

Top tips for the newly self employed.

Congratulations on becoming self employed. This is an exciting time however there are a few key points to remember to make the process go as smoothly as possible:

Tax & National Insurance

If you were previously an employee these are things that you generally didn't have to worry about – the payroll department deducted them automatically and you received the balance.

As a self employed person you will now have to pay two types of national insurance, as well as paying two years worth of tax in one year.

National insurance

You will now pay class 2 contributions, which are set at a fixed amount per week.

In addition, there are class 4 contributions payable, based on the profit at the year end.

Tax

As a self employed person you pay your tax on the 31st January following the end of the tax year. However, to make up for this benefit the revenue also asks for payments on account for the following years estimated tax – on 31st January and 31st July each year. **Therefore after your first year, your tax bill may actually be 150% of the amount you were expecting, with a further 50% due in July.**

It is important to provide for these liabilities to ensure that interest charges and late payment penalties do not arise, which can significantly increase your liability.

Compliance

It is also important to ensure that deadlines for registration and submitting returns are followed in order to avoid needless penalty charges arising.

Other jobs

A good question to ask a room full of self employed people is 'who here works in sales?' – the actual answer is that everyone does!

As a self employed person you are now also your sales department, admin assistant and many other tasks as well. It is important to realise that you may have to spend a significant amount of your time on other tasks that you had not planned on, or...

Get ahead with expert help

Many self employed people think that one way to save money is to do everything themselves, such as their web site, sales/marketing, tax returns, etc.

However, if you work out the number of hours this actually takes at the rate you could earn from a client or customer, combined with the results – you could actually find that in many cases that you could save significant money, time and hassle by getting some help at an early stage.