



A Guide to Becoming Self-employed

The information provided in this guide is based on tax rates and thresholds for the 2026/27 Tax Year.

Becoming Self-employed means you will be setting up a type of business known as a 'Sole Trader'. This is the simplest and most common form of self-employment. You run your business as an individual and keep all profits after tax. A sole trader is solely responsible for the success, failure and running of their business.

You can be self-employed while also being employed by another company.

There are steps that need to be taken to become self-employed:

Register with HMRC

By registering for Self Assessment you also register to become a Sole Trader.

To register you will need your National Insurance Number.

If you have registered for Self Assessment for another reason you need to register a second time to become a sole trader.

You can register to become a sole trader by going to gov.uk: [Become a sole trader: Register as a sole trader - GOV.UK](#)

HMRC will issue a Unique Taxpayer Reference (UTR) for Tax Filing.

This will be a unique 10-digit number and is usually received roughly two weeks after registering. It is crucial for managing your tax affairs in the UK.

You will need it to complete your self assessment and manage tax-related matters. A UTR Number stays with you for life just like your National Insurance Number.

You will need to choose a business name. It can be your own name or a trading name.

Self assessments have a digital filing deadline of January 31st following the end of the previous tax year. The filing deadline for the 2024/25 Tax year was 31st January 2026. If filing in paper form, the deadline is 31st October following the end of the tax year.

You can find more on our Self assessments service at: [Self Assessment Tax Return Service | Tax Returns Cornwall](#)

Setting up a Business Bank Account

This is not a legal requirement for Sole Traders but it is recommended and something we always advise clients.

It keeps personal and business finances separate, simplifies bookkeeping and tax preparation.

There are lots of different options for opening a business bank account. You could open one using your current bank, alternatively there are some free banks for Businesses, so we do advise to research which is best suited to you and your business.

Bookkeeping/ Record Keeping

Becoming a sole trader is the easiest business to set up and keep records for.

The standard way for Sole Traders to keep track of their records is called Cash Basis Accounting. – You only need to record income or expenses when you receive money or pay a bill. Records must be kept from the start to the end of the Financial Year, April 6th to April 5th 2026.

Many businesses use traditional accounting where you record income and expenses by the date you invoiced or were billed.

Which option you chose is down to individual preference however, all receipts or invoices for purchases will need to be kept. Paper receipts can be lost and ware easily so it is advised to make a scan of them as a backup.

It is recommended that all paperwork is scanned or photographed, labelled correctly and put into a GoogleDrive or Dropbox.

How to Invoice

It is important that Invoices are sent to Clients or customers correctly.

Invoices need to include:

The **name and address of the seller and customer**,

Each invoice should have an **invoice number**,

The **date of the transaction** should be shown on the invoice (this is known as the Tax point for Tax and VAT purposes),

A **description** of the goods or services provided,

The **quantity** of each item,

Unit price,

The **total amount**

The **terms of payment** (e.g. 30 days or due on receipt).

Tax Obligations

As a self-employed worker, you'll pay income tax on your business's profits and National Insurance contributions to HMRC at the end of each tax year via Self Assessment.

HMRC will get in touch with how much Tax and National insurance you need to pay.

Tax you will pay is dependent on the amount you have made. *Allowable Expenses* can be deducted when tallying up your taxable profit.

Allowable Expenses are various running costs that you can deduct from your turnover to reduce your taxable income.

It is important to keep records of what you claimed, how you calculated it and your receipts and invoices relating to the expenses.

Working from home you can calculate your expenses in different ways.

| Allowable Expenses | Do not Qualify as an Allowable Expense |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing costs, Accounting software, Business insurance, Website hosting, Mileage to visit clients, Office equipment, Phone and internet, Business Bank Charges, Clothing used for work, Protective or Safety Clothing, Materials, Professional Fees | Personal expenses, Everday clothing, HMRC fines and penalties, Parking fines, Speeding fines, Entertaining clients, Travel from home to office, Drawings or the salary you pay yourself |
| If you work from home you may also be able to claim on: Heating bills, Electricity bills, Council Tax, Mortgage Interest Rates. | |

For example, if you have a phone bill for £350 but £150 of this was on business calls and £200 on personal. You are able to claim the £150 as a business expense.

If you work from home full time and have a 4 bed house and are using one of the rooms as a home office you can claim back $\frac{1}{4}$ of your bill for heating and electric. If you work from home one day a week this would be divided by a further 7.

e.g. Your electricity bill for the year totals £1,500 you could claim £375 working at home.

If you only work from home one day a week you would only be able to claim £53.57.

For ease, you always have the option to claim a flat rate of £6 per week for use of home as office. This is a popular option to save calculating each bill you receive.

Income Tax

How much you pay depends on how much of your income is above your personal allowance and how much of your income falls into each tax bracket.

The standard Personal allowance is £12,570.

Earning over £12,570 means you will have to pay the standard 20% Tax up to £37,700.

Earnings from £37,701 is a higher rate of 40% and over £125,140 is an additional rate of 45%.

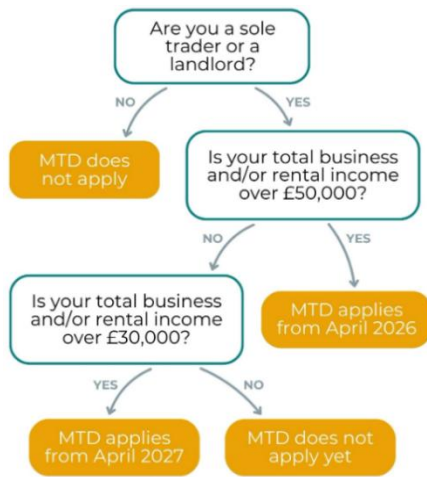
Your personal allowance will be reduced by £1 for every £2 your adjusted net income is over £100,000.
Your personal allowance is zero if your income is £125,140 or above.

National Insurance

There are two forms of National Insurance for self-employed individuals:

Class 2 NIC: This is a voluntary flat rate weekly contribution of £3.65 per week for those earning below the Small Profits Threshold of £7,105. – This is paid to protect your State Pension Record.

Class 4 NIC: 6% contribution paid on annual tax returns if profits exceed £12,570 and 2% on profits above £50,270.



Making Tax Digital (from 6th April 2026):

Sole traders with qualifying income will need to use Making Tax Digital to maintain digital records and update HMRC each quarter using compatible software.

Making Tax digital is a UK government initiative to help businesses monitor their finances across a year to identify improvements before year-end accounts are calculated.

It is mandatory to do digital record keeping and online tax filing and payments. This is in place to reduce errors.

MTD is being phased in from April 2026 starting with sole traders and landlords with a total income over £50,000. From April 2027 this threshold is to drop to £30,000.

It is forecasted to then drop to £20,000 in 2028. So even if you do not have an overall income of £50,000 it is good to learn about MTD for Income Tax now.

You can find more information on Making Tax digital at: [Making Tax Digital Cornwall | Venton Ltd - Venton Ltd - Venton Ltd](#)

There is also step by step guide available: [Making Tax Digital for Income Tax - GOV.UK](#)

How can Venton help you?

Venton is a bespoke accountancy service with a team of accountants and book keepers who can help you with your transition to becoming a sole trader.

We provide a wide range of services from Bookkeeping to help you keep on top of your income and expenditure, providing a set fee for yearly Self Assessments.

To get more information our website can be accessed at: [Accountancy Services in Cornwall | Finances Made Easy](#)

Call us on 01872 248533

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