



Thinking of working
for yourself? ””



HM Revenue
& Customs

There is a range of products and services including online presentations (webinars) and bite sized videos to help you understand the different aspects of starting a business.

Visit www.hmrc.gov.uk/startingup/help-support.htm to see the range of help and support available.

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

Important next steps

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

To register with HMRC all you have to do is visit www.hmrc.gov.uk/newbusiness. If you're starting a limited company, you need to register with Companies House first. Companies House will inform HMRC who will then send you an introductory pack that includes form CT41G (new company details). Please complete this form to let HMRC know you have started in business.

If you have any problems or aren't sure if you qualify as self-employed visit www.hmrc.gov.uk/startingup for more information or call the Newly Self-Employed Helpline. If you're unemployed at the moment, don't forget to tell the jobcentre that you've started working for yourself.

There's also a helpful guide 'Giving your business the best start with tax' available at www.hmrc.gov.uk/startingup/working-yourself.pdf. 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'll pay Income Tax on your taxable profits, through Self Assessment. You may also need to pay National Insurance.

If you do employ people, you'll have to operate PAYE (Pay As You Earn) on their earnings in most cases, and send your Employer Annual Return to HMRC online.

Partnership

A partnership is where two or more people set up a business together. Each partner is personally responsible for all the business debts, even if the debt was caused by another partner. For more information on how to do your Self Assessment go to the HMRC website at www.hmrc.gov.uk/payinghmrc and select 'Self Assessment (Income Tax and Capital Gains Tax)'.

Limited company

A limited company is legally separate from its shareholders or directors.

This means the company is liable for any debts.

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 has a number of useful guides on 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.thebfa.org or call the British Franchise Association on **0123 582 0470**

Keeping records

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 a **penalty may be due for not taking reasonable care** with records and tax returns.

For more information about taking reasonable care, you may find the following resources useful:

- www.hmrc.gov.uk//recordkeeping
- A short online video on keeping records
www.hmrc.gov.uk/startingup/help-support.htm
- New penalties
www.hmrc.gov.uk/about/new-penalties/

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 tax returns are completed accurately and received by HMRC in time. Also, remember to pay your Income Tax and National Insurance contributions and - if you have any employees - to set up a PAYE scheme and operate PAYE correctly.

Self Assessment

If you are self-employed, you pay Income Tax through Self Assessment. 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**. You may be charged a penalty if your paper return is received after this date.

If you choose to do your **tax return online, you need to make sure we have received it by 31 January** the following year, giving you an extra three months. If it is late, you may be charged a penalty.

Whether you complete a paper tax return or choose to do it online, you also need to pay any tax you owe by 31 January. If you pay your tax late, you will be charged interest from the date your tax was due and may be charged penalties.

For direct access to HMRC's ready reckoner tool for the self-employed click here **HM Revenue & Customs: Self-employed ready reckoner**

For more help visit **www.hmrc.gov.uk/sa**

To watch an online presentation on 'Self-employment' and 'HMRC' visit **www.hmrc.gov.uk/startingup/help-support.htm**

National Insurance contributions

National Insurance contributions 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 National Insurance contributions you need to know about.

Class 2 National Insurance contributions

Most self-employed people have to pay Class 2 National Insurance contributions but in certain circumstances you may be exempt from paying. You pay Class 2 National Insurance contributions at a fixed amount, by monthly Direct Debit.

For more information on paying Class 2 National Insurance contributions, including exceptions, visit www.hmrc.gov.uk/working and select 'Self-employed tax and National Insurance'.

To apply for an exemption from paying Class 2 National Insurance contributions (if your earnings will be low), download form CF10 'Self-employed people with small earnings' at www.hmrc.gov.uk/forms/cf10.pdf

For more information on setting up your Direct Debit or paying by another method, visit www.hmrc.gov.uk/payinghmrc and select 'Self-employed Class 2 National Insurance'.

There are also helpful workshops and 'Employer and Business Advice events', for more information visit www.hmrc.gov.uk/bst/index.htm

Class 4 National Insurance contributions

You pay Class 4 National Insurance contributions if your annual taxable profits are over a certain amount. In certain circumstances you may be exempt from paying. You pay Class 4 National Insurance contributions at the same time as your Income Tax if you're self-employed or in a partnership. If your spouse is self-employed too, then each person pays their own Class 4 contributions.

For more information on paying Class 4 National Insurance contributions - including exceptions - visit www.hmrc.gov.uk/working and select 'Self-employed tax and National Insurance'.

To watch the short online video 'National Insurance - for the self-employed' visit www.hmrc.gov.uk/startingup/help-support.htm

Corporation Tax

If you are running a limited company then you may need to pay Corporation Tax. Corporation Tax is a tax on your company's overall taxable 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.

All Company Tax Returns must be filed online and you must pay your Corporation Tax and related payments such as interest or penalties electronically. If you file your return late, you may have to pay a penalty. If you pay your Corporation Tax late or don't pay enough, you'll be charged interest.

To watch an online presentation on Company Directors - understanding your responsibilities to HMRC, which includes an overview of responsibilities to 'Companies House and HMRC' go to www.hmrc.gov.uk/startup/help-support.htm

Self-employed and the Construction Industry Scheme

The Construction Industry Scheme (CIS) is a set of special rules for handling payments made by contractors to subcontractors for construction work. If you are working in the construction industry or doing other construction related work you may need to register with HMRC as either a contractor or subcontractor under CIS.

If you have any doubt whether CIS applies to the work you are doing, it's a good idea to check.

For more information visit www.hmrc.gov.uk/cis/

To watch the short online video 'Construction Industry Scheme' visit www.hmrc.gov.uk/startup/help-support.htm

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 in any 12 month period is over a specific limit - 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/start/register/how-to-register.htm

Once registered for VAT, you need to fill in and submit regular VAT returns online, and pay any VAT due electronically.

All VAT registered businesses must submit their returns online and pay electronically any VAT that is due. HMRC provide full details on how to do this in the VAT registration pack which is sent out to all newly registering VAT customers.

For more information visit www.hmrc.gov.uk/payinghmrc/vat.htm or to watch a short video or an online presentation on 'VAT' and 'Importing and exporting' go to www.hmrc.gov.uk/starting-up/help-support.htm

Employing other people

If you plan to employ other people, you will - amongst other things - be responsible for calculating and paying to HMRC your employees' PAYE (Pay As You Earn) tax and National Insurance contributions. You'll also need to pay Employer's Class 1A National Insurance contributions.

Before you can do any of that you'll need to register as an employer with HMRC and choose and set up a payroll system. For information on when you should register as an employer and a link to the online registration form visit www.hmrc.gov.uk/pay/intro/register.htm

For help with choosing which payroll system might be best for your business, visit www.hmrc.gov.uk/pay/intro/payroll-system.htm

HMRC have also developed a set of Basic PAYE Tools. The Tools contain a number of calculators and most of the forms you will need to help you to run your payroll throughout the year. You can download the Basic PAYE Tools from www.hmrc.gov.uk/basicpayetools

There are other things you need to know, such as ensuring your workers are eligible to work in the UK, your obligations relating to the national

minimum wage and making sure you use the correct tax code for your employees. For more information on these subjects and everything to do with payroll for employers, visit www.hmrc.gov.uk/pay/index.htm

As an employer until April 2013, you'll need to report to HMRC the amounts of tax and National Insurance contributions you've deducted during each tax year on an Employer Annual Return. Almost all employers must file this information online, along with forms used when employees start or leave your employment. From April 2013 all employers will report to HMRC PAYE in real time. This means they will have to send HMRC PAYE information every time employees are paid, at the time they are paid. It must be done electronically using payroll software as part of the routine payroll process, rather than separately at the end of the tax year. New employers registering from November 2012 will go straight onto PAYE in real time. For more information on online filing and PAYE in real time visit www.hmrc.gov.uk/pay/file-or-pay/fileonline/intro.htm

To watch an online presentation about 'Employing other People' visit - www.hmrc.gov.uk/startup/help-support.htm

Allowances, reliefs and incentives

There are allowances, reliefs and incentives that may be useful to your business.

For more information on 'Business Allowances' visit www.hmrc.gov.uk/incometax/relief-self-emp.htm

Tax credits

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

If you want to check if you qualify for tax credits, visit www.hmrc.gov.uk/taxcredits or call the Tax Credits Helpline on **0845 300 3900**. You can also use an online questionnaire at www.hmrc.gov.uk/taxcreditsquestionnaire to check that you qualify for tax credits before making a claim.

If you are already getting tax credits please call the Tax Credit Helpline to tell them that you're 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're going from being employed to self-employed and are already claiming tax credits, this is classed as a change of circumstances and you'll need to inform the Tax Credit Office or call the Tax Credit Helpline.

Do it online

Online services

Throughout this leaflet you will have noticed many references to websites and online facilities. Managing 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/online for more information.

To tell HMRC you have started in business, taken on an employee for the first time or if you need to register for VAT, you can use HMRC's online service, which you will find on the HMRC website. The service allows you to register for the following business taxes:

Self Assessment

PAYE

Corporation Tax

VAT

Once you have enrolled to use either HMRC's Corporation Tax or Self Assessment online service you can set up a Business Tax Dashboard. You can use your dashboard to see the tax position for your business across different business taxes as it brings together information from your HMRC online services.

You are required to file your Employer Annual Return and starter and leaver forms (P45, P46 etc.) and your VAT returns online.

HMRC also recommends completing your Self Assessment tax returns online because it's 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.

To find out more about filing your Self Assessment tax return online visit www.hmrc.gov.uk/onlinereturn

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.

Online seminars for businesses and the self-employed.

HMRC offer a series of free online presentations or 'webinars' to give tax help to businesses and the self-employed. The webinars cover many different topics including:

- business expenses
- capital allowances
- first steps as an employer
- the Construction Industry Scheme
- an overview of Limited Companies
- how VAT works.

To view a webinar visit www.hmrc.gov.uk/webinars/index.htm

Face-to-face

You can get help and advice from HMRC's Business Education and Support 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 provides 'Employer and Business Advice' events. These provide a range of free educational and

support products for business. 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. In addition, a charity called PRIME offers help to the over-50s.

Jobcentre Plus

If you're unemployed, tell your Jobcentre Plus that you're thinking about working for yourself. They may be able to provide assistance.

Getting someone else to do it for you

An accountant can help you organise your business to make it as financially rewarding for you as possible. Please remember, if you do use an accountant, it is your responsibility to make sure any tax returns are completed accurately and received by HMRC on time and any payments are made by the due date.

For more information

For help with Self Assessment visit www.hmrc.gov.uk/sa

For help with National Insurance contributions visit www.hmrc.gov.uk/working

To apply to pay voluntary National Insurance contributions, download www.hmrc.gov.uk/nic/ca5603.pdf or visit www.hmrc.gov.uk/ni/volcontr

For information about paying National Insurance for company directors download www.hmrc.gov.uk/nitables/ca44.pdf

For help with Corporation Tax, visit www.hmrc.gov.uk/ct or if you need to contact your HMRC office visit www.hmrc.gov.uk/contactus for more information

For help with the Construction Industry Scheme visit www.hmrc.gov.uk/cis

For help with VAT visit www.hmrc.gov.uk/vat

For help with Customs or Excise duties visit www.hmrc.gov.uk

Newly self-employed visit www.hmrc.gov.uk/startingup

Employers visit www.hmrc.gov.uk/employers

For help with tax credits visit www.hmrc.gov.uk/taxcredits

For more information on starting a new business visit www.hmrc.gov.uk/startingup

For a range of online seminars for businesses and the self-employed visit: www.hmrc.gov.uk/webinars/index.htm

General help available

There's also general information available through:

UK visit: **www.gov.uk**

Wales: Flexible Support for Business
visit **www.fs4b.wales.gov.uk**
or call **0300 060 3000**

Scotland (Lowlands): Small Business
Gateway visit **www.bgateway.com**
or call **0845 609 6611**

Scotland (Highlands): Highlands and
Islands Enterprise Information Source
visit **www.hie.co.uk**
or call **0146 371 5400**

Northern Ireland: Invest NI
visit **www.investni.com**
or call **0289 023 9090**

**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
Corporate Communications
November 2012
© Crown copyright 2012