

Self-employed Guide

Being self-employed can be a benefit for you as you have complete control of setting up your business and running it daily. There are some matters that need to be dealt with upon becoming self-employed. Below is a check list of things you need to do.

Registering as self-employed with HMRC

When deciding to become self-employed, you MUST register with HMRC. You will be responsible for paying your own tax and National Insurance (NICs).

When do I need to register by?

HMRC recommends you register as soon as you decide to become self-employed. However, you do not have to register until the 5th October in your business' second tax year (a tax year runs from 6th April to 5th April the following year).

How do I register with HMRC?

Please click on the link below to sign in or register.

[HMRC services: sign in or register: Register for HMRC online services – GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/register-for-hmrc-online-services)

Tax and National Insurance (NICs)

Tax

You will need to calculate how much tax you pay and complete a Self-Assessment Tax Return every year. In some cases, a self-employed person will employ an accountant to formulate accounts and calculate the tax. You can file your tax return by clicking the link and signing in. [File your Self Assessment tax return online – GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/file-your-self-assessment-tax-return-online)

If you require any help with completing the Self-Assessment, than click on the link [Self Assessment tax returns: How to get help – GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/self-assessment-tax-returns-how-to-get-help)

National Insurance (NICs)

In addition to paying tax, you will also be responsible for paying National Insurance. The amount you must pay will very much depend on how much you earn per year.

If you earn over £6,515 (2021/22 tax year) than you will have to pay Class 2 NICs on your income which is currently £3.05 per week.

You will also need to pay Class 4 NICs which is a percentage of any annual profits. For example: In the tax year 2021/22, this is 9% of any annual profits made between £9,568 and £50,270 and 2% on any profits above £50,270.

Please note these rates may change each year so do check the GOV.UK site [Rates and allowances: National Insurance contributions – GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/national-insurance-contributions)

VAT – Do you need to register?

Whether you need to pay VAT or not is based on your annual turnover. For example, as of April 2021, if your annual turnover is £85,000 or more than you MUST register for VAT. The threshold usually rises each year therefore please do check each year what the threshold is by clicking the link below.

<https://www.gov.uk/vat-registration-thresholds>

There is the option to register for VAT even if you don't need to. Self-employed workers may opt for this as it makes them more creditable by having a VAT number on invoices/receipts. You will also be able to claim the VAT back on eligible purchases. Please see link below about claiming back VAT.

<https://www.gov.uk/reclaim-vat>

For further information about VAT registration and options on how to register, click on the link below.

<https://www.gov.uk/vat-registration/how-to-register>

Insurance

The requirement to have an insurance policy is determined on the type of business you are in. A self-employed person may opt to have an insurance policy as reassurance they are protected whilst working. However, if you decide to employ someone than you are **legally required** to have employer's liability insurance and must be covered up to £5 million. Employing without an employer's liability insurance policy could lead to a fine of up to £2,500 per day. The insurance certificate must be accessible for your employees to read.

Types of Insurance:

Employer's Liability: Covers if the employee has an accident at work and takes the employer to court for compensation.

Public Liability: Covers if a third-party makes a claim against the employer or employee for injury or personal possession damage.

Business Vehicle: Covers you on business-related journeys and works very much the same as a normal car insurance.

ILG PA can offer different insurance options. For further information, please visit the website [Click here](#)

Business Bank Account

When becoming self-employed, you need to take into consideration things such as managing your business finances, planning tax requirements and maintaining a budget. Therefore, we suggest opening a business bank account to ensure your business records and finances are kept separate from your personal affairs. Although it's not a legal requirement to have a business account, it may be worth checking your personal bank's terms and conditions as some bank's prohibit using a personal account for business purposes.

In addition to this, having a business bank account can make your business appear more professional and legitimate. The business name will display on invoices and cheques instead of your personal name.

[How to open a business bank account?](#)

Each bank is different, and it is worth checking the process with the bank you have chosen. Most banks will allow you to start a business account with an online application, however, some will insist on a face-face interview to complete the application.

Keeping Records

For you to have a well-organized business it is imperative to keep accurate and up to date records. You should collate all invoices, receipts, bank statements and any other important documents in a safe and secure place. This will make running your business easier and more efficient.

ILG PA provides a selection of templates and guides. Please [click here](#) for to view and download templates.