



CHECKLIST: 10 STEPS TO BECOME SELF-EMPLOYED

**FIND OUT IF BECOMING SELF-EMPLOYED IS RIGHT
FOR YOU**

**SiGNAL
Martinique House
Hampshire Road
GU35 0HZ
01420 556335
www.signalbordon.org
work@signalbordon.org**

Introduction

Are you thinking about becoming self-employed?

Maybe you want to go freelance or pick up consultancy work. Or perhaps you want to start up a business and be your own boss. Whatever your plans, these 10 steps to becoming self-employed will help you on your way.

Use the checklist below to tick off each step. You'll also find more information and links to resources in this guide:

- Define your vision**
- Identify what you're going to do**
- Get a clear understanding of tax & your finances**
- Start developing a business plan**
- Decide how you want to operate**
- Name your business**
- Register with HMRC by 5th October**
- Put record keeping systems in place**
- Take a reality check**
- Get support**



1: Define your vision

Having a clear idea of what you want to achieve by becoming self-employed is vital. If you don't have a vision you'll have nothing to work towards or any way of measuring whether you're successful or not.

Your vision doesn't have to be overly ambitious. It could just be to generate enough profits to pay yourself a comparable income to what you're able to earn from an employer: but with better work-life balance, more control over the work you do, or any other motivating factor for becoming self-employed.

Make sure you are clear on why you want to become self-employed as this will help you stay on track and achieve your goals.

2: Identify what you're going to do

It's important to really nail down what you're going to do. Are you selling products or services, what sector will you operate in, who are your customers and why will they want to buy from you?

You'll need to do extensive market research to really understand whether there's a good opportunity for you.

Critical questions include:

- Who are your customers?
- Is there enough demand for your products / services?
- How much will it cost you to deliver your products / services?
- Can you make a healthy profit?
- Will your business be sustainable financially? Can you generate enough income on an ongoing basis?



3: Get a clear understanding of tax and your finances

As a self-employed person the onus is on you to file an accurate self-assessment tax return and pay your tax on time. It's important to understand how tax is calculated and how much of your profits are taxable, so you have the funds available on 31st January and 31st July each year when payments are due.

The tax-free personal allowance and the tax bands are the same for self-employed and employed people, so for example 2021-22 you can make up to £12,570. You will then pay the basic rate of income tax (20%) on income up to £50,270. The higher rate of 40% applies to income over £50,271, and on income over £150,000 you pay the additional rate of 45%.

Self-employed ready reckoner - <https://www.gov.uk/self-assessment-ready-reckoner>

4: Start developing a business plan

A business plan may sound daunting, but at this stage it doesn't have to be an impressive document, more of a roadmap for what you're going to do to get where you want to be.

Many people with have several business plans of different lengths, such as a 12 month plan, a 3-5 year plan and a 10 year plan. You don't need to go into that much detail, but it's important to have an eye on the future and think about whether your plan is sustainable if your intention is to be self-employed in the medium to long term.

[Get started with our business plan template here >>>](#)



5: Decide how you want to operate

Do you want to operate as a sole trader, limited company or as a business partnership? Sole traders run their business as an individual and are classified as self-employed. You keep all your business profits after tax and are liable for any losses you make.

How to set up as a sole trader - <https://www.gov.uk/set-up-sole-trader>

A private limited company is separate to you as an individual with separate finances to your personal ones. Most owners of limited companies pay themselves a director's salary, and / or in dividends from available profits. You'll need an accountant if you set up a limited company, and they can advise you on the best way take money out of your company.

Set up a limited company: step by step - <https://www.gov.uk/set-up-limited-company>

If you want to go into partnership with someone and run a business together, you may want to form a business partnership. All partners are responsible for the business and take a share in the business's profits.

Set up a business partnership - <https://www.gov.uk/set-up-business-partnership>

6: Name your business

Many sole traders (freelancers, consultants etc.) use their own name as their trading name. If you already have a great reputation in your industry, your own name may be the best way to attract clients. Other people choose to a different trading name – perhaps something that reflects what they do or what their customers aspire to.

You only need to register your trading name if you're setting up a limited company or limited liability partnership. But whatever your operating model, it's important to check whether the name is being used to avoid litigation and keep your options open should you decide to register later.

[Check name availability with Companies House here](#)

To check with your name is being used on social media on website domains, visit www.knowem.com



7: Register with HMRC by 5th October

Once you're sure you want to strike out on your own, you'll need to tell HMRC. You must register as self-employed by 5th October in your business's second tax year so you can file a Self Assessment tax return. If you fail to do so by this deadline you could receive a fine. You can register online or over the phone; you'll need your National Insurance number, along with your home and business details.

Register and file your self-assessment tax return here - <https://www.gov.uk/log-in-file-self-assessment-tax-return>

8: Put record keeping systems in place

On a basic level, you will need to keep records of financial transactions – payments in and payments out. If you're operating as a sole trader you don't have to have a business bank account for these transactions, but you must have a record of them so you can file your self-assessment tax return. It's generally easier to keep your finances separate from your personal expenditure, even if you use a personal current account.

There are some great online bookkeeping / accounting tools that are affordable and save you loads of time setting up systems yourself.

For example, Freeagent - <https://www.freeagent.com/> - makes it easy to keep track of expenses, send invoices, check your cashflow and file your tax return, with plans starting at £9.50 p/m +VAT for a sole trader.

9: Time for a reality check

With a clearer idea of what you need to do to become self-employed, it's time for a reality check. Ask yourself the following:

- Have you identified a great opportunity that has real potential?
- Are you motivated enough to make it a success?
- Do you have the right mindset to work for yourself?
- Do you know what preparation you need to do such as market research and developing a business plan?
- Have you got enough resources to invest in your business, such as time, money and people?



10: Get support

Many people refer to self-employment as going it alone.

But you don't have to do it alone.

There's lots of support available online and offline for people who want to be their own boss and take control of their own destiny.

At SiGNAL our focus is on building small business communities including providing support for the newly self-employed and people who are thinking about it.

**Because no one should build
a business alone.**



At SiGNAL we provide workspaces to help you get your business off the ground and grow. From meeting rooms, offices and desk hire, we have workspaces for entrepreneurs, sole traders and micro businesses right in the heart of Bordon.

We also offer fantastic business networking events - because who you mix with matters!

Why not check out the BiZHUB for yourself. Simply go to our events page and book onto our next event!

Find out more about SiGNAL by visiting our website.

www.signalbordon.org



SiGNAL
Martinique House
Hampshire Road
GU35 0HZ
Phone 01420 556335
Email work@signalbordon.org

