Class 2 National Insurance contributions](#).

VAT

If your business has - or you expect it to have - a turnover of more than £61,000 a year, you must charge your customers VAT and send it to HMRC. [Use our interactive tool to find out if you need to register for VAT](#).

Employees

Sole traders can take on employees just like any other business. If you do, you will need to collect income tax and NICs from them and pay these to HMRC. You will therefore need to operate a PAYE (Pay As You

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Earn) payroll. See our guide on how to [operate a year-round PAYE system](#).

Keeping records

You must keep all the financial records you will need to fill in your tax returns. For a list of the requirements, see our guide on how to [set up a basic record-keeping system](#).

The construction industry

Special rules apply to subcontractors in the construction industry. [Find out about tax for construction industry subcontractors on the HMRC website](#).

Get help

[Use our interactive tool to get a beginner's guide to tax and accounts rules](#).

HMRC Business Support Teams can give you practical advice. [Find your local Business Support Team on the HMRC website](#).

You could also ask an accountant to help you with your tax returns or use one of the commercially available software packages.

Self-employment status

If your work comes from more than one source it is possible to be **employed** in one or more jobs - with your employer deducting tax and National Insurance - and **self-employed** in others.

If you're not sure whether your work counts as self-employment, ask yourself these questions:

- Do you have the final say in how the business is run?
- Do you risk your own money in the business?
- Are you responsible for meeting the losses as well as taking the profits?
- Do you provide the main items of equipment you need to do your job, not just the small tools many employees provide for themselves?
- Are you free to hire other people on your own terms to do the work you have taken on? Do you pay them out of your own pocket?
- Do you have to correct unsatisfactory work in your own time and at your own expense?

If you answer "yes" to most of these questions then you are probably self-employed already, and should notify HM Revenue & Customs (HMRC) immediately. You may be charged a penalty of £100 if you fail to register within the first three full months of becoming self-employed.

To better understand your employment status, [use the Employment Status Indicator on the HMRC website](#).

Checklist: setting up as self-employed

In order to legally set yourself up as a self-employed sole trader there are several things you must do. Make sure that you:

- register as self-employed with HM Revenue & Customs (HMRC)
- obtain any permits and planning permission that you may need from your local authority
- contact your local authority to find out

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whether you need to pay business rates

- contact HMRC to register for VAT if you expect to have turnover of more than £61,000 a year (from 1 April 2006)
- set up a financial record-keeping system
- put your name on all your business stationery, including letters, invoices, receipts and cheques

It's worth remembering, though, that this is just a start. As you continue in business, you may well have other legal and tax issues to bear in mind. [Use our interactive tool to get a beginner's guide to tax and accounts rules.](#)

Helplines

Business Link Helpline

0845 600 9 006

HM Revenue & Customs Newly Self-Employed Helpline

0845 915 4515

HM Revenue & Customs New Employer Helpline

0845 60 70 143

Related guides on businesslink.gov.uk

[Use our interactive tool to find out which legal structure is right for your business](#) | [Use our interactive tool to find out the main online transactions you can make](#)

[with government](#) | [Manage your personal list of starting-up tasks with our Business start-up organiser](#) | [Choose the right name for your business](#) | [Business rates](#) | [Legal structures: the basics](#) | [Set up and register a partnership](#) | [Use our interactive tool to get a beginner's guide to tax and accounts rules](#) | [VAT: the basics](#) | [Income tax self assessment for self-employed people](#) | [Operate a year-round PAYE system](#) | [Class 2 National Insurance contributions](#) | [Set up a basic record-keeping system](#) | [Set up a simple profit and loss account for your business](#) |

Related web sites you might find useful

[Download a form to register as self-employed from the HM Revenue & Customs \(HMRC\) website \(PDF\)](#)

[Download guidance on working for yourself from the HMRC website \(PDF\)](#)

[Download a guide on planning permission from the Planning Portal website \(PDF\)](#)

[Read some examples of business rate liability when working from home on the Valuation Office Agency \(VOA\) website](#)

[Read the guide to working from home at the VOA website](#)

[Find your local Business Support Team on the HMRC website](#)

[See the introduction to VAT at the HMRC website](#)

Set up and register as self-employed

Download the guide to employment status for tax and National Insurance contributions from the HMRC website (PDF)