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WHEN TO SET UP AS A SOLE TRADER - INFORMATION FOR CLIENTS Walsh West Certified Chartered Accountants 2021

Setting up as a sole trader

If you're a sole trader, you run your own business as an individual and are self-employed.

You can keep all your business's profits after you've paid tax on them. You're personally responsible for any losses your business makes. You must also follow certain rules on running and naming your business.

When you need to set up as a sole trader

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 2020 and 5 April 2021
- 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 set up as a sole trader

To set up as a sole trader, you need to tell HMRC that you pay tax through Self-Assessment. You'll need to file a tax return every year.

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 - use HMRC's calculator to help you budget for this

You'll need to apply for a National Insurance number if you're moving to the UK to set up a business.



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VAT

You must register for VAT if your turnover is over £85,000. You can register voluntarily if it suits your business, for example if you sell to other VAT-registered businesses and want to reclaim the VAT.

Working in construction industry

Register with HMRC for the Construction Industry Scheme (CIS) if you're working in the construction industry as a subcontractor or contractor.

Naming your business

You can trade under your own name, or you can choose another name for your business. You do not need to register your name.

You must include your name and business name (if you have one) on official paperwork, for example invoices and letters.

Business names

Sole trader names must not:

- include 'limited', 'Ltd', 'limited liability partnership', 'LLP', 'public limited company' or 'plc'
- be offensive
- be the same as an existing trade mark

Your name also cannot contain a 'sensitive' word or expression, or suggest a connection with government or local authorities, unless you get permission.

Example To use 'Accredited' in your company's name, you need permission from the Department for Business, Energy and Industrial Strategy (BEIS).

Check which words you need permission to use, and who from.

You'll need to register your name as a trade mark if you want to stop people from trading under your business name.

For advice about Accounting and Taxation; call our team on 0203 488 7503, 01992 236 110
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