

Self-employment

Why do it?

The definition of self-employment is 'starting and running a successful business or social enterprise'. Many famous companies began this way as visionary men and women patented an invention, created a company or registered a brand. Although an excellent business idea plays a key role in the ultimate success of a business the application of the idea will ultimately decide its fate.

Self-employment is sometimes the only option if you wish to pursue a specific career path. Journalism, certain legal and medical professions, and the creative and performing arts are all sectors where self-employment or freelance work is the typical mode of operation.

For some people, it is a lifestyle choice achievable by:

- setting up a business, either on a full-time basis or alongside a part-time job;
- working as a freelancer or contractor;
- buying into a franchise.

Reasons why people choose self-employment may also include:

- the desire to sell their skills and/or expertise;
- the desire to prove an idea;
- because they relish the challenge;
- wanting to generate a second income stream;
- reaction to an ill-informed first career decision;
- peer or family pressure;
- a feeling that there are no other options.

Self-employment has its benefits and risks.

The benefits

- Freedom
- Being your own boss
- Earning more money (possibly becoming rich)
- Working fewer hours
- Independence
- Variety and choosing work you enjoy

The risks

The more glamorous aspirations attached to self-employment take years of hard work and commitment to achieve. It is this realisation that provides the biggest shock to most people who decide to work for themselves. This may cast some light on why only one in three business start-ups in the UK succeed in the first three years of business.

So, in the early days you may need to consider the following:

- You do everything yourself and are responsible for the day-to-day running of the business. You will rarely have the resources at your disposal that are available to an established business owner. This may mean doing tasks that you dislike.
- Large salaries or income are rare in the early days. Need for personal financial investment in the business, competition, economic fluctuations and changes in consumer markets may occur.
- You may need to consider having a second job to help provide a guaranteed source of income for day-to-day living costs.
- You need to offer a product or service for which there is a demand. This may depend on projecting a certain image, perfecting a technique or making a product unique.
- You alone are accountable. Taking an unwise decision could reduce your income.
- Expanding too rapidly or, conversely, not being quick to seize a chance might be detrimental to your business.
- Working from home is most effective when you have the space and facilities to do so. If you work out of other premises, you will have to pay rent and other overheads.
- It is impossible to escape some pressures, especially those that come from clients and customers, who will often dictate your working hours.
- By not being employed, you risk losing a range of benefits and a support infrastructure.
- Setbacks may impact on your confidence and profits. Be realistic and learn from your mistakes.
- You will have to make your own tax, pension and health insurance arrangements.

Further Information

- [Start-ups](#)
 - [Start Up Britain](#)
 - [Career Player-Entrepreneurship](#)
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Skills and qualities

There is a high level of commitment involved in starting a business so you need to take a good hard look at yourself to see if you are ready for this challenge. Auditing your skills and personality and building a support team of family, friends and advisors is as important as your idea and motivation.

Specific academic and professional qualifications may be essential for some self-employed professionals, such as dentists and barristers, so check your credentials.

Essential qualities include:

- willingness to take risks;
- acceptance of uncertainty;
- natural networker;
- self-discipline;
- a total commitment to hard work;
- passion;
- energy;
- creativity.

Sir Richard Branson and Lord Alan Sugar are all examples of successful business people who possess these traits but don't have a degree.

Have you got what it takes?

In terms of your attitude to this way of life and working, you should ask yourself the following questions:

Could I be a (calculated) risk taker? No business is risk free, so you need to judge the level of danger correctly and then be sufficiently well prepared to live with the consequences.

How do I respond to uncertainty? Do you find this exciting rather than worrying? Are you prepared for changing markets, competition, and economic fluctuations? Will your hunger for change and to bring your business into reality be enough?

Am I opportunity aware? Given even half a chance, do you take it? Better still, can you see it coming before anyone else does? Or are you too cautious or over-analytical?

How hard can I work? Being self-employed is not an easy option, especially if you are working on your own. Results are often only produced by working long hours and doing routine tasks rather than bringing off high-powered business deals. Failures and disappointments are common but often make you more resilient for challenges ahead.

Am I a realist? Can you gauge in practical terms what can be achieved or produced within a certain period? In business terms this translates into:

- being aware of limitations;
- striving for speed, efficiency and quality;
- pricing your output so that it appeals to clients but at the same time pays you a realistic wage.

Can I see the consumer's point of view? Are you able to visualise the product or service you are offering through your customer's eyes? Cultivate being customer-centric.

How well organised am I? You will have to be an excellent time manager. If you do not already possess this skill, it can and must be learned. How else will you:

- juggle tasks;
- meet multiple deadlines;
- prioritise conflicting demands;
- cope with basic administration such as sending out invoices?

Do I plan ahead? Having a vision, a mission of clear goals allied to constant appreciation of your business's unique selling point will fuel your planning. You need to do this to minimise uncertainties and maximise your chances of success.

Will I be able to network? It is essential to be able to market yourself and your business, often in social situations. Constantly putting yourself in a position to meet potential customers or contacts is a prerequisite. Does your networking lead to action or just make you lots of friends?

Am I computer literate and numerate? What is your relationship with computers? If you are not totally familiar with any of the admin functions you need, you may have to pay other people to help with bidding for funds, doing the accounts and dealing with IT.

Do I have commercial awareness? Do you know how to:

- attract and retain customers;
- make a profit;
- corner a share of the market?

How committed am I? Do you believe in yourself and in your own business idea? Self-employment is not always a comfortable option or an easy alternative to finding regular work. Doubts or a half-hearted approach can be disastrous.

Am I self-motivated? Running a business can be a lonely occupation. No one is going to motivate you other than yourself.

What does professionalism mean to me? Will you:

- turn up to meetings on time;
- present a businesslike image;
- do the necessary homework?

It is essential to make a realistic assessment of your talents and work out whether you lack any of the skills essential to the success of your project. You may be able to acquire some of these skills and techniques through training or courses.

Common areas of work

The number of sectors and occupations where self-employment opportunities are available is quite big but here are some of the more common examples.

Information technology (IT)

The impact of e-commerce, expansion of small businesses needing IT expertise and large corporations outsourcing this function characterises the current IT sector as we head towards digital switchover. Home computing and mobile technology innovations also present lucrative openings for those who want to be self-employed. Opportunities for new graduates are again on the up especially in web design and development, IT training, technical support and consulting roles.

Job roles include:

- [IT consultant](#)
- [IT trainer](#)
- [Multimedia programmer](#)

The visual arts

Graduates in fine art, craft, visual and design disciplines sometimes become self-employed by choice, more often through necessity. Examples of jobs include:

- [Graphic designer](#)
- [Illustrator](#)
- [Printmaker](#)
- [Jewellery designer](#)

Income from sales and commissions may not be enough to live off. Many people take part-time jobs to support their practice. Arts Council support may be available.

Health and exercise

This category consists of:

- practitioners who could stay within the National Health Service (NHS) but prefer to work for themselves, all or part of the time;
- practitioners outside the mainstream health service who combine part-time NHS work and private referrals;
- providers of complementary therapies;
- providers of sports-related therapies.

The range of jobs is wide, for example:

- [Dentist](#)
- [Counsellor](#)
- [Osteopath](#)
- [Podiatrist](#)
- [Sports therapist](#)

Jobs covered by the [Health & Care Professions Council](#) usually require a year in the NHS before setting up on your own.

The media

A significant number of people working in media industries are self-employed, freelance or on short-term contracts. The sector is extremely competitive and it is common to have to pitch for work. Job areas include:

- [Film/video editor](#)
- [Magazine journalist](#)
- [Make-up artist](#)
- [Runner, broadcasting/film/video](#)
- [Writer](#)

The performing arts

Self-employment is the norm for performers and some technicians. They need to be proactive, approaching venues or putting together ensembles. Examples of jobs include:

- [Actor](#)
- [Musician](#)
- [Theatre stage manager](#)

An element of luck, and being in the right place at the right time, may play as big a part as talent and hard work, but getting a foot on the ladder can be a lengthy process.

Business and the law

Self-employed consultants provide expertise across a variety of commercial services. Locum work (short-term cover for time-bound periods) is also possible. Job roles include:

- [Chartered accountant](#)

- [Barrister](#)
- [Human resources officer](#)
- [Management consultant](#)
- [Environmental consultant](#)

It is rare, but not unknown, to make an impact without a previous professional background and postgraduate qualification.

Other occupations

Examples include:

- energy consultant
- photography;
- language translation;
- sports coach
- wine importing;
- sub-aqua diving instruction.

This list is only limited by your imagination.

Further Information

- [Arts Council England](#)
 - [Arts Council of Wales](#)
 - [The Chartered Society of Designers \(CSD\)](#)
 - [Creative Scotland](#)
 - [Creative Skillset](#)
 - [E-skills](#)
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Types of business

Your business will need to operate under a legal structure. Your decision will have implications for tax, national insurance, accounts and record keeping and how management decisions are made.

When choosing the format of your business you may wish to consider:

- your product or service and the risks involved;
- the types of customers you want;
- the investment and funding;
- the number involved in the business.

Sole traders

Most people who start in business do so as sole traders, working on their own, often from home. They alone receive the income and they alone are therefore liable for any losses or debts. Having no colleagues can be liberating, but may equally be isolating with no one to provide motivation or inspiration.

Inspirational inventors like Trevor Bayliss and James Dyson rose to the challenge through painstaking and countless prototypes, expensive annual patent renewal to protect IP and ultimately finding a backer. Find out more at [Institute of Patentees and Inventors](#).

Partnerships

You could set up in business with one or more colleague(s), relative(s), or friend(s). This form of business relationship is usually known as a partnership. All may be equal partner(s) or some may have a larger share of the business than others. Your income and liability are proportionate to your share in the business. Partnership agreements set up by a solicitor will prevent misunderstanding if circumstances change.

Limited companies

As a limited company, the business is registered with [Companies House](#). It will be a virtual person in the eyes of the law and have separate finances from the owners. There are more regulations associated with running a business this way, but these are generally offset by tax advantages.

Franchises

Franchises provide a way for individuals to start their own businesses with the backing of an established brand and business process. Well-known examples include Domino's Pizza, Subway, McDonalds, Thornton's and Toni&Guy.

By making an initial payment which secures equipment, raw materials, training and a well-known commercial name you run a branch of the business ideally making a profit. You can get information and advice from The [British Franchise Association \(BFA\)](#).

Cooperatives

A cooperative is a group of like-minded people with similar aims and business interests. Often community based, co-ops are owned and run democratically and everyone has a say. Profits are returned to members and typically involve employee share schemes. Co-ops are frequently creative, practical or founded on ethical values.

Buying a business

Taking on an existing business may cut out some of the legwork involved in starting up on your own. But try to find an established firm with a solid customer base and a motivated workforce, rather than one with liabilities or a poor reputation. You can find a business to buy through the local press, estate agents, trade associations and websites dedicated to this sort of provision.

Medical and legal practitioners

The medical and legal professions have specific structures of employment. If you enter one of these careers, you will need to consider what sort of practice suits you best. For example, barristers work from chambers, medical general practitioners (GPs) and dentists may set up their own practice or go into partnership. Opticians may opt to take up a franchise. These are all alternatives to being salaried employees.

Freelancing

Freelancers offer a skill or service to other businesses which employ them as needed for particular projects or for set lengths of time. They may be given office space or work from home, delivering work to (often tight) deadlines.

Some freelancers actively market themselves. Others obtain work through agencies or by a direct approach from employers. [Professional Contractors Group](#) (PCG) promotes freelancing and provides advice and support.

Social enterprises and charities

Social enterprise is set to increase in importance and presumably investment as the coalition government's Big Society promotes businesses with social objectives generating surpluses (rather than profit) to benefit local communities as well as regional regeneration and national social policy. Well-known examples include [The Big Issue](#) and the [Eden Project](#).

The [Social Enterprise Coalition](#) represents social enterprises nationally.

Getting started

Gaining business skills

There are numerous initiatives aimed at students to gain business skills which may be available through your university.

- Join or start a student entrepreneurs society (you can get help from [National Centre for Entrepreneurship in Education \(NCEE\)](#))
- [Enactus](#) supports social enterprise activities.
- Find entrepreneurial work experience (e.g. [Enternships](#))
- [Young Enterprise](#)
- Mentoring (e.g. university, local business support provider, [The Prince's Trust](#))

Setting up your business

You will need:

Your business idea - will you provide a product or a service? Providing a service has far less people, regulations and supply chain challenges to worry about and could be just you and your smart phone. Your business needs to solve a problem for someone. Map every possible combination of ways solutions can be achieved. Analyse and rank them in terms of customer benefits.

A business name - you will have to check whether the same name or something similar is already in use. [Companies House](#) is the main source for information about this and about the wordings that are permitted and appropriate.

Internet connection - a computer and smart phone with internet connection along with a business email address is a good start. E-commerce, or increasingly, m-commerce trading will require a website. Your web address (URL) should not copy or imply anyone else's but should resemble what you are providing. You search suitable and available internet addresses and register yours at [Nominet](#).

To be registered as self-employed - when you start working on your own behalf, you have a few months to register as self-employed for tax and national insurance (NI) purposes. Contact the local tax office. You can register as both employed and self-employed if you have a second job.

Premises - there are several different types of locations from where you can run a business. Before agreeing to rent premises, identify all available subsidies and setting up and running costs. Understand your health and safety requirements at [The Health and Safety Executive \(HSE\)](#).

You may be working from home, out of a communal space (such as artists' workrooms or a clinic shared by several therapists) where all expenses can be shared. These could include workspaces rented out to small businesses. Visit [UK Business Incubation \(UKBI\)](#).

Consider the following:

Doing your research - there is groundwork to be done on practicalities such as funding, legal considerations, markets and competitors. This is the foundation on which your business will be based. Searching the internet will provide useful information, but local businesses and university libraries will have a wealth of market information available for free that may otherwise carry a charge if you access it online.

Online business - taking advantage of the e-market place has many benefits for direct selling, pre-selling and post-sale technical support. Although m-commerce, where transactions are made by mobile phone is a growing retail experience, there are advantages of PC or laptop use including speed and storage. Many new online businesses fail due to lack of website planning, usability frustrations, inaccurate content, intrusive marketing, shopping and delivery confusion and security breaches.

Working with others - collaborating with a partner(s) can be a good way to get your business off the ground and is especially useful if you each have different skills to bring to the enterprise. Regardless of how well you know each other ask a solicitor to draw up a tailored agreement about how the business will be run and what will happen in certain eventualities.

Advice and help

- University enterprise support: enterprise centre and careers library.
- Membership of professional bodies, trade associations and unions.
- Sector Skills Councils: some councils have their own careers services
- Local colleges often provide classes on self-employment.
- Jobcentres and careers guidance services have self-employment advice.
- Banks: offer free information, support and advice.
- Charities and similar enterprises: [Prince's Trust](#) and [Shell LiveWire](#).

Business plans

Why write a business plan?

Your business plan is the framework for your business idea. You need a business plan in order to gain credibility, obtain funding and manage risk.

Your business plan describes the aims and objectives of your business, its market, strategies and financial forecasts. Generally, a plan highlighting your intentions and ambitions over the next three years will suffice to begin with.

The process of preparing the plan will enable you to evaluate the feasibility of your idea and focus your mind on how to make your business a success. It will become a sales tool, help raise funding, attract potential business partners, suppliers and clients or even persuade reluctant parents. Your aim is to persuade readers that your idea is a viable, and that you (and your possible partners) have the necessary motivation, skills and business acumen to succeed.

What should it include?

There are many different templates for business plans, and terminology varies, but generally you should include the following:

Executive summary: a concise overview of the key points and features of your entire plan. It needs to be attention grabbing and interesting and ideally no more than two pages in length. Whilst the rest of the plan will change frequently over time, this summary should remind you of what you set out to do and why.

Business concept: a summary of your business track record and an overview of the business's aims, what it will provide and what the benefits are to the customer.

Business ownership: detail what type of business it is (sole trader, partnership, etc.) and list all of the key people involved in the business and their relevant experience, knowledge, skills and accomplishments.

Market summary: evidence that a market exists for your product or services. Describe three key areas of the market place - its history, current performance and forecasts. Review changes in market share, leadership, market variations, costs, pricing, competition and related opportunities relevant to your company's success.

Competition: a summary of your competitors, their reasons for success or failure. Demonstrate how your business will be different, i.e. outline your company's competitive advantage.

Goals and objectives: demonstrate that you have clearly defined SMART goals that are:

- specific;
- measurable;
- achievable;
- realistic;
- time-framed.

Include short, medium and long-term goals that describe specific measurable objectives such as market share and revenue/profitability. Break these down further to highlight how you will achieve these objectives.

Financial plan: definition of relevant financial factors, including pricing assumptions, cash-flow, expected sales and profits for your first three up to five years of trading. Greater detail needed for initial 12 months. Include any financial assistance the business

needs (loans, overdrafts, directors' capital) and demonstrate your business's ability to repay any borrowing required.

Resource requirements: details of what the business needs to start and grow, including:

- technology: machinery, photocopier, tools, computers;
- personnel: business skills, specialist staff, operatives;
- external resources: suppliers and products/services outside the company
- other: e.g., distribution, financial, legal, promotion/marketing, professional membership subscriptions and licences.

Risks: all successful entrepreneurs are able to identify, understand and plan for the risks they face in running a business. Examples include competition, advances in technology, legislation, a lack of funding, skills shortages, fire or theft. Describe such risks and their potential effects on your business and propose a response to mitigate possible damage.

Annex: any additional details you think will add value to your plan, such as:

- full CVs of the management team;
- promotional material;
- market research results and reports;
- competitor materials;
- details of premises and equipment sought.

It is important that you are comfortable with and understand the terminology you use. This is crucial for gaining and maintaining confidence in your stakeholders. Asking questions at the beginning will significantly increase your chances of success.

Further Information

- [Smarta - Why you need a business plan](#)
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Funding

What sort of funding will I need?

Start-up costs are a priority for the majority of new businesses. The sorts of resources that you may need will vary, but would generally be required for some or all of the following:

- equipment: anything from a laptop computer to heavy plant or industrial standard tools and machinery;
- accommodation: renting or buying a work place;
- furnishing and decoration;
- utilities: heating, lighting, water;
- training: additional course(s) to give you the skills and knowledge you need;
- infrastructure: setting up systems and processes to move the business forward;
- marketing: promoting and advertising;
- administrative costs: phone calls, postage;
- employing staff;

- general development: you may need time and/or money to do further research or develop products/services.

The necessity for extra funding does not stop when the business is up and running. You may need to expand your activities, but lack the capital needed to do so.

Are there any other costs?

It is recommended that you obtain various types of insurance: buildings and contents, professional indemnity to safeguard you against legal action, health cover in case you are ill and cannot work, public liability if your premises are accessible to people not connected with the business. You also need to think about setting up a private pension.

Where can I do research and get advice?

[Gov.UK](#) has information and advice on starting up and running your own business including funding and debt advice.

Where are the main sources of funding?

Funding comes in four main types:

- you have to pay back, often with interest i.e. a personal or business loan from banks;
- equity that is put into your firm and may give the investor a say in the way it is run (this includes sponsorship) from venture capitalists or business angels;
- matched funding, where another agency supplies part of the cash needed (typically half of the amount) and you have to obtain the rest;
- grants, awards and scholarships that do not have to be repaid.

Using your own savings and assets (e.g. car, house) may be cost effective and will reveal added personal commitment when seeking further financial support. Investments from friends and family are likely to be made with minimal interest rates, but may not provide the on-going mentoring and support available from other sorts of funders. Either way a legal contract should be drawn up in case disputes arise later.

[Startups](#) and the [National Enterprise Network](#) are useful ways to source funding. Regional development agencies are giving way to local enterprise partnerships and enterprise zones may minimise bureaucracy and maximise investment for business starters.

Awards and competitions are another source of funding. Two examples are [Prince's Trust](#) and [Shell-Livewire](#) nationally. Your university may offer similar support on campus.

Trade associations and professional bodies may offer grants and sponsorships.

How do I apply for funding?

Almost any organisation offering funding will want proof that you will use the money wisely. They will want to see your business plan and discuss it in detail before handing over any money. Unsuccessful applicants who nearly make the grade may be encouraged to re-apply when they have done more research or acquired additional evidence. You may occasionally be asked to enter some form of competition or selection process.

Are there strings attached?

Most providers like to see evidence of personal investment as this shows your commitment. Funders may specify certain uses for the money such as projects with a social enterprise bias.

Many lenders and investors monitor how you use the money, perhaps by setting targets and outcomes. Some funding is staggered and later payments are dependent on how well you have used the first tranche of cash. Matched funding arrangements can be very advantageous although capital availability and timing are key.

Further Information

- [British Venture Capitalist Association](#)
 - [UK Business Angels Association](#)
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Sales and marketing

You will need a marketing plan to help you to identify potential customers, decide which customers to target and work out a sales forecast.

A common approach is to work out an appropriate marketing mix based on the five Ps of marketing:

- **product:** making it attractive to customers: design, technology, or materials used;
- **place:** how and where to sell: retail, wholesale, the internet, business-to-business, or business-to-consumer;
- **promotion:** reaching your customers: advertising, PR, mailings, or personal selling;
- **price:** e.g., sell high numbers of units with low margins or sell low numbers of units with high margins, matching the competition;
- **people:** training your staff and/or analysing your customers.

Know your customer

Who are your customers, in terms of age, location and income? A gut feeling that there is a niche for your product will not convince lenders and business advisers. You should be able to give an overview of the competition and potential product demand.

Useful formal statistics include:

- government data; (e.g. [Office for National Statistics](#) (ONS))
- electoral rolls;
- consumer surveys, sector reports (e.g. [Intel](#) and [RBA Information Services - statistics](#));
- information held by trade and professional bodies.

The Data Protection Act and commercial considerations mean that you may have to pay to access these sources. Try local or specialist libraries (sometimes within universities) for access to subscription-only websites.

Carry out your own investigations by:

- desk research;

- visiting potential stakeholders;
- visiting competitors and collating trade literature;
- observing similar businesses;
- visiting and/or surveying potential customers;
- visiting trade association websites.

Promoting your business

Business cards and matching headed paper are cheap and can do a lot to establish a professional image in any context.

Some suggestions for networking:

- professional and other social networking sites;
- exhibitions, trade events and conferences: take a stand or just mingle with potential clients;
- structured opportunities provided by Chambers of Commerce, [Business Network International](#), professional associations and institutes;

Some organisations offer marketing strategy mentoring, which may cover factors such as pricing, branding and media mix.

Advertising your product

Plan an advertising campaign which will target your customer base effectively and use a mix of media. A mix of media can be particularly effective such as radio and the [Yellow Pages](#).

Effective methods include:

- a website which is regularly updated and user-friendly. You can audit the effectiveness of your website with tools such as [Google Analytics](#);
- leafleting (door to door, high street);
- sending out press releases or arranging free advertorial features in the press; asking professional bodies to place your details on their websites.

The best advertisement is you. If you deliver good products, excellent service and original ideas, word will get about and you'll hear from new clients.

Tendering for contracts

You may be asked to bid for work and contracts against competing suppliers. Business Link provides comprehensive guides.

M-Commerce and e-commerce

With the evolution of smart mobile phones, business transactions through this medium are increasing. Amazon and eBay report higher profits from customers shopping on mobiles. If you intend to trade via the internet or via a mobile device, take professional and legal advice to ensure you meet acceptable and required standards. Issues to cover include:

- mobile device sales capability;
- computer capacity - a website that constantly crashes will lose customers;
- data protection/security for customers and yourself;

- branding, domain name and a user friendly site that is easily accessed by search engines;
- reliable systems for online payment;
- compliance with legal requirements such as the Supply of Goods and Services Act.

The [Office of Fair Trading](#) provides excellent advice and tips on how to keep your customers happy.

Further Information

- [The Marketing Donut](#)

Managing finances

Your personal finances

To what extent your business thrives or fails may be dependent upon how you balance the books. Critical pre-trading activities of research, and market and product development can take valuable time well before the business provides you with a regular income. Answering the following questions will help you understand how you might maintain financial security during this period.

- Will I be working full time in the business?
- Will I have another source of income, or savings to fall back on?
- Do I need the business to provide a full-time income from the start?
- How much do I need to live on every month?
- Do I know anyone who can give or lend me money?
- Do I know someone who has money who might join me or buy into the business?
- How quickly do I think I can generate sales?

Once you have understood your personal financial needs, you need to work out how you will control the finances that directly affect your business.

Cashflow

One of the most stressful aspects of self-employment as compared with being employed is that you cannot rely on a regular salary. Good cashflow is defined by a pattern of income and spending that allows a business to have cash available to pay bills and wages on time. Leasing of assets, equipment and machinery and negotiating early payments may help in this respect.

Profits

Check whether your prices are sustainable. Is it better for you to work with higher margins and fewer customers? Know your break-even position and how it changes with differing volumes of different products and services.

Overheads

Keep overheads to a minimum. If you need stock, hold the minimum needed. Constantly reviewing your overheads be they premises, equipment or staffing costs will protect you from insolvency.

Credit

Only give credit when it cannot be avoided. Beware of new customers asking for credit: check their credit/ payment history with other suppliers and credit reference agencies.

Invoicing

Create a system that ensures invoices are for the correct amount, sent to the right person and followed up before they are due for payment. Know when you can expect payment into your account.

Bank accounts

Maintain a good relationship with your bank by keeping them informed. This may help if you need to raise money urgently or go overdrawn at short notice. Shop around being clear about services offered, fees charged and new start-up incentives.

Taxation

As a business owner, you may be liable for several different taxes, including income tax, corporation tax, VAT, stamp duty and business rates. Go to [HM Revenue & Customs \(HMRC\)](#) to find out more about what taxes will apply to you, how to calculate them and when to send your tax return to them.

New businesses can sometimes receive tax advantages on equipment, premises or for research and development. These incentives are not automatic. Check your eligibility and make an application.

Registering for VAT

If you supply goods and services with a value above an annual threshold (£73,000 from April 2011), you must register straightaway for value added tax (VAT) and pay it throughout the year at fixed intervals. Failure to do so incurs a fine which accumulates the longer the tax is unpaid. You may gain a tax advantage by registering voluntarily, even if your turnover is below the threshold.

Additional VAT is payable on imports and exports. Levels vary according to the nature of the goods and the countries involved.

Book-keeping and accounting

Meticulous record keeping is vital both to keep track of your business finances and to provide related evidence to HMRC, who will then calculate taxes you need to pay.

HMRC runs short courses across the country covering most finance-related issues. You will also find many simple templates on these and several high street banks' websites that you can easily adapt.

Getting in and out of debt

It is likely, but not inevitable that you will need to take out loans both to start your business and, later, to expand it. If you get into difficulties, seek help straightaway, not when you are going under. Banks, accountants, tax personnel and business advisers may all be able to come up with strategies to get you out of trouble or avoid it altogether.

Employing people

Employing people is one of the biggest steps you can take when growing your business and it should not be taken lightly. Seek independent advice before making any key employment decisions.

Be aware that there are regulations around subjects such as minimum wages, hours of work, sick pay, flexible working, annual leave, maternity/paternity/adoption and parental leave, employers' liability insurance, repayment of staff members' student loans and redundancy. Induction programmes and formal pay scales and promotion structures may need constructing.

The rules surrounding all this are extremely complex, so it is vital to seek professional advice from your accountants, solicitors and [HM Revenue & Customs \(HMRC\)](#) before setting up a payroll system and maintaining necessary records.

Making job offers

If you are advertising a post or deciding who to employ you must pay due regard to anti-discrimination laws. With few exceptions, and outlined in the Equality Act (2010), it is illegal to deny anyone a job on the grounds of their gender, race, religion or belief, disability, sexual orientation, gender reassignment, marriage and civil partnership, pregnancy and maternity or age. Guidance on receiving and acting on references can be found in Employment Practices Codes of the [Information Commissioner's Office](#).

Pre-employment checks

Before you confirm a job offer, you should take up references and check that both these and the candidate's CV/qualifications are valid and truthful. Their previous employment history and any convictions may also be followed up. Care is also needed to make sure that you are within the law when employing children under 16, young people under 18, or workers from outside the EU (including students), who will require work permits and visas.

If any member of your staff is likely to come into contact with children or vulnerable adults, a [Disclosure and Barring Service \(DBS\)](#) check is mandatory.

Job contracts

When you do find the right candidate, they should be given a formal contract of employment, clearly laying out the terms and conditions under which they are employed, including pay, annual leave, hours, sick pay, pension, notice and any probationary period. Most solicitors can advise on this and draw up a standard or customized document. [The Law Donut](#) is a useful tool for legal issues.

PAYE and National Insurance

If you are paying anyone for the work they do, it is your responsibility to ensure that their tax and National Insurance (NI) obligations are met. Staff on your payroll must be covered by the Pay As You Earn (PAYE) system by which tax and NI are deducted at source from their wages. They are entitled to an itemised pay slip, as well as other documentation, such as a P60 at the end of the financial year. If you employ freelancers,

you should advise them that they are responsible for making their own arrangements for this.

Pensions

A range of options is currently available to employers and their employees regarding occupational pensions. You should advise any employees of your business about the arrangements you have in place for them, or discuss their entitlements to make their own arrangements. There are different types of schemes and various levels of employer/employee contributions to these. You will receive tax benefits for making contributions to your employees' pensions.

Workplace pension reforms from 2012 will require all employers to contribute to pensions for their eligible job holders. [The Pensions Regulator](#) and the [Department for Work and Pensions \(DWP\)](#) can advise on provision, registration and other issues.

Disputes and dismissals

If you have selected your staff wisely and treated them well, it is unlikely that major problems will arise. If there are disagreements, or if you need to discipline or dismiss one of your employees, there are rules in place to ensure that this is done justly and properly. The [Advisory, Conciliation and Arbitration Service \(ACAS\)](#) can provide support on this and may also mediate to prevent matters from escalating. Both ACAS and the [Chartered Institute of Personnel and Development \(CIPD\)](#) have useful tips on employing people and on what constitutes a model workplace.

Checklist

The checklist below is designed to remind you of the key points to consider when becoming self-employed and to highlight action points that should be taken.

The business

- What are your reasons for becoming self-employed?
- How feasible is your idea and why?
- What's the unique selling point of your business?
- What knowledge, skills and qualifications are needed in the sector that you have chosen?
- How will you keep your knowledge, skills and qualifications up to date?
- How do you intend to grow the business?

Your research

- Which areas of research will you need to tackle first?
- Where, specifically, will you find the information?
- Desk research only goes so far: who should you talk to?
- Who will you need to help you – inside and outside the business?
- With which professional organisations and associations should you register?

Funding

- How much money will you need to start the business?

- What resources and equipment will be required?
- What IT facilities will be necessary?
- Where will you be based and what will this cost?
- Which sources of funding will you target first?
- How will you support yourself while starting up the business?

Marketing

- Look closely at two competitors: what can you learn from them?
- Where can you network?
- List five outlets for your products or services.
- What's a competitive price for your product(s)?
- Which three promotional methods will best suit your business?

Practicalities

- What type of business will you run, e.g. sole trader?
- What is your company name and how will you protect this and your idea?
- What mandatory regulations must you follow?
- Have you found out about tax?
- What about IT and the potential of e-commerce?

Don't forget to check university careers services to see what help is already available through your university.

Further Information

- [National Centre for Entrepreneurship in Education](#)
- [Make it Happen](#)
- [FlyingStart Online](#)
- [Shell Livewire](#)
- [Gov.UK](#)

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