



Helping sole traders get started

Congratulations on your decision to set up as a sole trader.

You'll have many things to think about over the next few months as you get your brand new business off the ground.

To help you keep on top of money matters, we've created this handy checklist of financial and accounting tasks.

Registration for self-employment

We will register you as self-employed with HM Revenue & Customs (HMRC), using the details you've given us. We'll send the registration to you for approval before we submit it. We will also complete a form 64-8 for you to approve to enable us to speak to HMRC on your behalf.

Set up your bank account

You need a business bank account that's separate from your personal account. This makes it much easier to see which transactions relate to your business. You can choose whichever bank you prefer.





Set up your bookkeeping

As a sole trader, you need to keep up-to-date records of all your sales and business purchases. Make it part of your weekly or monthly routine to update your bookkeeping, or record each transaction as it happens. HMRC are getting tougher on record-keeping so don't be tempted to cut corners or put it off.

We recommend taking advantage of cloud accounting software such as QuickBooks Online and Xero. These can save you time and make sure your records are more accurate. They are also Making Tax Digital compliant, so if you are VAT registered, you can very easily meet the requirements.

As these systems are operated on the cloud, we can access your data in real time and assist you with any bookkeeping problems you may encounter. We also offer training on how to use each system. We can offer discounted prices for these systems compared to the RRP.

Start reconciling your bank balance

Before we can do your accounts or VAT return, we have to make sure your records tally with the transactions on your bank account.

If your bookkeeping is accurate and up-to-date, the cash balance shown in your records should match the actual balance of your bank account. If it doesn't, you'll need to go back and check that you've entered everything into your records accurately until the totals match. This is called 'reconciling' your bank balance.

Register for VAT, if you need to

Registering for VAT means you can claim back VAT on some business expenses, and you must add VAT to your prices (depending on what you do or sell). You pay HMRC any VAT you owe them on a monthly, quarterly or annual basis, depending on your VAT registration. You may also be able to claim VAT refunds.

If your turnover (total sales) in any 12-month period is over £90,000, you have to register for VAT. Some sole traders choose to register for VAT even though their sales are below this level.

We can help you decide whether you need to register for VAT and advise you on how to account for, report and pay your VAT. We can also discuss VAT schemes





Employing staff

If you want to employ staff, you'll need a PAYE scheme so you can pay them through the business. We can help you set this up.

We can also help you with either choosing and using your own payroll software, or we can complete the payroll calculations on your behalf, leaving you to concentrate on running your new business.

You also need to bear in mind that, if you're employing staff, you'll most likely be required to implement some form of workplace pension scheme.

We can give you some guidance on this, however, you'll also need to contact an independent financial advisor for further assistance.

Start keeping financial records

As a sole trader, you have to keep both business and personal financial records for at least six years.

We suggest you create a secure file electronically with all your personal bank statements, credit card bills and so on for each tax year (6 April – 5 April). Keep all your business receipts and invoices in a separate file.

At the end of the financial year, you can pass the file to us and we'll use it to prepare your annual accounts, along with the details you've entered into your software.

What happens at the end of the tax year?

At the end of the tax year (April 5) we'll complete your personal tax return for you using your records, receipts/invoices and bank statements, along with details of any other income you've had during the year.

When your tax return is ready, we'll send it to you to check. Once approved, we'll submit the return to HMRC on your behalf, so all you need to worry about is the tax payment.

Save for your tax liability

You'll be required to pay your tax liability on any profits your business makes to HMRC. Please consider this when extracting cash from the business to make sure you have the cash flow to make the payment, otherwise you could incur penalties and interest.

If we receive your records soon after your year-end, we'll be able to calculate your tax liability in advance of the payment deadline, giving you plenty of time to plan.

Understand what expenses you can claim

As a sole trader, you pay tax on your profits (your sales minus your expenses). The expenses you can claim will vary based on the type of work you do, but most sole traders can claim for the following:

Materials. The cost of goods you buy and resell to your customers – e.g. paint for a decorator. At the end of each financial year, we'll need to know the cost of any stock held.

Wages. If you employ anyone, they'll need to be paid through a PAYE scheme. We recommend running a monthly payroll.

Using your home for business. If you work from home, you can claim a rate dependant on the amount of hours, or a proportion of bills. We can help you with this.

Laundry. Tradespeople can claim a small amount for cleaning work clothes such as overalls, boiler suits and so on.

Clothing. Only work-related clothing can be claimed. Protective clothes such as fluorescent jackets and steel-toecap boots are allowed, and so is clothing with your logo (because it counts as advertising). 'Normal clothes' like jeans, t-shirts and suits aren't allowed.

Telephone. You can claim for one mobile or smartphone in the business's name, either on a contract or bought outright, or a dedicated landline. You can also claim for business calls made on your home phone.

Postage and stationery. Printed items such as business cards, letterheads and invoices, stationery products such as printer paper and the cost of postage or couriers are all allowed.

Advertising. The cost of all online and offline advertising is allowed, including newspaper and magazine adverts and websites. Sponsorship and entertaining clients don't count as advertising.

Professional fees. You can claim for our fees in relation to the business and those of any other professionals, such as lawyers, as well as memberships of trade associations.

Vehicles. If you use your own car, record your business miles in a diary or with an app (we can recommend one). You can then claim 45p/mile for the first 10,000 miles in a year, and 25p/mile after that. If you use a van solely for work purposes, you can claim the costs of buying and running it. Driving between home and work does not count as business travel.

Assets. If you buy things you'll use for a long time, such as vans, computers, tools or machinery, you can claim a capital allowance for several years afterwards. We can help you with this. Make sure you keep all invoices.

Finance. If you borrow money, you can claim any interest you pay and the cost of getting the loan or making a financial agreement. The actual repayments on a loan don't count against tax, only the interest.

Entertaining. If you entertain someone as part of your work, write their name on the receipt and keep it in your records. You can't claim VAT on the cost of entertaining, or set it against tax, unless it is specific staff entertaining. Please note that there are limits with this.

Travel and subsistence. You can claim for travel, accommodation and food when you're away from home, as long as you're on a business trip. You can't claim for travel to your regular place of work.

This isn't a complete list, so if there's another expense you think you may be able to claim, just ask us and we'll tell you whether it's allowed.

