

Self-employed checklist

Self-employment can be an attractive option, with nearly 4.5 million people in the UK now working for themselves. Good preparation is essential though: we look at five key areas to keep in focus.

Tax and national insurance contributions (NICs)

You will need to pay your own tax and NICs. Register as self-employed with HMRC as soon as you start self-employment and in any case by 5 October following the end of your first tax year. HMRC has declared 2023/24 the transitional year for the self-employed to move from being taxed on accounting year profits to profits earned in the tax year, so choosing 5 April (or 31 March) as your accounting year end date will save having to apportion your profits in future tax years.

Class 2 NICs, currently £3.45 a week, count towards your state pension, so even if your self-employment profits are too low to make class 2 NICs compulsory, it may be worth paying voluntarily.

VAT

If your business has reached a turnover of £85,000 or more, or you expect your turnover to exceed £85,000 in the coming 12 months, you will need to register for VAT. If you are near that threshold, monitor your turnover monthly because there is a tight time limit for registration.

Records and accounts

You will have to keep accurate records of your business income and expenditure and draw up regular accounts. You should keep your personal and business finances separate, so it is advisable to open a business bank account. Your accounts will track how your business is doing and help you identify ways to grow. Accounts are also essential for completing your tax return and for securing additional finance.



Insurance

Most self-employed people take out public liability insurance to protect themselves from any claims arising from their business activities. You might also need a professional indemnity policy. If you employ someone, you must have employer's liability insurance. Income protection insurance will help you pay your bills if ill health prevents you working.

Your pension

Set aside income to help build up your retirement funds – contributions benefit from tax relief.

If you would like any advice or guidance regarding this topic, please speak to your accountant.

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