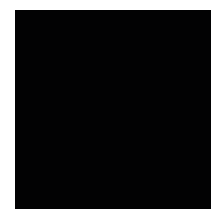




Illustration by Danya Vassanth

# How to register your business for Sole Traders and Ltds



# Registering a business

To be officially as a business you must register with Her Majesty's Revenue and Customs (HMRC), for tax purposes. Depending on the business you're looking to run you should register as a sole trader or limited company. Everyone operating a business, setting up a brand or working as a freelancer must register. This can be done online and free of charge.

## Sole Traders

If you are working alone as a freelancer or consultant, this is the best and cheapest way of trading. As a sole trader you are the business. This means you're self-employed and can keep all profits after paying tax. However, you are also personally accountable for any losses the business makes. Your responsibilities include:

- Recording sales and expenses
- Sending self-assessment tax returns
- Paying Income Tax
- Paying Class 2 and Class 4 National Insurance

You should register the business as soon you're ready to trade. It takes 10 working days to complete the registration process (21 days if you are abroad). HMRC will send you an activation code to log into you new 'Government Gateway account'. As soon as you have access, you can begin trading.

## Top tips

Report your self-employment income by submitting a tax return at the end of each tax year. The tax year runs from 6 April - 5 April the following year, but remember there are different rules for making payments on account. The deadlines for submitting your return and paying any money you owe are:

- Paper tax returns are due 31 October
- Online tax returns are due 31 January
- Tax must be paid by 31 January, following the end of the tax year

## Documentation

In order to register as a sole trader you must provide:

- National Insurance (NI) number
- Full name
- Date of birth
- Postal address
- Telephone number
- Email address
- Name of business

- Nature of business
- Start date of business

If you don't have an NI number, you will need to apply for one from Jobcentre Plus. You should also consider opening a bank account for the business. This will enable you to keep professional expenses separated from your personal ones.

## Limited Company

By registering as a limited company you are stating that all business dealings will be made on behalf of the company, rather than the owners. Your personal finances must be separate from the businesses, by using a business bank account. By doing this you will be protected by limited liability. This means you are only responsible for debts up to the value of the amount you have invested in the company.

This option requires more business management. You can set up a company by yourself, but it is usually valuable to hire an accountant to help with taxes. Company accounts will also need to be submitted to Companies House. A limited company can have more than one owner, they are known as shareholders. Their share of ownership is determined by the number of shares they hold. If you are starting a business with someone else this is the best and easiest format to choose. If you go into business with someone it is essential to document, in writing, your formal business agreement.

## VAT

If your VAT taxable turnover goes over the 'threshold' of £85,000, or you know that it will, you must register for VAT. Your VAT taxable turnover is the total of everything sold, that is not VAT exempt. For a detailed guide, check the HMRC page.

## Licenses, insurance and permits

Depending on what your business does, you may need insurance, licenses or operational permits.

- Insurance: To protect yourself and potential employees.
- Licenses: For example, the ability to play or use certain music.
- Permits: For example, permission to sell your product in a street market.

There are also specific rules in place if you are selling online, buying or selling goods abroad, renting workspace or hiring people to help you.



# Useful Links

- [Video: Positives and negatives of sole trading and setting up a limited company](#)
- [How to start a business or become self-employed](#)
- [How to set up a business](#)
- [Working for yourself](#)
- [HMRC's self-assessment tax calculator](#)
- [National Insurance](#)
- [More details about registering as a sole trader](#)

