



Thinking of starting
your own business? ”

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

Issued by HM Revenue & Customs
Communications and Marketing
February 2009
© Crown copyright 2009
Printed by Paragon Services 03/09



Printed in the UK and made
from 50% recycled stock.



This booklet is updated and issued each year from April.

To view or download a PDF visit
www.businesslink.gov.uk/taxhelp

To order a copy please call
08459 15 45 15

There are a number of short online videos to help you understand the different areas to starting a business at
www.businesslink.gov.uk/taxhelp

These short online videos cover:

- Setting up in business
- Record Keeping
- Income Tax for the Self-employed
- National Insurance for the Self-employed
- Corporation Tax
- Construction Industry
- VAT
- Importing and Exporting
- Employing Other People
- Business Allowances

Introduction

So you've got a great idea and want to start out on your own. Here is some information you will find useful.

Good luck.

Important next steps

When you start working for yourself, you need to tell HM Revenue & Customs (HMRC) within three months. HMRC can help you understand what you need to do about tax to help you get it right.

To register all you have to do is visit www.businesslink.gov.uk/taxhelp or call the Self-employed Helpline on **08459 15 45 15** and give them details about you and your business. There is also a form at the back of this booklet you can fill in and send back to HMRC.

If you have any problems or are not sure whether you qualify as self-employed visit www.hmrc.gov.uk/startingup for more information or call **08459 15 45 15**. And if you're unemployed at the moment, don't forget to tell the jobcentre.

As soon as you register, HMRC will send you a helpful guide 'Giving your business the best start with tax'. It covers important issues such as income tax, National Insurance and record keeping.

Self-employed, Partnership, Limited Company or Franchise

Self-employed - individual

This means that you're working for yourself, although you may also have people working for you. You will pay income tax, on your business profits, through Self Assessment, as well as National Insurance.

Partnership

A partnership is where two or more people set up a business. Each partner is personally responsible for all the business debts, even if the debt was caused by another partner.

Limited Company

A limited company is legally separate from its owners. This means the company is liable for any debts, not the individual owners.

Managing tax and accounts for limited companies can be complicated. A solicitor or accountant will be able to offer advice on setting up a limited company and HMRC publish a number of useful guides about Corporation Tax, visit www.hmrc.gov.uk/ct

Franchise

Running a franchise means you are making a contract with the franchiser. It can be complicated, so you should always get legal advice. However, for general guidance you can visit www.british-franchise.org or call the British Franchise Association on **01491 57 80 50**.

To watch a short online video on 'Setting up in business' visit www.businesslink.gov.uk/taxhelp

Records you need to keep

It's vital to keep full and accurate records of your income and expenses from the start. Keeping records makes sound business sense and is a legal requirement. So it's important to get a proper system in place from the outset, and update the information regularly.

Also, keeping records is important as **penalties will be introduced in April 2009 for not taking reasonable care** with records and tax returns.

For more information about taking reasonable care and the new penalties visit www.hmrc.gov.uk/about/new-penalties/new-penalties.pdf

Please remember, it's your responsibility (even if you employ an accountant or tax adviser to do all this for you) to make sure all necessary tax returns are accurate, completed and received by HMRC in time. Also that you pay your Income Tax (IT) and National Insurance Contributions (NICs) and that you set up a Pay As You Earn (PAYE) scheme and operate PAYE correctly for any employees you may have.

To watch a short online video on 'Keeping Records' visit www.businesslink.gov.uk/taxhelp

Self Assessment

If you are self-employed you pay tax through Self Assessment (SA). After the tax year ends on the 5 April, you will need to complete a Self Assessment Tax Return, which you can either do online or by filling in a paper form.

If you complete a **paper Tax Return you need to make sure we have received it by 31 October**. A paper return received after this date may be charged a penalty.

If you choose to do your **Tax Return online, you will have until 31 January** the following year, to submit it. This gives you an extra three months. If it's late, you may be charged a penalty.

For help working it out, visit www.businesslink.gov.uk/taxhelp or call the Self Assessment Helpline on **0845 9000 444**.

To watch a short online video on 'Income Tax for the Self-employed' visit www.businesslink.gov.uk/taxhelp

National Insurance Contributions (NICs)

National Insurance Contributions (NICs) are paid by almost everyone who works for a living and go towards paying for pensions, benefits and healthcare. If you are self-employed, there are two main types of NICs to know about:

Class 2 National Insurance

This is a fixed amount, £2.30 per week for 2008-09, paid either by monthly direct debit or a quarterly bill. When you register as self-employed, you need to fill in the Class 2 direct debit form. If you haven't done this yet, just call the Self-employed Contact Centre on **08459 15 46 55**.

To watch a short online video on 'National Insurance for the self-employed' visit www.businesslink.gov.uk/taxhelp

Class 4 National Insurance Contributions

These are also payable by most self-employed people up to the age of 65. You pay the Class 4 NICs at the same time as your Income Tax if you are in a partnership, or if your spouse is self-employed too, then each person pays their own Class 4 NICs.

You can find out more about how to claim back overpaid NICs by visiting www.hmrc.gov.uk/incometax

Corporation Tax (CT)

If you are running a limited company then you may need to pay Corporation Tax (CT). Corporation Tax is a tax on your company's overall taxable income and profits.

There is a lot to know about Corporation Tax and many people choose to use an accountant to help them manage this. You can also get help with the basics at www.hmrc.gov.uk/ct

It's your responsibility (even if you employ an accountant) to make sure all necessary tax returns are completed on time.

From April 2011, all CT returns must be filed online, using XBRL, and CT payments made electronically.

If Corporation Tax is paid late, a penalty for late payment will be charged.

If you'd like to watch a short online video on 'Corporation Tax' visit www.businesslink.gov.uk/taxhelp

Being Self-employed in the Construction Industry (CIS)

Construction is a broad term. It covers almost anything done to permanent or temporary buildings, including alteration, decoration, repair or demolition.

There are many other activities covered by the scheme and some activities are also specifically excluded. If you have any doubt whether the Construction Industry Scheme (CIS) applies to the work you are doing, it's a good idea to check.

For more information visit www.businesslink.gov.uk or you can call the HMRC Construction Industry Scheme Helpline on **08453 66 78 99**.

To watch a short online video on the 'Construction Industry' visit www.businesslink.gov.uk/taxhelp

Value Added Tax (VAT)

VAT is a tax charged on most business-to-business and business-to-consumer transactions in the UK.

You must register for VAT if your turnover for the previous 12 months is over a specific limit - currently £67,000 (this limit is normally increased annually in the Chancellor's Budget) or if you think your turnover may soon go over this limit.

You may register voluntarily at any time.

Most VAT registration applications can be done online. For more information visit www.hmrc.gov.uk/vat

Once registered for VAT, you will fill in and submit regular VAT returns, and pay any VAT due. From April 2010, VAT registered businesses with an annual turnover exceeding £100,000, plus all new businesses registering for VAT after that date, will have to submit these returns online and pay electronically.

To watch a short online video about 'VAT' and 'Importing and Exporting' visit www.businesslink.gov.uk/taxhelp

Employing other people (PAYE)

If you plan to employ other people, you need to get everything sorted out well in advance regarding their pay and tax.

As an employer, you will be responsible for calculating and paying your employees' Pay As You Earn (PAYE) tax and National Insurance Contributions (NICs), and your own Employer's Class 1A National Insurance Contributions. Then there are other things you need to know such as the National Minimum Wage and ensuring your workers are eligible to work in the UK visit www.hmrc.gov.uk and employing migrant workers visit www.businesslink.gov.uk for more information.

You can register your details by e-mail at www.hmrc.gov.uk/employers or call the New Employer Helpline on **0845 607 0143**.

If you do register, then for whatever reason you don't employ anyone, let HMRC know or they will assume you should be making payments of employee tax and National Insurance Contributions and you may get an estimated bill.

When you have registered, HMRC will send you a New Employer Pack and a helpful Employer CD-ROM, which has clear and easy information explaining what to do when employing someone for the first time.

The CD-ROM allows you to file your annual employer return online - filing this return online will be a legal requirement from April 2010 onwards.

To watch a short online video about 'Employing Other People' please visit www.businesslink.gov.uk/taxhelp

Allowances, Reliefs and Incentives

There are allowances, reliefs and incentives that may be useful to your business for more information all you have to do is visit www.businesslink.gov.uk

If you'd like to watch a short online video on 'Allowances' visit www.businesslink.gov.uk/taxhelp

Tax Credits

Both self-employed and employed people can get tax credits. Tax credits are payments from the government to help with everyday costs. There are two types of tax credit, the Working Tax Credit and the Child Tax Credit.

If you want to check if you qualify for tax credits, visit www.hmrc.gov.uk/taxcredits or call **0845 300 3900**.

For more useful information please visit www.hmrc.gov.uk/taxcredits you can also use the HMRC online questionnaire to check that you qualify for tax credits before making a claim.

If you are already getting tax credits please call the Tax Credits Helpline to tell them that you are starting self-employment and that your income is going to change. It will help if you can give them an estimate of what you think your income is going to be.

Remember that if you are going from being employed to self-employed and you are already claiming tax credits, this is classed as a change of circumstances and you'll need to inform the Tax Credit Office.

Getting things done online

Online Services

Throughout this leaflet you will have noticed many references to websites and online facilities. Controlling your business online has never been easier, and there's a range of different services on offer from HMRC to help you get started. Please visit www.hmrc.gov.uk for more information.

HMRC recommend completing your returns online because it is secure and you can do it at a time that is convenient for you. You can also stop, save and come back to it at any point. Visit www.hmrc.gov.uk/demo to see the HMRC online demonstrator.

Help with computers and IT

The Government's Achieving Best Practice in Your Business programme helps small businesses use IT. There's practical advice available, as well as booklets, CD-ROMS and an e-commerce resource centre.

For more information visit www.dti.gov.uk/bestpractice or call **0845 715 2000**

Getting more help

Available help

There are many sources of information, advice and support available to people starting a new business. No one expects you to know how to do everything.

Face to face

You can get help and advice from HMRC's Advice Teams. They can provide you with helpful advice on what records to keep, how to complete tax returns and how to pay National Insurance. HMRC also provide 'Business Advice Open Days' and 'Employer Talk' events. These provide a range of free educational and support products for businesses. For more information visit www.hmrc.gov.uk/bst

Enterprise agencies and chambers of commerce

Enterprise agencies and chambers of commerce also offer support. If you are aged 18-30, you might be able to get help from The Prince's Trust. At the other end of the scale, PRIME helps the over-50s.

JobCentre Plus

If you are unemployed, tell your JobCentre Plus you are thinking about working for yourself. As well as sorting out your benefits and tax credits, you might be able to get other assistance.

Getting someone else to do it for you

An accountant can help you to organise your business to make it as financially rewarding for you as possible. There is information and advice on how to choose an accountant at www.businesslink.gov.uk

Self Assessment

For more information visit www.hmrc.gov.uk/sa or call **0845 9000 444**

National Insurance Contributions (NICs)

For more information visit www.hmrc.gov.uk/nic or call **08459 15 46 55**

National Insurance Contributions visit www.hmrc.gov.uk/nic

Deferment Services Helpline
For more information call **08459 15 71 41**

National Insurance Contributions for self-employed people with small earnings
For more information visit www.hmrc.gov.uk/forms/cf10.pdf (this includes the Small Earnings Exception (SEE) form).

Voluntary National Insurance Contributions
For more information visit www.hmrc.gov.uk/nic/ca5603.pdf

National Insurance for Company Directors
For more information visit www.hmrc.gov.uk/nitables/ca44.pdf

Corporation Tax

For help with Corporation Tax, you need to contact your local office - you can find contact details at www.hmrc.gov.uk/ct

Construction Industry Scheme (CIS)

For more information visit www.hmrc.gov.uk/cis or call **0845 366 7899**

Contractors' Helpline call **0845 733 55 88**

Value Added Tax (VAT)

For more information visit www.hmrc.gov.uk/vat or call **08450 10 9000**

Customs National Advice Service (NAS)
For more information call **08450 10 9000**

PAYE

For more information Newly Self-employed visit www.hmrc.gov.uk/startingup or call **08459 15 45 15**

Employers

For more information visit www.hmrc.gov.uk/employers or call the New Employer's Helpline **0845 60 70 143**

National Minimum Wage

For more information call **0845 6000 678**

Working in the UK

For more information visit www.businesslink.gov.uk

Tax Credit

For more information visit www.hmrc.gov.uk/taxcredits or call **0845 300 3900** or text **0845 300 3909**

General help available

Business Link

Business Link is a Government-funded service that provides the information, advice and support you need to start, maintain and grow a business. Rather than providing all the help and advice itself, Business Link puts you in touch with the local experts you need.

They also produce the No-Nonsense Guide to Government rules and regulations for setting up your business.

Visit www.businesslink.gov.uk or call **0845 600 9006** for more information.

There's also general information available through:

England: Business Link visit www.businesslink.gov.uk or call **0845 600 9006**

Wales: Business Eye visit www.busesseye.org.uk or call **08457 969 798**

Scotland (Lowlands): Small Business Gateway visit www.bgateway.com or call **0845 609 66 11**

Scotland (Highlands): Highlands and Islands Enterprise Information Source visit www.hie.co.uk or call **01463 715 400**

Northern Ireland: Invest NI visit www.investni.com or call **028 90 23 90 90**

More NICs help and support

There are also helpful workshops and Employer Talk events visit www.hmrc.gov.uk/bst for more information.

Register now and get the ball rolling on your self-employed career.
Fill in this form and send it to us right away.