



HOW TO SET UP AS A SOLE TRADER



Freelancing
Mums

Does the idea of tax returns and official documents send shivers of panic down your spine? If so, you're not alone.

But don't let the fear of paperwork put you off becoming a freelancing mum. When you start out freelancing, you don't need to create a complex business structure. The simplest option is to set up as a self-employed sole trader.

This guide sets out the (relatively pain-free) steps to register as a sole trader plus practical pointers to help you get started. As long as you're organised, it really doesn't need to be too scary!

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In the UK there's no legal definition of what a freelancer is. It's a catch-all term used to refer to someone who works for themselves and delivers services to a number of different clients.

This means that, when you set up as a freelancer, you need to decide what official business structure you use.

A sole trader is a self-employed individual who runs their own business.

In other words, as a sole trader, your business only has one person in it: you.

Registering as a sole trader means you can:

- Include eligible business expenses on your tax return
- Prove that you're self-employed if you want to claim for tax-free childcare
- Make voluntary National Insurance contributions towards your state pension.

Did you know...

The term 'freelancer' was supposedly first used for soldiers who were free to offer their services to anyone who needed extra help, rather than being tied to one nobleman.

free + lance (weapons) = freelance

Section I

SHOULD YOU REGISTER AS A SOLE TRADER?



Before getting into the nuts and bolts of how to set up as a sole trader, ask yourself these three questions to check that it's the right option for you.

QUESTION 1: ARE YOU SELF-EMPLOYED?

To be a sole trader you must be self-employed. This means that you run your freelance business for yourself and you're responsible for its success or failure.

This doesn't mean you have to be self-employed for all the work that you do: it's actually possible to be both employed and self-employed at the same time. For instance, you might work for an employer during the day and deliver your freelance work in the evenings. Or you might work for an employer on certain days of the week or hours of your day and freelance for the rest.

What matters is that you're self-employed for the work that you do as a freelancer.

	YES	NO
Can you decide whether or not you want to take on individual pieces of work?		
Are you ultimately responsible for the work you deliver?		
Do you agree with the client how much you will charge for a piece of work?		
Is the money for your work paid directly to you?		
Can you choose when, where and how to deliver the work (even if this is to meet agreed client deadlines)?		
Can you work with more than one client at the same time, even if you're not right now?		
Is it possible for your business to make either a profit or a loss?		
	<p>Yes to all?</p>  <p>Looks like you're self-employed</p>	<p>Some nos?</p>  <p>You may not be self-employed</p> <p>Check your status</p>

If you're working set hours for one client, you might be classified as an employee rather than a freelancer.

Did you know...

HMRC has a [free online tool](#) that you can use to check if you are employed or self-employed for tax purposes.

QUESTION 2: DO YOU EARN £1,000 OR MORE?

In the UK, you're allowed to earn up to £1,000 per year before you need to register as self-employed. This means that, if you're only doing a very small amount of freelance work, you might not need to register as a sole trader.

However, even if you don't have to register, it may well be sensible to do so. In fact, unless you're sure that you will only ever keep your freelancing to this micro-level, it's generally simpler to register as a sole trader when you start out to avoid running into issues if and when you go above the £1,000 earnings limit.

QUESTION 3: SOLE TRADER OR LIMITED COMPANY?

A sole trader is not the only possible business structure for a freelancer. The other main option is to set up as a limited company - which can simply have one director and one employee: you.

There are legal differences between being a sole trader and setting up a limited company, so it's important that you choose the structure which is best for your circumstances.

Get professional advice if you don't know which structure is right for you!

LIMITED COMPANY

If you set up a limited company, your freelance business is a separate legal entity from you.

The big upside of this structure is that you're not personally responsible for any financial losses the company makes. In addition, you may appear to be a bigger, more credible entity when you pitch for work as a limited company rather than as an individual freelancer - which can be an advantage with some clients.

On the flipside, setting up a limited company involves additional costs and paperwork, which can feel out of proportion to the level of work you're delivering. As a minimum, you'll need to submit company and tax returns for your business on top of your personal tax return and this is likely to also mean additional accountancy fees.

It's also worth noting that some of your details including your business address and your name (as a company director) will be publicly available via Companies House.

Did you know...

You can get [free advice and financial support](#) for your business through government-backed schemes running across the UK.

SOLE TRADER

A sole trader is a far simpler business structure. In effect, as a sole trader you and your freelance business are one and the same entity.

This big positive of setting up as a sole trader is that there is comparatively little paperwork involved – which also usually means lower accountancy fees. You only have to submit your personal tax return rather than dealing with paperwork for a separate business plus you get to keep all the profits you make after paying your income tax and National Insurance contributions.

There is a downside however. As a sole trader, you’re personally responsible for any losses from your freelance business – so it’s super important not to rack up tons of debt!

	Sole trader	Limited company
What?	<ul style="list-style-type: none"> You & your business are the same entity Self-employed Pay tax through self-assessment Keep all your business profits after you’ve paid tax & National Insurance 	<ul style="list-style-type: none"> Legally separate entity Director and/or shareholder of company Separate tax returns for your company and your own income Paid as an employee and/or through dividends
Pros	<ul style="list-style-type: none"> Simplest structure Less paperwork & admin Only need to file one tax return Don’t need to make your business details public 	<ul style="list-style-type: none"> Not personally liable Potentially lower tax bill Can make you appear more credible to clients More flexibility to take out business loans
Cons	<ul style="list-style-type: none"> Personally responsible for business losses May pay more tax Some clients prefer to contract with limited companies 	<ul style="list-style-type: none"> More paperwork & regulation Higher costs for accountancy & filing returns Information is publicly available via Companies House

Have you decided sole trading is for you? If so, head straight on to Section 2 to find out how to set up as a sole trader.

Did you know...

HMRC stands for Her Majesty’s Revenue & Customs. It’s the UK government department responsible for tax – and the body you need to register with as a sole trader.

Registering as a sole trader actually means that you inform HMRC you're self-employed and will complete a self-assessment tax form.

When you register as self-employed HMRC will assume you're a sole trader unless you provide details of a different business structure.

If you start off as a sole trader, it's relatively simple to move to a limited company structure in the future.

Changing from a limited company to a sole trader structure is trickier however - so make sure you're clear about what's involved before going down that route..

Section 2

SETTING UP AS A SOLE TRADER

Now you've decided that sole trading is for you, it's time to take the plunge and get yourself set up.

I'll let you into a secret: HMRC is not actually made up of fire-breathing dragons whose sole purpose is to catch you out and force you to hand over large sums of money. In fact, HMRC tries to make it as simple as possible both for you to register as a sole trader and to understand and follow the rules once you're registered.

However, this does not mean that you can forget about registering as a sole trader. It's really important that you do tell HMRC when you start doing freelance work to ensure you pay the correct tax and National Insurance contributions. To do this you need to:



Did you know...

As a registered self-employed sole trader you could get [help paying for childcare](#) through government schemes such as the [30 hours free childcare](#) and [tax free childcare](#)

REGISTER WITH HMRC

To register as a sole trader, you need to complete the government's [registration form for self-assessment](#)

WHAT YOU NEED TO REGISTER

Government Gateway User ID & Password

You need a login from Government Gateway / HMRC online services in order to register as self-employed and to file your tax return. If you don't already have an account, you can [sign up](#) as part of the registration process.

Your Personal Details

You need to provide relevant personal details, including your name, address and date of birth, to ensure HMRC knows who you are.

What You Do

As part of the registration process, HMRC asks what type of work you deliver. You only need to provide a very brief answer, such as website developer or journalist.

National Insurance Number

You can find your National Insurance number on your payslip, P60 or letters about your tax, benefits or pensions. If you don't have any of these, you can fill in the snappily named [Form CA5403](#) and HMRC will post your National Insurance number to you.

Business Name

When you register with HMRC as a sole trader, you have to tell HMRC the name of your business. This doesn't mean you need to go through a super-duper branding exercise - you can simply use your own name as your business name. However, if you prefer, you can choose a different name. The main restrictions are that you can't have a name that is offensive, that's the same as an [existing trade mark](#) or that includes 'limited', 'Ltd', 'limited liability partnership', 'LLP', 'public limited company' or 'plc'.

Did you know...

You can [register your name as a trade mark](#) if you want to protect your brand.

WHEN TO REGISTER

You can register with HMRC as soon as you become self-employed – and it’s generally sensible to register straight away. That way, you won’t accidentally forget and find yourself facing a fine.

However, at the very latest, you must register by **5 October in the tax year after you first became self-employed**. As the tax year runs from 6 April to 5 April, this means the amount of time you have to register varies depending on when you start freelancing.

Examples:

Your Start Date	End of Tax Year	Deadline to Register
8 January 2022	5 April 2022	5 October 2022
19 May 2022	5 April 2023	5 October 2023

AFTER YOU REGISTER

Once you’ve completed the registration form, you can either submit it online or print it off and post it to HMRC. HMRC will then send you a Unique Taxpayer Reference (UTR). You should receive this within 10 days of registering.

Keep your UTR in a safe place. You will need it for your tax return.

HMRC will separately also send you a 12-digit activation code. You need to use this to activate your account before you can submit your tax return.

Once you’ve received your UTR and activated your account, you’re registered as a sole trader!

Did you know...

HMRC offers [free webinars and videos](#) that provide practical information and support for self-employed sole traders.

FINANCE RECORDS

As a sole trader you legally must keep an accurate record of your business income and costs. This includes:

- A summary of each transaction you make (ie the money clients pay you for your work and any relevant costs you pay for your business)
- Proof of each transaction, such as receipts, invoices and cheque book stubs
- Bank statements.

It's important to keep this information accurately, as you need to include the details on your tax return.

You don't usually need to send your finance records to HMRC but HMRC can ask to see them.

FINANCE SYSTEMS

While it's super important that you keep clear finance records, exactly how you do this is up to you.

One option is to throw all your receipts and invoices into a box and ask an accountant to sort them out at the end of the year. However, unless you really hate the idea of numbers it's worth setting up a system to keep track of your finances as you go along. It saves on accountancy fees, helps you to keep track of your income and costs and makes it far simpler to complete your tax return at the end of the year.

This doesn't mean you need to invest in full-scale accountancy software and embark on a bookkeeping course (although feel free if you fancy it!). For most freelancers, a straightforward system to keep track of their income and costs works fine.

This can be as simple as recording a summary of each transaction on a spreadsheet and keeping a folder containing your receipts, invoices and bank statements to back this up.

BANK ACCOUNTS

It's not absolutely essential to have a separate bank account for your freelance business. However, it's easier to keep track of your income and expenses if they're not mixed in with your personal transactions. Plus, HMRC recommends you do have a separate bank account - which is always worth noting.

Did you know...

If you've got an old bank account you rarely use, you could repurpose it to be a separate account for your freelance work. Alternatively, it's worth checking out digital banks such as Monzo and Starling, which can be super simple to set up and often have lower fees than traditional banks.

EXAMPLE OF FINANCE SYSTEM

As a sole trader, you normally only need to keep simple finance records. Here is an example of one approach you could use.

Income

Create an Excel spreadsheet for your finance summary for the tax year. Label the first tab 'Income'. Use this to record a summary of the payments you receive in the year, for example:

Client	Invoice No	Invoice Details	Amount	Invoice Date	Date Paid
VIP Client	001	Creating website content	£500	22/01/22	05/02/22
A.N. Other	002	3 x blog articles	£650	23/02/22	07/02/22
Total			£1,150		

Business Expenses

Label the second tab of your spreadsheet 'Expenses'. Use this to record a summary of costs that are necessary for the day-to-day running of your business in the year. For example:

Reference	Date	Supplier	Item	Cost
P001	31/12/21	Fab stationers	Printer paper & ink	£52.00
P002	19/01/22	Google	Email address	£5.50
Total				£57.50

Proof of Transactions

Create either a hard copy or virtual folder for the tax year. Divide this into three sub-folders:

1. Invoices

2. Expenses

3. Bank statements

Put a copy of each invoice, receipt or bank statement into the right section of the folder as you go along. This is your proof to back up your summary spreadsheets.

Did you know...

As a sole trader, you can sign up to [email alerts from HMRC](#) to help you with your self-assessment tax return.

BUSINESS EXPENSES

What are business expenses?

As a sole trader, you may have some costs that are necessary to run your freelance business. These could be anything from your train fare to get to a business meeting to a monthly fee for your email account. You should keep track of these as part of your finance records – so make sure you keep all your receipts.

HMRC recognises that these costs are necessary for your business. When you complete your tax return you subtract these business expenses from your freelance earnings before your tax is calculated. Depending on your income, this can mean that you end up with a lower tax bill.

What can I include as a business expense?

The UK government website has a detailed list of [relevant expenses if you're self-employed](#). Broadly speaking, you can include any relevant costs as long as they are necessary for the day-to-day running of your business and you only use the items for that purpose. This might include:

- Office costs, such as stationery or phone bills
- Travel costs, such as fuel, parking or train fares - but NOT travel to your place of work
- Staff costs, such as for sub-contracting work
- Things you buy to sell on, such as stock or raw materials
- Financial costs, such as insurance or bank charges
- Business premises costs, such as heating and lighting
- Advertising & marketing, such as website costs
- Training, as long as it's related directly to your business.

What happens if I use an item for both personal and business use?

You might use an item (such as your car or a mobile phone) for both your personal life and work.

The good news is that you're allowed to include the proportion you use for your work as part of your business expenses. There is no set formula for how you calculate the business proportion. Instead, HMRC expects you to use 'a reasonable method' – so, as long as you use a sensible and consistent approach, you should be fine.

Did you know...

There are free / low cost finance apps available that you can use to help keep track of your business expenses.

INCOME TAX

The idea of being faced with an unexpected, huge tax bill with mounting penalties is possibly the one thing that worries new freelancers more than any other.

However, tax doesn't need to be that scary. Remember these four points and you should be fine.

I. YOU NEED TO PAY TAX ON MONEY THAT CLIENTS PAY YOU

When you're employed, your employer will normally deduct income tax before giving you your wages. This means the money you get paid is yours. However, when a client pays you as a sole trader, the amount you receive has NOT had tax deducted. This means that a chunk of the money you get in belongs to HMRC and you need to hand it over to them.

In other words, it's really, really, really important (yup, it's important) that you look at money you're paid as income to your business which your business (ie you!) has to pay tax on – and not your personal wages. So don't spend the money before you've worked out how much tax you owe!

Top tip:

When a client pays you, immediately put a third of the money into a separate pot. Do not touch this money. It's to pay your tax bill, not you!

This way, when your tax bill arrives you have the money to pay it ready and waiting. And if your bill ends up being less than you have saved, you can use the rest as a lovely end of year bonus. Win!

Did you know...

In the UK, you get a personal tax allowance. This is an amount you can earn before you have to pay income tax. You still have to declare all your earnings on your tax return but you don't need to pay income tax until your income goes over this level.

2. YOU MUST COMPLETE YOUR TAX RETURN AND PAY YOUR TAX ON TIME

Unless you earn less than £1,000 a year, you need to complete a self-assessment tax return and pay any tax due each year.

This might sound scary. However, if you've set up a clear finance system, it's actually a pretty straightforward matter of taking the total figures for your income and business expenses from your records and inserting them into the correct boxes on the form.

For most freelancers, the simplest way to do your tax return is to complete it online. The online system automatically selects the pages you need to fill in, based on your answers to a short checklist. It then also calculates how much tax and National Insurance you need to pay once you've completed the form.

When to pay your tax.

The tax year runs from 6 April to 5 April. The deadline to complete your tax return online and pay any tax due is the following 31 January. For example:

Tax Year	Start date	End date	Deadline for tax return & payment
2021-22	6 April 2021	5 April 2022	31 January 2023
2022-23	6 April 2022	5 April 2023	31 January 2024

Make sure you send in your tax return on time. If you miss the deadline, you will receive an automatic fine and may also be charged interest on any tax you need to pay.

HMRC normally sends out reminders to make sure you don't miss the deadlines. If you sign up to their email alerts, you will also receive links to webinars and supporting information to help you complete your return correctly.

Did you know...

You can file your tax return online at any time from 6 April (the day after the tax year ends) until 31 January.

3. YOU NEED TO MAKE PAYMENTS ON ACCOUNT

If your income tax bill for a year is more than £1,000, HMRC will ask you to pay your income tax for the next year in two instalments, known as 'payments on account', rather than making one payment for the full amount when you submit your tax return on 31 January.

In other words, payments on account are HMRC's way of getting you to pay your income tax as you go along, rather than giving you your tax bill nine months after the tax year ends.

This can actually help you manage your finances once it's set up, as it spreads your payments across the year. However, payments on account can come as a shock to new freelancers as your first payment on account is due at the same time as you pay your first tax bill – which can mean you owe more than you were expecting.

You still have to submit a tax return even if you make payments on account.

Calculating your payments on account

You are expected to pay two payments on account, each of which is 50% of the tax you paid the previous year. This is based on HMRC's assumption that your income will be the same each year.

If your finances and tax bill are exactly the same from one year to the next, this means that you will then have paid the correct amount of tax through your payments on account and have nothing more to pay when you submit your tax return.

In practice, most freelancers' income fluctuates from year to year. When you submit your tax return, the actual amount of tax you should have paid for the year is worked out. If you've overpaid, you will get a reimbursement from HMRC. If you've paid less than is due, you will need to make a balancing payment.

When are payments on account due?

Your first 50% payment on account is due on 31 January within the tax year (ie the same date as the deadline to submit your tax return for the previous year). The second 50% payment is due on 31 July following the end of the tax year.

If you need to make a balancing payment, this will be due by 31 January of the following year – which is the deadline for you submitting your tax return. For example:

Tax Year	1st payment on account	2nd payment on account	Tax return & balancing payment
6 April 2022 – 5 April 2023	31 January 2023	31 July 2023	31 January 2024

Did you know...

Payments on account do not include anything you owe for student loans. These are added on to your balancing payment.

Be ready for your first tax bill

Payments on account shouldn't be a massive deal when you think about it. After all, when you're employed you pay tax on your earnings at the time you receive your wages and not a year later. Plus, your clients should already have paid you for the work that you're being taxed on, so you won't be out of pocket.

However, it's important to be aware of payments on account as your first tax bill might be 50% higher than you were expecting.

This is another reason why putting aside one third of each payment you receive from clients into a separate tax account really helps. That way, the money will already be there for your tax bill - you'll simply be paying it over slightly earlier.

You only have to make payments on account if you pay more than £1,000 in income tax in the previous year.

EXAMPLE

You've completed your first tax return, which is for 2020-2021 and submitted it by 31 January 2022. Your tax bill for the year is £5,000. As this is over £1,000, you also need to make payments on account for the tax year 2021-2022. This means that your payments for the year are:

31 January 2022: £7,500

£5,000 for 2020-2021 tax year + £2,500 payment on account for 2021-2022, based on 50% of previous year's tax

31 July 2022: £2,500

Payment on account for 2021-22

On 31 January 2023, you will submit your tax return for 2022-2023. This will calculate how much tax you should have paid for the year.

If this is higher than the £5,000 you paid on account (2 x £2,500 instalments) you will make a balancing payment. If you've overpaid, HMRC will reimburse you.

Did you know...

You can apply to change your payments on account if you know you'll earn either more or less the following year. However, make sure you don't reduce them too much. If you end up paying too little on account, HMRC can charge you interest on the difference!

NATIONAL INSURANCE CONTRIBUTIONS

National Insurance contributions (NIC) are used to work out how much [state pension](#) you'll get and if you're entitled to certain benefits, such as [maternity allowance](#).

Your National Insurance contributions are calculated as part of your tax return. However, there are different thresholds for National Insurance contributions and income tax.

You may need to make National Insurance contributions even if you don't have to pay any income tax.

As a sole trader, there are two types of National Insurance contributions that you may need to pay:

NIC	You pay this if...	What you pay (2021-22 rates)
Class 2	Your profits are over £6,515 a year	£3.05 per week
Class 4	Your profits are over £9,569	<ul style="list-style-type: none">• 9% on profits between £9,569 and £50,270• 2% on profits over £50,270

When you complete your self-assessment tax return online, the system will automatically calculate how much National Insurance you need to pay along with the income tax you owe.

Your National Insurance calculation will be shown separately on your tax return. However, you make the National Insurance contributions at the same time as your income tax payments. This includes paying Class 4 contributions as part of your payments on account, if relevant.

Did you know...

If your profits are less than the threshold you don't normally need to pay NI contributions. However, you might decide to make [voluntary payments](#) as this can entitle you to certain benefits and the state pension.

If your freelance business brings in less than £150,000 a year, you can use [cash basis accounting](#) for your tax returns.

With cash basis accounting, you only need to declare income and costs when the money actually goes in and out of your business – which means you won't need to pay income tax on invoices clients haven't yet paid.

You can [pay your income tax and National Insurance contributions](#) via your bank or building society. You can make the payment in person, via telephone or online banking or by posting a cheque.

Make sure you leave enough time for your tax payment to reach HMRC before the deadline.

If the deadline falls on a weekend or bank holiday, the payment needs to reach HMRC by the last working day beforehand.

Section 3

WHAT ELSE TO THINK ABOUT...

Now you've completed the four steps in Section 2, you're set up as a self-employed sole trader. Congratulations!

While your head is still in paperwork mode, there are a few other points that are worth knowing about. Some, such as insurance, are relevant to all sole traders. Others, like PAYE and VAT may feel a very long way off. However, it's useful to know that they exist and where to find out more if you need to.

INSURANCE

Some freelancers take out the bare minimum of insurance. Others like to be covered for pretty much eventuality from income protection to cyber-attacks.

Ultimately, the level and type of insurance you take out largely depends on three factors:

1. The kind of work you do
2. Whether a particular client or contract requires you to have specific insurance
3. How much risk you feel comfortable with.

It can be easy to skimp on insurance when money is tight.

Do take a good look at what you might need and think about what you'd really struggle to cover the cost of if the worst happened.

BUYING INSURANCE

You normally buy business insurance through an insurance broker or a specialist insurance company.

It's worth shopping around to make sure you get the best deal. Some companies such as [Create Insurance](#) and [PolicyBee](#) specifically advertise packages for freelancers. However most insurance brokers offer relevant policies, so you don't only need to look at specialist providers.

Did you know...

If you're a member of a trade association, check if they offer any deals on insurance. You may find that discounted or even free insurance comes as part of your membership package.

	What is it?	Why you might need it
Professional Indemnity	Cover if a client sues you because they're unhappy with the work you've done or the advice you've given.	You're personally responsible for legal costs if a client makes a claim against you - and some clients stipulate you must have professional indemnity insurance.
Public liability	Cover if someone injures themselves due to your work or premises.	You could be liable if someone injures themselves or their property is damaged - for example, if a drink is spilt on their laptop.
Product liability	Cover if a product you make causes injury to a customer.	You could be liable if a customer hurts themselves using a product you made or sold.
Employers liability	Cover for claims made by an employee for injuries sustained at work.	You're legally required to have employers' liability insurance if you employ someone to work for you, even if it's only for a short period of time.
Office / property / equipment insurance	Cover for loss or damage to your office or property, which could include anything from a laptop to workshop tools.	This insurance is useful if you would struggle to replace your equipment if it was broken or stolen.
Income protection / critical illness	A monthly or one-off payment if you can't work due to illness or injury.	Sole traders don't get sick pay so this insurance can give you peace of mind, particularly if you've got fixed bills to cover - although do check if there's a deferred payment before payments kick in.
Lots more...	You can get insurance for pretty much anything.	If you've got a specific need or worry, consider if it's worth taking out insurance.

DATA PROTECTION

Ah, data protection. Everyone's favourite topic. What do you mean you're not jumping with joy at the thought of GDPR (that's the General Data Protection Regulation, in case you were wondering)?

Even if the idea of personal data sends you to sleep, you do need to look at this topic. As a freelancer, you're highly likely to be handling some form of personal data. And the rules around personal data apply whether you're a multi-national company or a one-person freelance business.

If that still doesn't spur you into action, think about this: looking after data is really important for building trust with your clients. After all, would you want to work with someone who spreads your personal details around for all to see?

What is personal data?

Personal data is any data about a living individual that could allow that individual to be identified either directly or indirectly.

In practice, this means anything from an individual's name and postal address to their work email address could count as personal data.

Did you know...

As a freelancer, you're likely to deal with personal data - whether that's a mailing list of clients or contact details of your suppliers.

MANAGING DATA

The Information Commissioner's Office (ICO) is the official agency that oversees data protection in the UK. The [ICO website](#) sets out details of if and how you should register as well as [useful tools to help you follow the rules](#). If you're unsure where to start, consider:

	Yes	No	Actions
Do you know what personal data you hold and why you hold it?			
Do your clients know what personal data you hold about them and what you use it for?			
Do you know where the personal data is stored?			
Is the personal data that you hold stored securely?			
Do you only collect personal data that you need?			
Do you only keep personal data for as long as necessary?			
Can you keep the personal data you hold up to date and accurate?			
Can people exercise their rights over the personal data you hold about them?			

Did you know...

The ICO has a handy [data protection quiz](#) that you can use to check if data protection applies to your freelance business.

VAT

Value Added Tax (VAT) is a tax that's applied to goods and services. The current standard rate of VAT is 20%. This means that most of the goods you buy in shops will have an extra 20% VAT added to the basic cost, which is then handed over to the government as a tax.

As a freelancer, you're legally required to [register for VAT](#) if your turnover reaches the [VAT threshold](#). This threshold is currently £85,000 and the UK government has said it will remain at this level until 31 March 2024. You can also register voluntarily if your turnover is under this level.

The VAT rules are the same, regardless of whether you register voluntarily or because you've reached the VAT threshold.

If you're VAT registered, you:

- Must charge the appropriate rate of VAT on the goods and services you offer
- Can claim back any VAT you've paid on business-related goods or services
- Are required to complete a VAT return, setting out both the amount of VAT you've charged and the amount you've paid.

If you're VAT registered, you will normally need to charge VAT on your services. In effect, this means that you have to add 20% to your customers' bills and then hand over this payment to the government rather than you getting any of the extra cash.

The good news is that you only have to register for VAT if your turnover reaches the threshold. If you bring in less than this, you don't need to worry about VAT right now. Phew!

Did you know...

If you buy in a lot of goods or services for your business, it can be worthwhile [registering for VAT voluntarily](#) so you can claim back the VAT that you've been charged on these items. However, make sure you do the maths first to ensure you'll be better off - and remember you'll also need to submit regular VAT returns if you're VAT registered.

PAYE

Being a sole trader means that you only ever work by yourself, right? Think again! It's certainly true that most freelancers start off working alone. However, if you're a sole trader, you can employ other people.

This might be on a short-term temporary basis, for example if you take on a big project for a set period of time. Alternatively, it could be on a permanent basis to help manage your workflow.

If you employ another person, you need to:

- [Register as an employer](#) with HMRC before your employee's first pay day
- Operate a payroll with a [PAYE \(Pay As You Earn\) system](#) to ensure you're deducting the correct tax from your employees
- Pay the tax over to HMRC.

To find out more about [how to register as an employer](#) head to the gov.uk website

If this all sounds too much to think about right now, focus your effort on contracts you can deliver by yourself or in collaboration with other freelancers. Taking on employees can wait for another day!

Did you know...

As an employer, you have [responsibilities for your employee](#) from health & safety to rights and benefits.

OTHER POINTS TO CONSIDER

As well as getting your paperwork in order, it's important to think about how you will make a success of your business.

Think about...

Where will you work?

Carving out a separate workspace can help you work more efficiently and set boundaries between your work and family life. Can you find a dedicated corner of your house, a spot in a co-working space or a table in your local library to become your work space?

What equipment & tools do you need?

Even if it's simply a laptop and internet connection, you'll need some equipment. Have you got this already or do you need to invest?

How will you market your business?

You need potential clients to know you exist. Can you ask friends & family to spread the word, build a buzz through social media, create a website and/or look at paid advertising?

How will you persuade clients to buy your services?

For your freelance business to be successful, you need to sell your services. A good first step is to identify problems your clients have and present your services as solutions to them.

What will you charge?

It's important to set appropriate rates for your freelance work. If you're unsure what to charge, take a look at membership bodies for your sector as they frequently publish average rates for different roles.

What is your Plan B?

It can take time to build up your freelance business and even successful freelancers have occasional dry patches. Do you have savings or a back-up plan to tide you over, if needed?

How will you manage your work-life balance?

It's very easy to lose sight of any type of work-life balance when you're a freelancing mum. Be realistic about the number of hours you can work and look at whether you can get any help with childcare. Remember to build in time for your partner (if relevant) – and time for you!

Did you know...

www.freelancingmums.co.uk is packed full of practical tips to help get your freelance business up and running.

Network groups are a brilliant way to link up with other freelancers. You can hear about potential work opportunities and have friendly support when you need it. Many network groups now hold virtual events, making them a lot easier to fit around childcare and work.

Having a clear work schedule can help you to manage your work-life balance and be more productive.

Decide when you will start and end work each day and ringfence time in your week for key tasks such as pitching to clients and managing your finances.

As a freelancer, it's important to keep looking for new work opportunities even if your diary is currently packed.

A good tip is to set aside a regular slot each week or month to identify potential clients and pitch for work.

Section 4

CHECKLIST: SETTING UP AS A SOLE TRADER

Well done for making it this far!
Use this checklist to keep track of your actions.

	Date completed
Confirm you want to set up as a sole trader	
Register with HMRC as a self-employed sole trader	
Set up a finance system to record all your income and expenses	
Take out relevant business insurance	
If relevant, register for: <ul style="list-style-type: none"> - Data protection - VAT - As an employer 	
Start running your freelance business	
Put aside one third of the amount you're paid by clients into a separate pot for tax. Do not spend it!!	
Complete your tax return & pay your tax / National Insurance contributions each year	

Did you know...

In the UK there is an estimated 3.2 million sole traders - and you're now one of them!



If you've done all this

Congratulations!

You're set up as a self-employed sole trader.
Definitely time for a glass of celebratory fizz!



Freelancing Mums provides practical information, easy-to-use resources and friendly events to help mums set up as freelancers and keep going once they start.

You can download and use this guide free of charge and you may also share it with others who might find it useful. However, if you do use, share or copy any or all of this guide in any way, please acknowledge Freelancing Mums as the original source.

If you found this guide useful and you'd like to support a hardworking freelance mum create more of these types of resources, I'd love you to buy me a virtual cuppa at <https://ko-fi.com/freelancingmums>

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