

Working for Yourself – Information and Guidance

Being in charge of your own work affairs is exciting however it needs sensible and serious thought. Working for yourself is an alternative way of earning a living and requires the same perspective as being an employee. Plan ahead, work hard and receive the rewards only this time there is business income rather than a wage. Therefore, what factors are important for us to prepare for success?

Here is guidance as to what you should be considering.

The Business Plan

Marketing and Sales

Market research The 4 Ps	Products needed (Product) Who are the likely customers (Place) How would I find these customers (Promotion) What would they pay for my product or service (Price) What am I selling, to whom, how often and for how much?
Fairness and Quality	Reasonable offer for a reasonable price: retain fairness from both supplier and customer

How and I going to do the work

Planning a diary: Cannot be in two places at the same time	There is just you (maybe others involved) Work needs to be balanced to get the best income, avoid wasted travel time
Resources: What do I need to have	Equipment: machines, tools and vehicles Office: IT, smartphone, furniture, paper, filing and systems to make sure that I get the job done and get paid

Money Matters

Administration and some Legal Matters	Good IT set up: laptop, smartphone. Arrange back-up for data Package to manage transactions eg Quickbooks, SAGE or Excel Professional support: Accountant or Bookkeeper Terms & Conditions are ESSENTIAL Design a standard Invoice, Quotation and Estimate to use Bank Account (Free banking for 1-2 years) Name the Business How to get paid quickly and in full
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Set up costs	How much do I need to spend to get the business up and running Equipment, marketing, meeting people, office systems
Inventory	Do I intend to hold stock of products to work on and/or sell Where do I source them, store them and ensure no losses or damage
Cash Flow Pattern	Set out a pattern of expected income and costs over Year 1 Accurate records of Legitimate business expenses and invoiced sales Do you need some support from elsewhere (Bank, own savings?)

Getting paid quickly and in full

Invoicing	Quick, accurate, detailed, to the right person, use Customer process
Terms & Conditions of Sale	Clear on Payment Terms
Methods	On-line Banking, cash, cheques, Paypal, Smartphone
Checking	Robust follow-up reminders in your system
Avoid	Continuing to work for a customer who does not pay on time

Working from Home: points to consider

- ✓ For the family, keeping home life separate from work life
- ✓ Mess of papers, goods and equipment, telephone messages, noise in background when making calls (dog, babies and doorbell)
- ✓ Changing the Home in structure: mortgage lenders
- ✓ Keeping goods in the home: insurers risks
- ✓ Working from Home (is OK) or is it Trading from the Premises (not OK so needs Local Authority Approval)
- ✓ Nuisance to neighbours: noise, smells, parking of vehicles blocking access, unsafe activities

Needs sensible thinking through, discussing with the family and agreeing a plan of action.

Legal Structures

Compared here are Sole trader, Partnership and Private Limited Company, not considered is an LLP.

Sole Trader	Private Limited Company
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<p>Easy and simple to set up Online Register with HMRC (Tax Office) Need a Government Gateway Number</p> <p>Start date in current Tax Year Apply for Self-Assessment and NI Contribution Cost to set up zero Remember setting up then starts all Tax Return deadlines</p> <p>Separate Bank Account is essential though not mandatory Accountant same: cost £500+ pa</p> <p>Insurances: Public Liability (and maybe Prof Indemnity, Product) Name Sole Trader (no National Register)</p> <p>Personal Unlimited Liability</p> <p>(Gross Income – Legitimate Business Expenses) = Gross Profit Gross Profit = Your Gross Pay</p> <p>Taxation on Gross Pay with standard PAYE Scales</p> <p>NI Class 2 and Class 4 plus any Government additions</p> <p>Tax payable Jan and July on the Deposit system after year 1 of trading</p> <p>Drawings are taken weekly from the Profit: tax is paid as above</p>	<p>Register with Companies House and HMRC £25 Corporate Body trades and carries Risk Director(s) no need for a Company Secretary at this level</p> <p>Shares in the Business (1,000 ordinary shares at £1 each)</p> <p>Registered Office Accounting Period Business starts on Registration date Remember setting up then starts all reporting deadlines</p> <p>Separate Bank Account mandatory Accountant not mandatory however highly recommended: cost £1,800+ pa</p> <p>Limited Liability (realisable value of the Assets in the Business)</p> <p>Your Wages: pay tax as an employee with standard scales and NI at Class 1 Business pays Employer NI as well</p> <p>Gross Income – (Legitimate Business Expenses and your wages) = Net profit</p> <p>Corporation Tax on Net profit</p> <p>Dividends payable on Shares with free allowances then taxed at standard and higher rates as per the PAYE thresholds</p>
<p>Partnerships To be avoided if possible Must have a Partnership Agreement Registered with HMRC Jointly and Severally liable Tax submissions for each partner + partnership</p>	<p>Limited Liability Partnerships Tend to be used by professionals in some form of joint practice; accountants, solicitors, management consultants Protected by Limited Liability Registered with Companies House</p>

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Can reduce high rate tax liabilities	Taxation as per partnerships
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Consideration of either Legal Structure

Sole Trader/ Partnerships	Private Limited Company
Simple and easy to operate Must be low risk financial activities Must have support insurance in place Ideal for any business with a low level of activity, single operators, lower tax payers	More complex to operate in reporting Ideal for higher and uncertain risk activities Ideal for higher rate taxpayers Support insurance is recommended Note: for some activities Hirers will hire Limited Cos only

Value Added Tax

Registration is free and on-line. Not linked to any Legal Structure. Linked to Gross sales income: if £85,000 or more in any rolling 12 month trading period then it is mandatory to register for VAT. Points to consider:

1. Customer: if your customers are VAT Registered like businesses, then it pays to Register as the sequence of VAT does not affect your customers at all.
2. Suppliers: if you buy a lot of Vatable goods then you can claim the VAT back from the Government rather than your customers
3. Competitors: as VAT is a 20% cost to a customer, you could be more or less expensive in the marketplace

There are many providers of help in setting up as self-employed, many charge for their services so take care.

The government and HMRC websites are excellent for current information and support. www.gov.uk

WJSC disclaimer: this review is offered as a guide only. Professional advice is essential when considering setting in a self-employed or Limited arrangement.