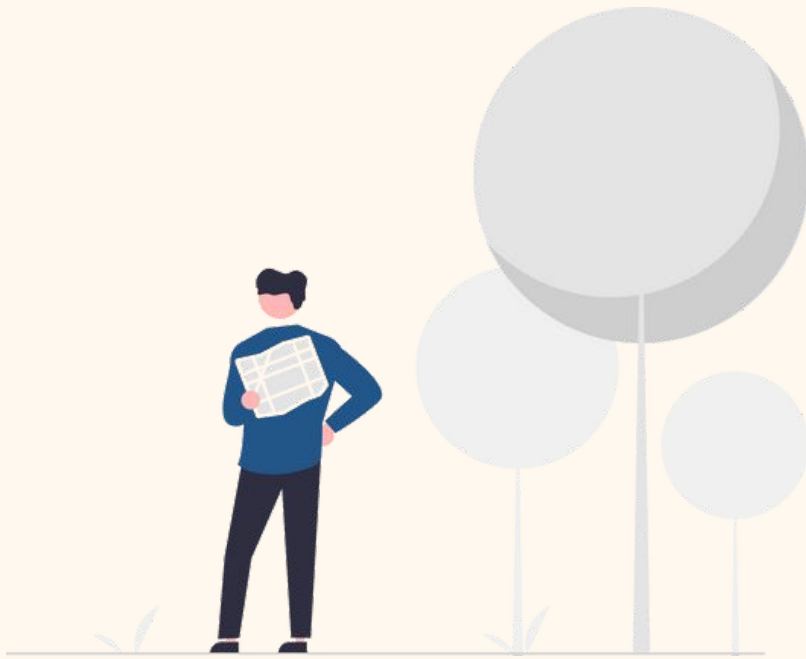


Register as a Self-employed



Welcome to our comprehensive guide on registering as self-employed in the UK. Whether you're considering freelancing, starting your own business, or pursuing a passion project, understanding the process of registering as self-employed is essential. In this guide, we'll walk you through the steps, requirements, and important considerations to ensure a smooth and successful registration process. Let's understand what it means to be self-employed and how to get started on the right foot.

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About GoForma

Since 2019, GoForma has been providing support for UK individuals and companies with their tax, filing and accounting needs.

We provide a highly personalised service with access to a dedicated accountant, industry specialists and bespoke software designed to reduce your admin and optimise your tax.

[Learn more](#)

Part 1

Self-employed in the UK

- [What Does it Mean to be Self-Employed?](#)
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- [What is a Sole Trader?](#)
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What Does it Mean to be Self-Employed?

Being self-employed means to work for yourself rather than for an employer. It's all about being your own boss, setting your own hours, and taking charge of your career. As a self-employed individual, you are responsible for finding clients, providing goods or services, managing your business finances, and complying with tax regulations.

Self-employment includes a wide range of professions and industries, including freelancers, sole traders, independent contractors, consultants, and small business owners. Whether you're providing services, selling products, or pursuing creative endeavors, if you're working for yourself, you're considered self-employed.

According to [Gov.uk](https://www.gov.uk), you're classed as a sole trader when you become self-employed - even if you have yet to inform HMRC.



Types of Self-Employment

Self-employment comes in all shapes and sizes. Here are a few common types:

- **Sole Trader:** This is the simplest form of self-employment. As a sole trader, you run your own business as an individual. You're personally responsible for your business's profits and losses, and you report your income and expenses on your tax return.
- **Freelancer:** Freelancers offer their skills or services to clients on a project-by-project basis. They might be writers, designers, consultants, or programmers, working independently and often remotely.
- **Contractor:** Contractors are hired by businesses to work on specific projects or tasks for a set period of time. They're typically paid a fixed fee or hourly rate for their services and may work through their own limited company, as a self-employed individual, or under an [umbrella company](#).
- **Business Owner:** Some self-employed individuals run their own businesses, employing staff and managing day-to-day operations. They could be running anything from a small local shop to a booming online enterprise.

What is a Sole Trader?

A sole trader is a self-employed person who is also the exclusive owner of a business. In short, the sole trader and the business are one and the same. This is the most straightforward and common form of business structure, particularly among freelancers, consultants, and small businesses. Sole traders are entitled to all profits of the business after tax has been paid, and liable for all losses.



Key Characteristics of a Sole Trader

- **Individual Ownership:** As a sole trader, you own and operate the business entirely on your own. There is no legal distinction between you and your business entity.
- **Unlimited Liability:** You are personally liable for any debts or legal obligations incurred by the business. Your personal assets may be seized to pay for losses incurred by the business.
- **Simplicity:** Setting up as a sole trader is straightforward and involves minimal paperwork and legal formalities.
- **Taxation:** Sole traders are required to register for Self Assessment with HMRC, report business income and expenses, and pay income tax and National Insurance contributions on profits.
- **Continuity:** A soletradership is dependent on its owner; the company will cease to exist depending on the owner's personal circumstances, such as death, retirement, bankruptcy or imprisonment.



Pros and Cons of Being a Sole Trader

Advantages of becoming a sole trader:

- Full control and greater flexibility
- Ease to set up
- Lower set up costs
- Greater privacy
- Full ownership of the profits
- Fewer statutory requirements
- Easy to switch to a different [business structure](#)

Disadvantages of becoming a sole trader:

- Subject to unlimited liability
- Tax planning limitations
- Risk of Burnout
- Lack of business continuity
- Limited growth potential



Part 2

Registering as a Self Employed

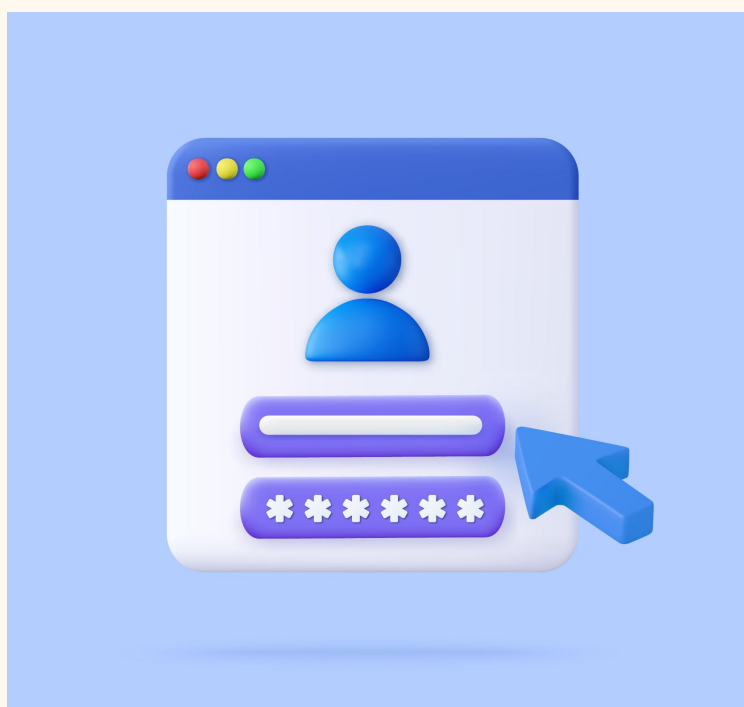
- [Who Can Register as Self-Employed?](#)
- [When You Need to Set Up as a Sole Trader](#)
- [How to Register as a Self Employed](#)

Who Can Register as Self-Employed?

Anyone who wants to work for themselves can register as self-employed in the UK. Whether you're a budding entrepreneur with a big idea, a freelancer looking to strike out on your own, or a tradesperson ready to start your own business, self-employment is open to all.

To register as self-employed, you need to meet a few basic criteria:

- You must be at least 16 years old.
- You must be living in the UK.
- You must intend to make a profit from your business activities.



When You Need to Set Up as a Sole Trader

You need to set up as a sole trader on fulfilling following conditions:

- You earned over £1,000 from self-employment between April 6, 2023, and April 5, 2024.
- You need to prove you're self-employed, like for claiming tax-free childcare.
- You wish to make voluntary Class 2 National Insurance payments to boost your eligibility for benefits.

How to Register as a Self Employed

1.Choose a Business Name:

While you're not required to register your business name as a sole trader, your name and business name (if you have one) must be included on official paperwork. Ensure that you are abide by [sole trader business naming rules](#) when you select a business name.

2.Gather Required Information:

Ensure you have the necessary information on hand before starting the registration process. This includes your personal details (name, address, National Insurance number), business name (if applicable), and contact information.

3.Keep Business Records:

It's important to maintain records of the following to work out your profit or loss for your tax return or to show them to HMRC if asked

- Sale and income earned through your business
- All expenses related to your business operations
- Keep VAT records if VAT registered
- Maintain PAYE records If you have employees
- Keep records of your personal income
- Records of any grants received through the Self-Employment Income Support Scheme

4. Register for Self Assessment to Pay Tax:

Register with HMRC for Self Assessment. This process involves providing details about your business activities and personal information to receive a Unique Taxpayer Reference (UTR).

5. Register for VAT (if applicable):

If your taxable turnover exceeds the VAT registration threshold £90,000, you must [register for VAT](#).

6. Register for CIS (if applicable): Register with HMRC for the [Construction Industry Scheme \(CIS\)](#). This will only apply if you're working in the construction industry as a subcontractor or contractor.



Part 3

Sole Trader Reporting Requirements

- [Sole Trader Responsibilities](#)
- [Calculating Your Self-employed Tax](#)
- [Calculating Class 2 NICs](#)
- [Calculating Class 4 NICs](#)
- [Calculating Taxes Being Employee as well as self-employed](#)
- [Important Deadlines](#)
- [Penalties](#)
- [Stop Being Self-Employed](#)

Sole Trader Responsibilities.

Once you've registered as self-employed, you'll need to fulfill your responsibilities as a sole trader. These include:

- **Keep records of your sales and expenses:** You'll need to keep your records for up to five years after the relevant tax return submission deadline. This is important as HMRC may ask to review these documents, and you can be fined for failing to keep proper records.
- **Submit a [Self Assessment tax return](#) each year:** You have the option of filing your tax return [online](#) or submitting a paper form. If you're making an online submission, you'll just have to fill out the relevant sections. If you're filling out a paper tax return, you'll will need to fill out the [SA100 form](#), but you may also need to fill out other supplementary pages depending on your situation.

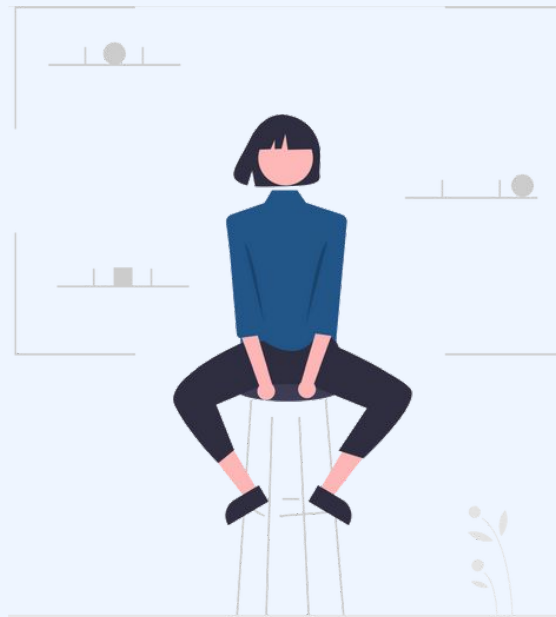


Pay income tax and National Insurance

Contributions: As a self-employed person, you need to pay income tax on business profits after expenses and personal allowances have been accounted for.

If your tax bill exceeds £1,000, you'll need to make [payments on account](#). These are advance payments for your tax bill that are spread out across the year. You'll need to make two payments each year, and these are due on 31st January and 31st July.

You'll also need to pay Class 2 and Class 4 National Insurance contributions (NICs).



Calculating Your Self-employed Tax.

Income tax: How your income tax is calculated is the same as if you were employed. For the 2024/25 tax year, the income tax rates and bands are:

Tax Band	Tax Rate	Income
Allowance	0%	£12,570
Basic tax rate	20%	From £12,571 to £50,270
Higher tax rate	40%	From £50,271 to £125,140
Additional tax rate	45%	Above £125,140

Keep in mind that the tax rate applies only on the amount that falls between the brackets, and not your entire profit.

Example:

Income tax on a profit of £75,00:

No tax is paid on £12,570

Basic rate: £50,270 - £12,570 = £37,700.

$20\% \times £37,700 = £7,540$

Higher rate: £75,000 - £50,270 = £24,730.

$40\% \times £24,730 = £9,892$

Total income tax = £7,540 + £9,892 = £17,432

Calculating Class 2 NICs

Profits above £6,725:

Class 2 contributions are treated as having been paid to protect your National Insurance record. This means you do not have to pay Class 2 contributions.

Profits less than £6,725:

You do not have to pay anything but you can choose to pay voluntary Class 2 contributions.

Class 2 NICs are at a fixed weekly amount of £3.45 per week (for the 2024/25 tax year).

These payments are calculated based on the number of weeks you've been self-employed in the tax year. For instance, if you became self-employed on 1 January 2024, you'll pay a total of £48.30 - the sum of 14 weeks of Class 2 payments starting from 1 January 2024 until 5 April 2025 (the end of the tax year).

Calculating Class 4 NICs

Class 4 NICs are calculated based on your self-employed profits.

You'll need to make Class 4 payments of 6% on profits between £12,570 and £50,270 (for the 2024/25 tax year). If your profits are above the upper profits limit of £50,270 (for the 2024/25 tax year), you'll pay a lower rate of 2% on profits.



Calculating Taxes Being Employee as well as self-employed.

Running a business or freelancing on the side in addition to holding down a full-time job? Here's how your taxes are calculated:

Income tax is calculated on the total amount you earn, so you'll need to sum up your salary from your full-time role and profits you earn as a self-employed worker.

Example:

Individual earning a full-time salary of £30,000 and sole trader profits amounting to £15,000:

Total income: $£30,000 + £15,000 = £45,000$

No tax is paid on £12,570 (personal allowance)

Total taxable income: $£45,000 - £12,570 = £32,430$

Basic Rate: $£50,270 - £12,570 = £37,700$. As the individual's total taxable income (£32,430) falls under the basic rate income band, the total income tax paid will be: $20\% \times £32,430 = £6,486$

Important Deadlines.

Self Assessment Tax Return:

- **5 October:** Deadline for registering for Self Assessment for the first time
- **31 October:** Deadline for Self Assessment paper tax return
- **31 January:** Deadline for Self Assessment online tax return and tax payment due
- **31 July:** Second payment deadline, if you make advance payments towards your bill (known as 'payments on account').

VAT:

- Register for VAT within 30 days of fulfilling the conditions that makes VAT registration compulsory.
- [Submit your VAT return](#) online every quarter, even if you don't have VAT to pay or reclaim.
- Submit a VAT return and make payments one month and seven days after the end of a VAT period

Construction Industry Scheme (CIS):

If you're a CIS contractor, you need to send your monthly returns to HMRC by the 19th of each month, , followed by payments made by 22nd of each month.

Penalties

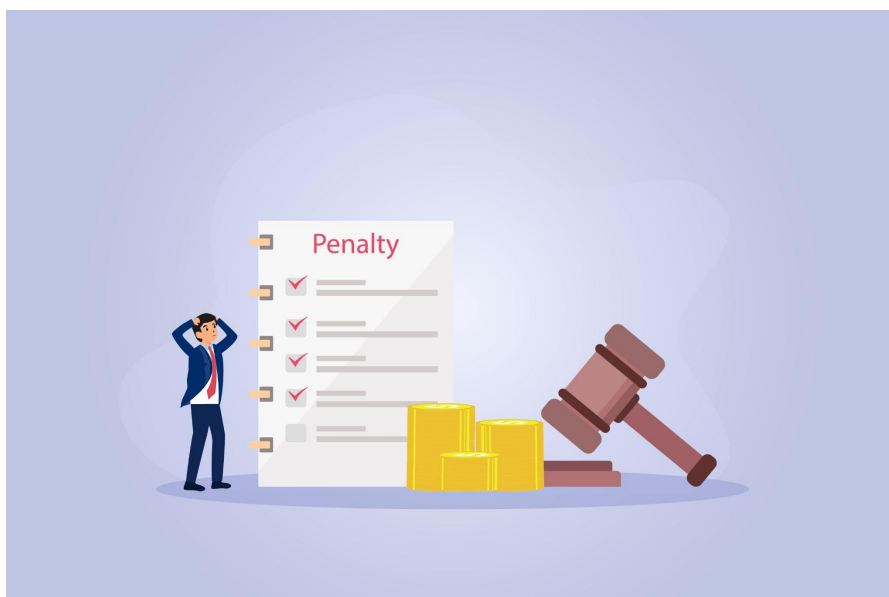
If you miss the deadline of tax return or fail to pay your bill on time, you'll get penalties.

If your tax return is up to 3 months late, you'll incur a late filing penalty of £100. The penalty increases if your return is even later or if you delay paying your tax bill.

You'll be charged interest on late payments.

You can [estimate your penalty](#) for Self Assessment tax returns that are more than 3 months late and for late payments.

However, if you have a [reasonable excuse](#) for missing the deadline or payment, you can appeal against the penalty.



Stop Being Self-Employed

You need to inform HMRC if you stop trading as a sole trader.

Login to your government gateway account to [tell HMRC you're stopping self-employment](#). Provide your National Insurance and UTR number.

If you expect to earn £1,000 or less in a tax year, you don't require to register as self-employed if you're working alone.

You can choose to keep registered for below reasons:

- To prove that you are self-employed, for example to claim Tax-Free Childcare.
- To make voluntary payments for Class 2 National Insurance.

If you decide to stop being self-employed because you'll earn £1,000 or less, tell HMRC you stopped on 5 April

For Tax Returns:

You must submit a Self Assessment tax return before the deadline if you stop trading as a sole trader.

Part 4

Support for Self Employed Accounting in the UK

- [Free Accounting Consultation](#)
- [Hire a Sole Trader Accountant](#)
- [Self Assessment Tax Return Service](#)
- [Why GoForma?](#)

Self Employed Accounting Support by GoForma

[Schedule a Free Consultation:](#)

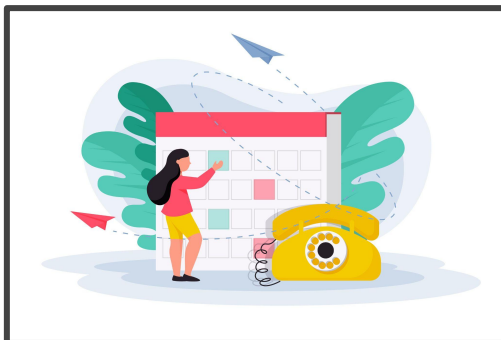
We can help walk answer any general UK sole trader registration questions you may have in a free 20 minute consultation.

[Hire a Sole Trader Accountant:](#)

Ready to streamline your sole trader accounting and ensure compliance with tax regulations? Hire our expert sole trader accountants today, and maximise your business's potential.

[Self Assessment Tax Return Service:](#)

Don't let tax season stress you out! Get your Self Assessment Tax Return sorted with ease for just £120 + VAT. Take control of your finances and ensure compliance with HMRC regulations.



**Book a free
self-employed
accounting consultation**

Schedule a call

Why GoForma?

Some of the key reasons to use GoForma:

- Unlimited bookable support with a dedicated accountant
- Personal tax support for self assessment filing, cryptocurrency, property and more
- Business accounting support for Limited Companies, Sole Traders and Umbrella Companies
- 20+ unique partner offers on insurance, banking and software
- All your HMRC and Companies House filing sorted

100+ 5 star reviews on [Trustpilot](#) and [Google](#):



The team at GoForma are very responsive and nothing ever seems like too much trouble for the team.



Incredibly friendly, knowledgeable and transparent advice from Jawad. Such a pleasure to chat with him.



I could not be more happy about our experience with GoForma. We had many quotes from other accountants before choosing GoForma, but nobody gave us such a professional impression