

A hand-drawn speech bubble with a thick, dark blue outline, centered on a background with a vertical color gradient from yellow to orange. The bubble has a tail pointing towards the bottom right. The text inside is written in a dark blue, casual, hand-drawn font.

Let's talk about
self-employment



Let's talk about self-employment

Being 'self-employed' means working for yourself rather than going out to work for someone else. If it's something you'd like to find out more about, then this guide is for you.

Over the coming pages you can learn what being self-employed involves and how to go about it. You'll find out about the pros and cons of working for yourself and the sort of person it's best to be if you're going to make a success of it. You'll also find out where to go for more help and information on becoming self-employed and how to overcome the extra hurdles you're likely to face as an ex-offender.

By the end of the guide we hope you'll be in a position to make an informed decision about whether becoming self-employed is a serious option for you and, if you like the idea, that you'll be inspired to have a go.

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European Social Fund and *Let's Talk About Self-Employment*

Let's Talk About Self-Employment has been funded through the European Social Fund (ESF).

The ESF is a European Union initiative that helps people who need additional support to enter jobs, improve their skills and develop their potential at work.

ESF opportunities are helping offenders to gain skills and connect with the workplace.

This booklet is targeted specifically at offenders who are in their last two years of their sentence.

The guide is aimed at people living in areas covered by the England ESF Objective 3 programme (i.e. all of England except the Objective 1 areas of Cornwall and the Isles of Scilly, Merseyside and South Yorkshire).

Since 2000 ESF has invested around £4 billion of ESF money in employment and training projects in England. This has benefited over 4 million people.

For more Information on:

European Social Fund visit www.esf.gov.uk

Adult Learners' Week/Sign Up Now visit www.alw.org.uk

The *Let's Talk About Self-Employment* booklet has been written by Jo Knight (National Institute of Adult Continuing Education – NIACE), Claire Robinson (NIACE) and Julia Grimes (NIACE Consultant) and published by NIACE.



Introduction

There are around 3.5 million self-employed people in the UK today.¹ They come from very different backgrounds and are doing all sorts of things from driving cabs and child-minding to running restaurants and shops, working with computers and even inventing things. A few are making millions while, for others, being self-employed is more of a lifestyle choice, giving them the freedom to work the hours that suit them or become their own boss.

As an ex-offender, there is nothing stopping you from becoming self-employed if you want to. In fact, it's quite a good way to get away from the prejudices that ex-offenders so often come up against when job hunting because, in most cases, there's no need to account for your past. That said, no one could claim that becoming self-employed is an easy option. Most people who make a success of self-employment have experience, a bit of money behind them and support from family and friends. In the early days, this really helps because you're likely to be working very hard and not bringing in much money but, as an ex-offender, you may find you don't have much of this support available to you. On top of this, you'll need to overcome the extra challenges that having a criminal record and time away from the job market will bring. But, where there's a will there's a way. If you really do want to

¹ source: Jobcentre Plus - www.jobcentreplus.gov.uk/jcp/customers/self_employment/index.html

have a go at being self-employed, don't let the obstacles ahead put you off before you've even started. You're not the first ex-offender to have goals and there are plenty of examples around of people like you who have made a success of working for themselves.

Have you got what it takes to be self-employed?

As we've already said, all sorts of different people become self-employed but it's probably fair to say that most of them have things in their characters that are quite similar. So, if you're going to make a success of being self-employed, before you start thinking about what sort of work you'd like to do, it's a good idea to have a think about what you're really like as a person and try to work out if you think you'll be suited to working for yourself.

We've made a list of the sorts of qualities it'll be good to have if you want to go it alone. Have a look at our list and see if you think you have what it takes but remember, you're not superhuman and no one is expecting you to be great in all areas. There are also quite a few things in the list below that might not come naturally but that you can train yourself to do, for example getting out of bed in the morning.

Key qualities

Self-motivated	Could you get up in the morning and knuckle down to work without a boss to keep you on the straight and narrow?
Self-confident	Can you take knock backs? There may be plenty of people who tell you your business idea is rubbish or don't want to help you so it's important to be able to pick yourself up and keep going.
Hard working	Are you afraid of hard work because, when you work for yourself, there's no one to pick up the slack if you're feeling lazy?
Organised	Being self-employed means everything is down to you. On top of whatever it is you're doing, you'll find yourself juggling things like paperwork and accounts, not to mention making time for your life outside work. Are you organised and good at planning ahead?
Professional	You won't last long if you don't do your job properly. Are you the sort of person who turns up when you say you will and sticks around to finish off jobs?
Good communicator	You could have the best idea in the world but if you don't get out there and let people know about what you're doing, you won't succeed. Are you good at talking, getting to know people and grabbing opportunities?
Risk taker	You'll be investing a lot of time, energy and probably cash into setting up on your own and there are no guarantees that people will want what you're offering. While it's not good to be reckless, can you handle the pressure that comes with uncertainty and taking risks?
Polite and friendly	You won't last long if you upset people and make enemies along the way!

Other things to think about

- When you work for yourself, there's no getting away from handling paperwork and accounts so it's important to have a good grasp of reading, writing and numbers. But, if you're shaky on any of these, don't be put off because there is a lot of support about to help you gain these skills. **learnirect** offers free independent advice on finding a course and on careers over the phone, online and by e-mail. You'll find its details in our **Further resources** section or you can also contact your local college or ask your Jobcentre Plus Advisor if you have one.
- No one knows what is going to happen to them in the future but it's a good idea to be healthy if you're thinking about becoming self-employed. You don't get any sick pay when you work for yourself and your business won't keep going for very long if you can't put in the hours.
- It's unlikely you'll make a success of your work if you're not enthusiastic about it so enjoying what you do is a priority.

TIP: A point to remember

We've pulled together a list of pros and cons for you here but it's important to mention that a lot of pros and cons aren't black and white. What we mean is that what you see as a pro, another person might see as a con. For example, you might see being your own boss as a pro because you're in control of your own destiny and have a certain amount of freedom. But others might see this as a con because they'd rather just turn up for work and have someone else deal with the pressure of running the business.

The pros and cons (for and against)

As with everything in life, there are pros and cons to working for yourself so it's important to identify these and take them into account when deciding if being self-employed will suit you.

Pros (for)

Freedom: You are your own boss, doing work that you have chosen for yourself in the way that you want to do it.

Control: You have greater control over how much you work and a bigger say in what you earn.

Flexibility: You often can choose to work hours that suit you, for example to fit around family life.

Potential: You're in charge so you can develop your work in the way you want to and, if you're successful, you have the potential to earn more money.

Less hassle: You don't have to deal with the office politics and endless meetings that come with so many jobs.

Rewards: You receive the rewards for your hard work.

Unspent convictions: One of the advantages of going self-employed is that you won't have to declare any unspent convictions to potential employers and open yourself up to possible discrimination. But remember that to do any work that brings you into contact with children or vulnerable adults you'll need a Criminal Records Bureau (CRB) check, which will reveal all unspent and spent convictions. You can find out more information on the CRB by visiting their website at: www.crb.gov.uk/

Cons (against)

Lack of security: There's no job security when you work for yourself.

Limited benefits: You won't be getting anything like holiday pay, sick pay or redundancy money although you may still be able to claim some benefits.

Irregular income: There's no weekly or monthly pay packet from anyone else when you work for yourself and, even if you're successful, it's likely to take a while for the money to start coming in.

Administration: You have to submit tax returns and take care of your own National Insurance as well as keeping on top of all the laws and paperwork that come with self-employment.

Work-life balance: You may have to work long, irregular hours and there is often no obvious divide between work and family life.

Insurance: Be prepared for personal, driving and business insurance to be higher.

Getting started

If you've read this far and think being self-employed could be for you then the next thing to tackle is how to get started.

Do you know what you want to do?

Some people have a flash of inspiration, some spend years developing ideas while others come at it from a different angle, knowing they want to be self-employed and then going out and finding something that they can do.

If you've already got an idea, then you can move ahead and start planning. If you haven't, don't worry. What you need to do is spend some time thinking about the experience you have and the sort of skills you've picked up – not just from jobs you may have done but also through hobbies and just getting on with your life. For example, a lot of people are self-employed doing things like ironing or cleaning while others have turned their passion for gardening into a career or their love of driving into an earner.

Where to go for advice

Once you've come up with an idea, don't just turn to your family or mates to find out if they think you're on to a winner. They often think you're fantastic whatever you do so it's much better to get advice from an outsider, particularly one with experience. Organisations such as **The Prince's Trust**, **Business Link**, **LiveWIRE** and **WiRE** all have advice for people wanting to work for themselves. You'll find their details in our **Further resources** section (at the end).

Help for ex-offenders

- The Prince's Trust works with people between the ages of 14 and 30 and has support specifically for ex-offenders.
- Start-up is an organisation offering ex-offenders over the age of 30 the opportunity to become self-employed. See our **Further resources** section for more details.
- You can get help and support with becoming self-employed via **New Deal** if you can show that you really want to go down that route and have already started making plans and finding out information. You'll be referred to an employment advisor who will support you as you plan your work and start up in business. You'll also receive a New Deal allowance and benefits. For more information on **New Deal** and **Jobcentre Plus**, which can give you access to New Deal, see our **Further resources** section.

Researching, developing and planning

Most successful self-employed people put a lot of effort into developing their ideas and planning every last detail before launching into work. Doing this is time consuming and, if you're raring to get going, can be a bit dull but it is vital if you want to make a go of what you're doing.

You need to:

- Think about who is going to buy the product or service you are selling. This is what is known as your target market.
- Look around and see who else is doing what you want to do. These are your competitors and you can learn a lot from

them, both in terms of what to do and what not to do. Also, you might realise that there are already a lot of people doing what you want to do and it would be better to come up with a new idea or adapt your existing one.

- Find out if there are any laws or regulations that may have an impact on your work. For example, there are regulations governing working with children and cooking and selling food.
- Establish if there is any training you need to do, perhaps to get a certificate or qualification that's needed or just to help you improve your skills.
- Work out how much you're going to charge for what you're doing or selling – you can find out more about this in our section on **Handling money**.
- Don't be afraid to start small – regular market stalls are excellent testing grounds for certain products.

There are also many other things to think about such as where you're going to work, how you're going to let people know about what you're doing and so on.

The most common way to work through everything mentioned above is to put together what's called a **business plan**. As well as helping you get to grips with your idea, business plans are essential if you want to try to apply for grants or borrow money or if you just want people to take you seriously. It's a very good idea to get an experienced person to help you put together your business plan if you're new to self-employment. The organisations we mention in the section below can help you.

Help is at hand

If the information in this section has left you feeling exhausted, it's good to know that help is at hand. There is a lot of support and good advice about, even from the government, which likes the idea of people becoming self-employed. A very good place to start is with **Business Link**, which is the government's support service for people running small and medium-sized businesses. Business Link has local branches with advisors to support you, an advice telephone line and a very detailed website with lots of information to guide you through setting up your business. You'll find its details in our **Further resources** section.

The Prince's Trust is also very helpful. It is aimed at people between the ages of 14 and 30 but even if you fall outside this age range, its website has lots of very detailed information about working for yourself that will still be relevant to you. Again, you'll find its details in our **Further resources** section.

Regulations and the legal side of being self-employed

This is the part where it's really tempting to switch off but one of the things about being self-employed is that everything is down to you. So, if you don't get to grips with the regulations and laws to do with being self-employed then no one will and it won't take long for you to end up in trouble – serious trouble.

Different ways of trading

One of the first things you need to do is decide how you're going to trade. You'll also hear this referred to as the **legal structure** of your business. It's a very good idea to get advice before choosing what you're going to do but, briefly, the different structures are:

- **Sole trader.** This means you work alone and is the simplest way of becoming self-employed.
- **Partnership.** This is for people setting up in business with someone else.
- **Limited company.** This is where you actually set up a company so it is more complex than the two above and does involve some costs.

Regulations and the legal side of being self-employed

You can also be self-employed by:

- **Operating a franchise.** This allows you to run a branch of a business that has been set up by someone else.
- **Participating in a co-operative.** This is where the people working in a business own and control it together.

The Prince's Trust website www.princes-trust.org.uk/ - has a very good guide called *Forming your business*, which explains trading structures, what you need to do for each and their pros and cons. (The local Prince's Trust contact can print this and pop a copy in the post if you are not able to download from an Internet site. Please see our **Further resources** section for more details.)

Registering that you've started work

Anyone can work for himself or herself but you'll be doing it illegally unless you register with **HM Revenue & Customs**, known to most of us as the taxman. You have to do this within three months of starting work but it is simple and once you've done it you'll be sent a guide setting out what else you need to do to stay on the right side of the law, for example pay tax and National Insurance. You'll find out more about these in our section on **Handling money**.

To register as self-employed, you need to fill in the form found at the back of the leaflet **SE1 – Thinking of Working for yourself**. It is available to download from the **HM Revenue & Customs** website – www.hmrc.gov.uk/individuals/fgcat-selfemployment.shtml – or you can call the helpline for newly self-employed people on **08459 15 45 15**.

Regulations and the legal side of being self-employed

If you're starting a limited company, you have to register with **Companies House**. For more information, call the **Companies House Contact Centre** on **0870 33 33 636** or visit **www.companieshouse.gov.uk**. You can also use this website to check that the company name you have chosen isn't already being used by someone else.

Claiming benefits

If you are claiming benefits when you start working for yourself, it is essential that you keep your Jobcentre Plus Advisor up to date with what you are doing. You may be able to keep some benefits but as you start to earn money others may stop. If you aren't claiming anything then it's a good idea to check if there are any benefits available to you. For example if you become self-employed via **New Deal**, you should be able to claim benefits as well as a New Deal allowance in the early days. For more information on **New Deal** see our **Further resources** section (at the end).

Getting the right paperwork

As well as registering with the taxman, it's important to check that you don't need a licence or any special papers for the work you've chosen to do. Things like working with children, selling food and alcohol do require licences. Your local authority is the place to go for these and you'll need to have all the paperwork sorted before you start. You can search for the details of your local authority at **www.direct.gov.uk**.

Sorting out where to work from

Where you work from really depends on what you do. If you're driving a cab or selling ice cream you'll be out on the road, while designing web pages or taking in other people's ironing is something you can easily do from home. There are some things you're not allowed to do from home, such as really noisy jobs. To find out more, contact your local authority. For other work, it would be impractical to use your home so you may have to rent somewhere or even buy. If you're planning to start something like a shop, café or laundrette, then you've also got to think really carefully about where it is or you may end up with no customers. The Prince's Trust has a good guide called *Finding premises* which you can download from its website www.princes-trust.org.uk (or talk to your regional office – ring **0800 842 842** for details).

Business rates

If you're working out of a shop, office, factory or warehouse, it's likely you'll have to pay business rates to your local authority. **Business Link** has more information on this and you can contact your **local authority** too.

Insurance

People and businesses take out insurance to protect themselves financially in case something goes wrong. It's important to find out a bit about insurance before you start work because you may find there are some insurances that the law says you have to take out. For example, if you're employing someone else you have to take out employer's liability insurance. There are also other insurances that you

might decide you should have such as contents insurance, which offers protection if something like your computer gets stolen or damaged.

Unfortunately, ex-offenders with unspent convictions can have a really hard time getting insurance of any kind. It is an **offence** not to disclose unspent convictions, even if you're not asked to and, once you've disclosed them, it's likely you'll get a firm 'No' in response to your application for insurance. Organisations such as **NACRO**, **SOVA** and **UNLOCK** may be able to help (you'll find their details in our **Further resources** section) and your resettlement department or probation office will be able to give you the contact details for insurance companies that offer ex-offenders insurance.

If you'd like to find out more about insurance, visit the **Let's Talk about Money** website – www.letstalkaboutmoney.org.uk.

Health & safety

Health and safety are two words we tend to hear more and more often these days and they can have a big impact on any work we decide to do so it's a good idea to get familiar with what they mean as soon as you start developing your work idea.

Health and safety is all about making sure you and other people don't get hurt or become ill because of your work. This isn't just people who work for you but anyone who visits where you work or comes into contact with the products or services you offer.

Regulations and the legal side of being self-employed

With health and safety there are some things that it's sensible to do, such as having a first aid kit at home if you're working there and making sure your computer wires don't trail across the floor so you trip over them. And, depending on the work you do, there are also things that the law says you have to do. For example, you can't work with poisonous chemicals without being very careful.

You can find out more about health and safety from: www.safestartup.org/ or the **Health and Safety Commission** - www.hse.gov.uk (advice line: 0845 345 0055) – or your local authority.

Data protection

You may well remember stories in the news about the government losing personal information on people. Well, if the work you're planning to do involves keeping information on people – for example customer names and addresses – then there's a law called the **Data Protection Act of 1998** that says it's your responsibility to look after this information.

To find out more about data protection, contact the Information Commissioner's Office helpline on: **08456 30 60 60** (9 a.m. – 5 p.m. weekdays) or talk to your local Business Link office.

Intellectual property

You may also need to know about **intellectual property** when you become self-employed. What we mean when we talk about intellectual property is things that belong to you but

that aren't an actual physical thing that you can touch. Examples of intellectual property are inventions, writing, pictures and computer programs. You can use the law to protect these so that other people can't just go copying your ideas. Likewise, you can't set up in business using other people's ideas. Intellectual property is complicated so it's an area that you should get advice on if you think it applies to you.

The **UK Intellectual Property Office** is a good place to start. Its central enquiries number is **0845 9 500 505** and web address is **www.ipo.gov.uk/**.

Tax

There's no getting away from the thorny issue of tax, which is the money we pay to the government so that it has the funds to spend on things like schools, hospitals and building new roads. We all have to pay tax, even if we don't agree with what the government is doing with our money. When you're self-employed it is your responsibility to tell the taxman how much you have earned.

Our section above on registering as self-employed explains about registering with **HM Revenue & Customs**, which is the part of the government that collects tax from us. To find out more about the taxes you need to pay, see our section '**Handling money**'.

If you'd like to learn more about taxes in general, the **Let's Talk About Money** website – **www.letstalkaboutmoney.org.uk** – has more information.

Handling money

It's very difficult to run a business of any size if you can't handle money because it plays a part in pretty much every area of a business. You'll need some money behind you to get your business up and running, for example to pay for equipment, premises or advertising. You'll have to decide how much to charge for whatever it is you're doing, you may need to pay other people, there'll be bills to pay and you'll certainly need to save enough to pay your taxes. Then there's the money you'll need to keep you afloat while you're earning more money!

There's no getting away from the fact that money – or finance as it's more commonly known in the business world – is complicated and it's one of the main reasons that new businesses fail, even if the idea behind the business is fantastic. But don't let money scare you off because if you take the time to understand it and grab all the help available to you, you'll be in a good position to succeed. It's also well worth doing a short course covering the basics of business finance. Organisations such as **Business Link**, **learnDirect** **advice**, **Jobcentre Plus** and **Citizens Advice** should be able to point you in the right direction. You'll find their details in our **Further resources** section at the end.

Where do I start?

Raising finance

Most people don't just get up one day and start working as a self-employed person. As well as spending a lot of time planning the work they're going to do, they also get together money to help their business off the ground and to support themselves until their business is up and running. This is usually called **raising finance**.

Where the money comes from

The money that people raise to start businesses comes from all over the place:

- Some people spend years squirreling away enough savings to support themselves and their work in the early days.
- Others get a regular job working for someone else to keep them going and start their business in their spare time.
- Some get given or borrow money from family or friends.
- Some receive grants from charities or trusts.
- Many borrow money from banks or building societies or other organisations that support people starting up in business.

As an ex-offender, you probably haven't had the opportunity to save up money for yourself and, having been out of the job market for a while, you'll be at a disadvantage when trying to borrow money, particularly from banks, which like to see you

Where do I start?

settled in a home with a job and a good track record of looking after your money before they hand out any cash. But you may well find that there are grants and awards that you can apply for. **Business Link** has a good directory that helps you find those that are suited to you.

How much money will I need?

The amount of money you need behind you depends on the sort of work you're planning to do and also your own circumstances. For example, if you're living somewhere where you don't have to pay for rent or food and you're planning to do something that doesn't involve much travelling or equipment, you'll need less money than someone forking out for all their household expenses and hoping to set up a café in a smart location.

It's quite tricky trying to work out how much money you'll need to start your business, then keep it going and hopefully earn some cash for yourself because, until you actually start, you can only estimate – which means work it out roughly.

Even experienced business people often get their numbers very wrong at this stage so you should definitely try to get some help from an experienced person. But, as a rough guide, what you need to do is work out what all your business costs are going to be and then make sure you have enough money on top to pay for your life outside work.

What are my business costs going to be?

Business costs include everything from the materials you use for work to your overheads, which means rent on premises, electricity and gas, any wages you pay to other people and things like advertising.

To complicate things, there are two different sorts of business costs: **variable** and **fixed**.

- **Variable costs** are those that change according to how much you make or sell. For example, if you run a business making sandwiches, the more you sell, the more bread and butter and sandwich fillings you'll need. And if you're planning to wash windows, the more you wash, the more cleaning products you'll get through. These are called **variable costs** because they can go up and down.
- **Fixed costs**, on the other hand, are those that you'll have to fork out for regardless of how much you make or sell. These include things like rent, business rates and heating bills. An example is the amount you pay for a market stall. You may have a bumper week followed by one where you may sell almost nothing. In spite of this, the amount you pay for the market stall stays the same for both weeks.

Business Link has a lot of information on the money you'll need to start your business and keep it afloat in the early days and so too do a lot of the big banks. You can go into a bank branch and ask for information or visit the business banking sections of their websites. It's also a good idea to talk it through with an expert such as a business advisor. **Business Link** and the **Prince's Trust** should be able to help you or point you in the right direction.

How much do I charge?

Working out how much you're going to charge for what you are doing is one of those make or break decisions. Charge too much and no one's going to be interested but charge too little and you may put people off, giving the impression that what you're selling isn't worth much. If your prices are too low, you may also find that you don't make enough to cover the costs that you run up while working, for example materials, petrol, rent on premises and so on.

When setting prices, most people:

- Have a look around and see what others are charging for similar products or services. Don't be afraid to ring potential competitors to find out about their prices and special offers.
- Work out how much it's going to cost them to produce a product or provide a service. You can work out how much something costs to make or do by adding up all the materials and overheads that go into it – our section above explains this – and by adding in a charge for the time you spend making or doing it. Then you need to add what's called a **margin**, which is the extra cash on top that earns you your living.
- Try to work out how much a product or service will be worth to customers. Think about designer clothes to understand this one. They don't usually cost any more to make than regular clothes do but because people want the labels and are willing to pay more for them, designer clothes have a higher value.

Setting prices is complicated and while there is plenty of information available on the Internet, it's probably a good idea to get some expert advice if you're having difficulty deciding how much to charge.

Understanding cash flow

Cash flow refers to the money that comes in and out of your business. It comes in when you sell something and out when you spend it on anything to do with your business like buying new parts to make something or paying your bills.

Without cash flow, your business can't keep running. Think about running a business selling wedding cakes. If you get an order to make a cake but can't afford to buy the ingredients, you won't be able to make the cake. This means you won't make any money.

Many, many good businesses fail because of cash flow problems so this is an area you really need to get to grips with, particularly in the early days when business will probably be slow.

Bookkeeping

The only way to keep track of the amount of money your business is making and spending is to write it down or input it into a computer. This is called **bookkeeping** and you'll come unstuck pretty quickly if you don't take the time to do it. As well as helping you keep on top of cash flow, it's also the law to keep records of what your business is up to financially so that you can prove you're paying enough tax and National Insurance. Remember that every time you buy something you

How much do I charge?

should keep the receipt and you should also hang on to all bills to do with your work, for example telephone, electricity and so on.

The Prince's Trust has a very good guide called *Managing your finances*, which explains how to book-keep and you can also get information from Business Link.



Getting paid

Life would be easy if we all got paid in cash the moment we'd finished our work, rather like a market trader getting a handful of coins in exchange for selling a bag of bananas.

Unfortunately, it isn't always as easy as that so it's really important to understand how you're going to get paid and take this into account when thinking about your cash flow and the money you'll need to start your business.

- If you're doing something like running a stall or a café, you'll probably be dealing in cash so you'll get paid straight away for what you've sold.
- With other work, such as cleaning houses or gardening, you may get paid weekly or monthly. This may be by cheque, which means you'll need to pay the cheque into your bank account and then wait a few days for the cheque to clear before you can spend the money. Money Matters to Me (www.moneymatterstome.co.uk) has information on banking and cheques if you'd like to find out more.
- If you provide a service, you may well end up having to give people invoices and then wait for them to pay you. An invoice is basically a piece of paper or an electronic file that you give to someone that you have done some work for. It should have your name and address on it and set out how much the person owes you and when they should pay it by. Sometimes you can get people to pay some of the money upfront when they start work – known as a deposit – but other times you have to wait until all the work is done

Getting paid

before you can invoice. It really depends on what sort of work you're doing so you should look around and see how other people doing similar work are getting paid.

If money you've earned is slow coming in, it's easy to get into a situation where you can't pay people that you owe money to.

Business Link has lots of good information on how to increase your chances of getting paid on time.



Keeping on top of tax

As we've already mentioned, we all pay tax to the government so it has the cash to pay for everything from schools and roads to the military. If you work for someone else, they pass your tax on before you get your wages so you don't really have to think about it. Unfortunately, as a self-employed person, it's all down to you and there are certainly plenty of examples of people who have come unstuck because they've forgotten to put aside money to pay their tax, or kept dipping into it to keep their business afloat.

Failing to pay your tax is a really serious issue that will land you a hefty fine or even another spell in prison so we can't stress enough how important it is for you to understand what your responsibilities are and to plan ahead to pay your taxes.

The first thing you need to do, which we've already mentioned above, is register with **HM Revenue & Customs** within three months of going self-employed. This is the part of the government that is responsible for collecting tax from you.

There are a number of different taxes so it's important to find out which are relevant to you. **HM Revenue & Customs** has a helpline for newly self-employed people – **08459 15 45 15** – that can give you the help you need. But, to give you a brief idea, the main taxes you're likely to come across are:

Income tax

If you're a sole trader or a partnership, this is the tax you'll pay and the amount you pay is based on how much your business has earned. It's up to you to tell **HM Revenue & Customs** how much you've earned using your **self-assessment tax return**. Once you've registered as self-employed, you should get sent a tax return automatically. They usually come soon after the beginning of the financial year, which starts in April, and you have to fill it in and return it by 31 January or you get fined. If your tax return doesn't turn up, it's important to contact **HM Revenue & Customs** to get hold of one. The Self Assessment helpline number is **0845 900 0444**. But professional advice is always good to seek as falling foul of the taxman is easily done.

Corporation tax

If you've decided to set up a limited company, you'll pay Corporation Tax and the amount you pay will be based on your company's profits. Again, it's up to you to tell **HM Revenue & Customs** about your company and to fill in a company self assessment form.

VAT

VAT stands for **Value Added Tax**, which is a tax charged on the supply of goods and services. Outside your working life, you pay this most of the time without noticing – look at a receipt you get given when you buy something like some clothes and you'll see some information saying how much of the cost you're paying is VAT.

When you're self-employed, you need to pay VAT if your business is bringing in more than a certain amount a year. To find out more about VAT, contact **HM Revenue & Customs** on **0845 010 9000**.

National Insurance

National Insurance is a tax that the government collects from most people who work. The money goes into the **National Insurance Fund**, which is used to pay for benefits such as pensions. As a self-employed person, you'll have to pay National Insurance unless you earn less than a certain amount. To find out more about National Insurance, contact the **HM Revenue & Customs** helpline for newly self-employed people on **0845 915 4515**.

Caution

You also need to be aware that:

- if you employ other people to work for you, you may be responsible for collecting their tax and passing it on to **HM Revenue & Customs**.
- If you buy and sell things overseas, you'll probably have to pay taxes to bring them into or out of the country. The **HM Revenue & Customs** website has lots of information to help you.

TIP: Keep your hands off your business money!

When you run your own business, particularly as a sole trader, it can be very difficult to keep your personal and business cash separate from each other. Unlike a regular job, you won't get wages but instead will use some of the money you make to pay for your personal life, for example rent and bills at home, food, clothes and going out. When you live like this it's easy to get in a muddle and there are plenty of self-employed people who have come unstuck because they've blown money owed to a supplier or the taxman or they just haven't realised how much their personal life costs. Keeping records and budgeting is essential if you want to stay afloat. Both the Let's Talk About Money website – www.letstalkaboutmoney.org.uk – and Money Matters to Me – www.moneymatterstome.co.uk – are very good sources of information on managing your personal finances and can help you plan and budget.

Getting the basics right

Contact details

Make sure you have an address and telephone number where people can contact you. Voicemail is also a really good idea so people can leave messages when you're not around but remember to sound professional in your message if you want people to have confidence in you. E-mail is also very good for this but if you set up an email address, make sure you have access to a computer so you can check it regularly because emails that sit around unanswered don't present a good image.

TIP:

As an ex-offender you may have difficulty getting a contract for a phone where you pay the bill at the end of the month. Instead, you can buy a pay-as-you-go phone, where you load credits (money) onto the phone and pay for the calls as you make them. It's also easy to set up a free email address and you might be able to get free access to the Internet at your local library.

A word of warning

Lots of people keep swapping telephone and Internet companies to get the cheapest deals around but, if you're setting up as self-employed, you could lose business if you do this. You also want to create the image that your business is here to stay and changing telephone numbers and email addresses all the time is not going to help this.

Looking after your money

Think about how people are going to pay you and where you're going to keep the money you've been paid. Also, think about how you're going to pay your bills, for example for materials you need, premises, tax and so on. The obvious place is a bank account so, if you don't already have one, getting one opened is something you should consider doing fairly early on in your planning.

There are lots of different sorts of accounts about and most successful business people operate a separate business bank account so the money to do with their work is kept well away from their personal finances. But, in the early days, it's just important that you have an account of some sort to help you manage your money.

Basic bank or building society accounts

Basic accounts are a good starting point and you may be able to open one while you are still in prison. They are designed for people who could have problems opening other accounts. For example, because they have a bad record of repaying loans or just because they don't earn much money.

With a basic account, you get a cash card to withdraw money but you can only take out as much money as you have in your account. You'll also get a debit card with either the Solo or Electron logo on it. This lets you spend your money in shops, over the phone or on the Internet without having to take out cash. You can only spend as much money as you have so you won't end up with debts. You'll also be able to set up direct

debits and standing orders, which let you pay things like bills straight from your account.

As an ex-offender, you can contact any bank or building society. Banks are required by law to make sure that you are who you say you are so you'll need to take along some sort of personal identification. This can be:

- a driving licence with identity card
- a passport or
- a benefits book.

You'll also need to take along proof of where you live. Most banks accept:

- a utility bill in your name such as gas, electricity or water that is less than three months old
- a letter from your landlord or probation office confirming your address.

You will need to go in person to the bank or building society with your identification and fill out the forms needed to open the account. You should be able to do this in a private office and get help from a member of staff if you need it. You may have to wait for a day or two for the bank to make a decision and they will write to you either with your new account details or a reason why they will not open an account for you.

- You should be aware that if you have a record of fraud or are an undischarged bankrupt, banks and building societies could turn you down for even a basic bank account.

Getting the basics right

Pages 4 and 5 of the FSA leaflet on basic bank accounts give details on different banks and who they may exclude – www.moneymadeclear.fsa.gov.uk/pdfs/bank_accounts.pdf.

UNLOCK can also give you more information and support – www.unlock.org.uk/xoffenders.aspx?sid=12

Credit unions

You may find that as an alternative to banks or building societies you can manage your money through a credit union. These are financial co-operatives, which means that they are owned and run by their members. They used to just offer savings accounts and loans to members but recently some of the larger credit unions have started offering current accounts, which come with debit cards and give access to cash machines and other facilities such as standing orders and direct debits. Some do charge a small fee for operating the accounts and most credit unions have membership conditions, such as living or working in a certain area.

The following website has more information about credit unions www.abcul.org/page/about/intro.cfm or to search for one close to you, use the site's search facility: www.abcul.coop/page/members.cfm

Looking the part

It's a fact of life that people make judgments about what you're like by looking at you so, if you don't look the part for your work, you may find you never even get the opportunity to demonstrate how good you are. You'll be giving your business a big helping hand if you spend some time thinking about the right way to present yourself.

- Bank managers and anyone you might be seeing to borrow money or get a grant from will probably want to see you smartly dressed.
- For jobs involving elbow grease like mending cars or cleaning windows and houses, you probably won't be taken seriously if you turn up in a three-piece suit or with very long, immaculately painted nails.
- Safety gear like hard hats and special boots or motorcycling leathers are essential for other work.

Further resources

Apex Trust helps promote employment opportunities for ex-offenders

Helpline: 0870 608 4567
www.apextrust.com/

Balancing Business delivers professional, practical and individual business support services to entrepreneurs and existing businesses. They also help businesses to re-focus their business activity resulting in increased profitability.

PO Box 13442, Redditch,
B97 9DY

Tel: 0121 288 2466 or
0121 288 2640

email:
info@balancingbusiness.co.uk
www.balancingbusiness.co.uk/

Banks – Every major high street bank has a wealth of information available free of charge to help you start a business, including business plan templates or information on different market sectors. You do not have to have an account to access this information. The local library will have a list of banks in your area.

Business Link is the government's support service for small and medium-sized businesses. It has a comprehensive website with free information on most things to do with starting and running a business, a telephone helpline and a search facility to help you find a Business Link group local to you.

Tel: 0845 600 9 006 and ask for your local office details.

www.businesslink.gov.uk/

Citizens Advice provides free advice to help people resolve legal, financial and other problems. It has a network of branches in 3,000 locations, a website and in some areas provides training courses covering subjects such as financial skills.

Your local library or phone book will have details of the nearest Citizens Advice Bureau.

www.adviceguide.org.uk/

The Community Development Finance Institution

is a sustainable, independent financial institutions that provides capital and support to enable individuals or organisations to develop and create wealth in disadvantaged communities or under-served markets.

Room 101

Hatton Square Business Centre

16/16a Baldwins Gardens

London EC1N 7RJ

Tel: 020 7430 0222

email: info@cdfa.org.uk

www.cdfa.org.uk/

Connexions (Career Service)

Connexions Direct can offer 16–19-year-olds information and advice needed to make decisions and life choices.

Connexions Direct is open from 8 a.m. until 2 a.m. every day – calls from mobiles are not free.

Tel: Connexions Direct on

080 800 13 2 19

Text Connexions Direct on

07766 4 13 2 19

www.connexions-direct.com/

Directgov is the government's website giving detailed information on public services. It covers everything from benefits, paying tax and education to health and rights and responsibilities.

www.direct.gov.uk/

The Health and Safety Commission

is responsible for health and safety regulation in the UK. Its website can give you more information on health and safety and it runs an information line.

Infoline: 0845 345 0055

www.hse.gov.uk/

Her Majesty's Revenue & Customs (HMRC)

is the government department that deals with tax and National Insurance and that used to be called the Inland Revenue. You need to register with HMRC when you become self-employed and deal with it regularly when paying tax.

www.hmrc.gov.uk/

Further resources

(HRMC continued) Resources for newly self-employed

Helpline: 08459 15 45 15
www.hmrc.gov.uk/startingup

National Insurance

Self-employment Contact Centre:
Tel: 08459 15 46 55
www.hmrc.gov.uk/nic/

Information Commissioner's Office

If you keep information on people, such as their names and addresses or other personal information, the law states that you have to look after this information. The Information Commissioner's Office can give you information and help you stay on the right side of the law.
Helpline: 08456 30 60 60
www.ico.gov.uk

Jobcentre Plus is a government agency supporting people of working age get jobs and move from benefits into work.
www.jobcentreplus.gov.uk/JCP/Aboutus/Ouroffices/index.html

learnirect advice provides career information and training courses and can provide guidance on becoming self-employed.

There is an area specifically for ex-offenders and also for business – both are worth exploring

www.learnirect-advice.co.uk/helpandadvice/exoffenders/

Tel: 0800 100 900
And

www.learnirect-business.co.uk/
Tel: 08000 150 750

You can also email them and request a call back from their online service.

Let's Talk About Money

Let's Talk About Money is a website providing financial information for offenders, ex-offenders and their families.
www.letstalkaboutmoney.org.uk/

Livewire

Shell *LiveWIRE* has over 25 years' experience encouraging young people (16–30 years) to start and develop their own business.

Hawthorn House
Forth Banks

Newcastle-upon-Tyne NE1 5JG
Tel: Lo-call 0845 757 3252

www.shell-livewire.org

Money Matters to Me

A website with lots of information on managing personal finances and the basics on everything like bank accounts, tax and insurance. It can also help you do things like learn to use a cash machine, write a cheque, read meters or understand bills.

www.moneymatterstome.co.uk

NACRO provide a helpline service, which includes employment issues. However, they do not provide detailed self-employment advice. What they will provide is general advice and signposting to local agencies who may be able to help with business start-ups. Freephone: 0800 0181 259 email: helpline@nacro.org.uk
www.nacro.org.uk

National Federation of Enterprise Agencies has a network of independent local enterprise Agencies, not for profit local agencies committed to responding to the needs of small and growing businesses by providing a comprehensive range of quality services. In particular they target pre-start, start-up and micro businesses, helping to develop their ability

to start and sustain themselves and to encourage growth and stability.

Tel: 01234 831623

email: enquiries@nfea.com

www.nfea.com/

New Deal is a programme that gives people on benefits the help and support they need to look for work, including becoming self-employed. It also provides training, advice and mentoring. For more information, contact your local **Jobcentre Plus** (see above for details). Ask about the **InBlz self-employed provision**.

The Prince's Initiative for Mature Enterprise (PRIME) is a not-for-profit national organisation dedicated to helping people over 50 set up in business.

Freephone helpline:

0800 783 1904

Further resources

The Prince's Trust is a UK charity that gives practical and financial support to young people (18 – 25 years), helping them develop key skills such as confidence and motivation and enabling them to move into work, education or training. It has support specifically for ex-offenders and works in partnership with Jobcentre Plus and New Deal.

Freephone helpline:
0800 842 842

www.princes-trust.org.uk

SOVA is a national organisation that works with offenders, ex-offenders and their families.

www.sova.org.uk/

Start-up is a programme offering ex-offenders and those about to be released from prison the opportunity to become self-employed.

Tel: 01730 268 300

www.startuponline.org.uk

UNLOCK (The national Association of Reformed Offenders) supports ex-offenders and serving prisoners to overcome social and financial exclusion. It can help with information on subjects such as insurance and banking.

Tel: 01638 247 350

www.unlock.org.uk/

WiRe (Women in Rural Enterprise)

WiRE is a UK-wide networking and business membership club aimed at helping women in rural areas start and maintain their own rural enterprise. WiRE also offers services such as training, mentoring, online information, conferences and loans.

Tel: 01952 815338

email: admin@wireuk.org

www.wireuk.org

All websites accessed between May 16 and May 23 2008

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Let's talk about
self-employment

NIACE, the national organisation for adult learning, has a broad remit to promote lifelong learning opportunities for adults. NIACE works to develop increased participation in education and training, particularly for those who do not have easy access because of barriers of class, gender, age, race, language and culture, learning difficulties and disabilities, or insufficient financial resources.

www.niace.org.uk

