

REGISTER YOUR BUSINESS

There are several ways your business can trade. But before your business idea can become a reality, the relevant authorities must be informed.

There are 2.9 million sole traderships in the UK - and that number has grown over recent years.

The majority of what I call "lifestyle businesses" are sole traderships. It makes sense and is probably more tax efficient to take sole trader status if profits are likely to be lower than £50,000 per annum. Beyond this, you should consider becoming a limited company or a partnership.

At headline level, here are the main tax issues to consider:

- Sole traders, partners and employees pay income tax.
- A director of a limited company pays income tax (as an employee of the limited company).
- A limited company also pays corporation tax.

SOLE TRADER

If you set up as a sole trader, you need to inform the Inland Revenue and register as self-employed. (The telephone helpline for the newly self-employed is 08459 154515.)

Setting up in business as a sole trader is a viable option to test the market, before incorporating as a limited company, once the idea has proved viable. Once tested, you can invest in creating a company. Record keeping is simpler with no PAYE and there's no corporation tax to pay, so sole traders retain all profit after tax.

By registering as self-employed with HM Revenue