



**YOU HAVE DECIDED TO  
WORK FOR YOURSELF, BUT  
WHAT NEXT?**

### PERMISSIONS TO TRADE

Depending on your trade (for example restaurants, childminders, cab drivers, and street traders) you may need a license or permission from your local authority. Your qualifications and business premises may be inspected to ensure you comply with regulations.

### PREMISES

You may need permission or separate insurance to run a home business, and you'll need to check if you have to pay business rates for the part of your home used for 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. If you are trading from a shop, office, warehouse, or factory, business rates will normally apply. If in doubt you should contact your local authority for confirmation.

### NAMING YOUR BUSINESS

You can use your own name or trade under a business name. If "trading as" you will need to make sure the trading name is not similar to a business that already exists/is considered offensive or misleading. You must include your own name and business name (if you have one) on any official paperwork, like invoices and letters, and so on.

### NATIONAL INSURANCE NUMBER

You will need your National Insurance number to register for Self Employment. If you do not have a National Insurance number you will need to call the National Insurance number application line on 0800 141 2079 who will chat through the next steps with you.

### REGISTERING WITH HMRC

When you start working for yourself you need to tell HMRC as soon as possible. At the latest, you should register by 5 October in your business's second tax year.

If you register later than this, you won't get a penalty as long as you send your Self-Assessment tax return and pay your bill on time.

### HOW TO REGISTER

You can call the Self-Employed Registration helpline on 0300 200 3300 or register online (form CWF1) at [www.hmrc.gov.uk](http://www.hmrc.gov.uk).

<https://www.gov.uk/register-for-self-assessment>

### NEXT STEP ONCE REGISTERED

When you have registered for Self Employment, HMRC will send you a Unique Tax Reference number to enable you to file annual tax returns.

### INSURANCE

Depending on the business and how you trade, you may be required by law to take out certain types of insurance.

The main type of insurance is Public Liability Insurance which provides cover for members of the public who may have been injured or had property damaged as a result of you/your employees carelessness at work and this is recommended.

Other insurances to consider depending on your type of trade are professional indemnity, employer's liability, premises and contents, vehicle, business interruption, and personal accident or sickness cover.

## VAT

The business must register for VAT and Making Tax Digital (MTD) with HMRC if it has or expects to exceed the annual turnover threshold of £90,000 in a rolling twelve-month period.

If VAT registered, VAT returns (normally quarterly) must be filed with HMRC depending on the VAT scheme the company decides to operate.

## EMPLOYING OTHER PEOPLE (PAYE)

If you plan to take on employees as an employer you will need to set up and operate a PAYE (Pay as You Earn) payroll scheme with monthly real time information submissions (RTI) to HMRC. (See Insurance section also)

## BUSINESS BANK ACCOUNT

You can operate your business through your personal bank account but you may wish to open a business bank account for simplicity and to keep personal and business transactions separate.

## KEEPING RECORDS FOR YOUR BUSINESS

You must keep accurate and detailed records for your business which must include a record of all your sales and purchases/expenses (please keep all business receipts). These must be kept for five more years after the normal tax return deadline of 31 January in case of any HMRC queries.

## NATIONAL INSURANCE CONTRIBUTIONS

You will have to pay National Insurance contributions through your Self-assessment tax return for the 2024/25 tax year of:

- Class 2 equivalent of £3.45 per week (if your annual Self Employment profits are below £6,725 you will not necessarily have to pay contributions).
- Class 4 of 6% of your Self-Employed profits between £12,570 and £50,270 and 2% over that amount which is paid through your Self-Assessment tax return

## INCOME TAX

You will pay income tax on your Self-Employed profits.

You must pay the balance of any tax you owe by 31st January following the end of the tax year.

For the 2024/25 tax year:

- You will not pay income tax on your first £12,570 of income.
- Tax is then payable at the basic rate of 20% on taxable income up to £50,270 and then at the higher rate of 40% above this up to £125,140.
- Over £125,140 the tax rate is 45%.

Please note an individual's personal tax owed for each year is ultimately contingent on an annual review of your entire tax affairs as you may have other income streams to take into consideration.

## PAYMENTS ON ACCOUNT

Under HMRC rules if your tax due is over £1,000 you'll usually have to make 'payments on account' based on the current year's tax. In its simplicity, HMRC estimate your tax owed for the following tax year will be the same as the previous tax year.

You'll have to make two payments, one by 31st January in the current year and the other by the following 31 July. Each payment is half of the tax due for the previous year.

For example, if you owe £1,000 tax for the 2024/25 tax year you must pay this with a 50% deposit towards the 2025/26 tax year. The total to be paid before 31st January 2026 would be £1,500 (£1,000 tax owed plus a 50% deposit of £500).

You will then need to pay another 50% deposit of £500 before 31 July 2026.

The payments on account paid towards the next tax year (2025/26) will then be offset against tax owed.

## IF YOU ARE NO LONGER SELF EMPLOYED

You will need to complete a tax return for the final year in which you stopped being Self Employed.

### Summary

Please note the above are guidance notes and just a start in your new venture. As you continue in business you may have other legal and tax issues to consider.

## BECOMING SELF-EMPLOYED TICK LIST – where relevant

- Business name and business stationery
- Obtain any permits and planning permission from your local authority
- Premises and business rates
- Self Employment Registration
- Insurance
- VAT
- PAYE
- Bank account
- Set up a business record keeping system

## BEING SELF-EMPLOYED IN THE CONSTRUCTION INDUSTRY

Special rules apply to contractors and subcontractors in the construction industry.

You should register as a subcontractor with the Construction Industry Scheme (CIS) if you're self-employed and are working for a contractor in the construction industry.

To register you'll need to call the CIS helpline on 0300 200 3210 and tell HMRC:

- The name of the business you want to register - your own name if you trade under it as a self-employed individual
- Your business address and other details about your business
- The unique taxpayer reference number for the business
- Your National Insurance number

Once registered your contractor will make CIS deductions of 20% from the payments they make to you (if you are not registered your contractor will deduct 30%).

Your contractor will pay the deduction made from your payment to HMRC and these will be offset against your annual tax and National Insurance owed.

To find out more information if needed please visit [www.hmrc.gov.uk/cis](http://www.hmrc.gov.uk/cis) or you can call the CIS helpline.

## SELF-EMPLOYED STATUS

You can be employed and self-employed at the same time, perhaps by working for an employer during the day and running your own business in the evenings.

There's no legal definition of employment or self-employment and the answer will normally depend upon the facts of your working arrangements and what your contract says, or a combination of both.

You are probably self-employed if you answer "yes" to most of these questions:

- Run your own business and take responsibility for its success or failure
- Have several customers at the same time
- Can decide how, when and where you do your work
- Are free to hire other people to do the work for you or help you at your own expense.
- Provide the main items of equipment to do your work
- Risk your own money
- Agree to do a job for a fixed price regardless of how long the job may take
- Correct unsatisfactory work in your own time and at your own expense

## About ABMV Chartered Accountants

Our specialist tax team can provide you with advice on all aspects of personal taxation. We work closely with our clients to ensure that they understand the tax implications of their actions, so they can plan ahead and conduct their affairs in a tax efficient way as possible. ABMV complete tax returns, calculate the client's tax liabilities for the year and also advise clients when to make payments and how much to pay.

### Contact details

For more information or to arrange a meeting call us on 01732 366077 or e-mail [chris@abmv.co.uk](mailto:chris@abmv.co.uk)  
ABMV Limited, 175 High Street, Tonbridge, Kent. TN9 1BX  
[www.abmv.co.uk](http://www.abmv.co.uk)