

Sole Trader Start up Guide

➔ Register, Earn, and Stay Out Of Trouble
Tax Year 2026/2027

WHAT THIS SHOWS YOU

- ✓ How to legally start as a sole trader
- ✓ What expenses you can actually claim
- ✓ How to avoid tax mistakes early



INCLUDES EXCEL TRACKER + TAX CALCULATOR

Created by UK-qualified accountants and
digital tax specialists

THE BEGINNING

Do You Actually Need to Register your business?

Let's cut through the myths.

You do not need to 'register' your business if you are setting up as a Sole Trader or Partnership. You need to 'register' as Self Employed with HMRC.

You must register as self-employed if:

- ✓ You earn more than £1,000 in a tax year from self-employment
- ✓ You intend to trade regularly, not a one-off favour
- ✓ You are invoicing clients or selling goods for profit

You don't need to register yet if:

- Your total self-employed **income** is under £1,000
- You're testing an idea with no regular sales
- This is genuinely occasional and temporary

Hard truth:

**HMRC doesn't care what you call your side hustle.
If money's coming in consistently, they care.
If you're earning, register. It's free. There's no downside.**

Examples

Selling on Etsy every week? → Probably **Yes**.

Doing one Facebook Marketplace sale? → Probably **No**.

Freelancing on weekends? → **Yes**.

HOW TO REGISTER

(Without Stress)

Registering as a sole trader is not a business formation.

You are not creating a company. You are simply telling HMRC you exist and be working as a self employed person.

What you need before you start:

- ✓ National Insurance number
- ✓ Personal details
- ✓ Trading start date (be reasonable, not perfect)

The actual process:

- ➔ Go to the HMRC self-employed registration page (linked below)
- ➔ Create or log into your Government Gateway
- ➔ Register for:
Self Assessment
Class 4 National Insurance

That's it.

No fees. No approval process.

You will receive a **UTR** (Unique Tax Reference) from HMRC.
You will need to keep this safe.

[REGISTER HERE](#)

Day 1
Register



Day 2 - 10
UTR Arrives



Keep records
& prepare for
tax

Common mistake:

People delay registration because they think it triggers tax immediately. It doesn't. Tax is based on profit, not registration

RECORD KEEPING

What Records Actually Matter (And What You Can Ignore)

You **do not** need:

- Complex accounting software
- A separate business bank account (recommended later, not mandatory)
- To track every coffee you've ever bought.

You do need:

- ✓ A record of income
- ✓ A record of expenses
- ✓ Evidence to back it up

YOUR THRIVE CONTROL HUB INCLUDES:

✓ **Income Tracker**

Know exactly what's coming in each month.

✓ **Expense Tracker**

Track what you spend, what's claimable, and what needs evidence.

✓ **Tax Reserve Calculator**

Automatically estimate what to put aside for tax.

✓ **VAT Watch**

See if you're creeping towards the VAT threshold.

✓ **MTD Watch**

Know when Making Tax Digital may start affecting you.

✓ **Limited Company Review Tool**

Get alerts when it may be time to rethink your business structure.

SOFTWARE COMPARISON



Feature	Xero	QuickBooks	FreeAgent	Coconut
Best for	Growing businesses	Simple small businesses	Freelancers & contractors	Sole traders & side hustles
MTD ITSA Ready	✓ Yes	✓ Yes	✓ Yes	✓ Yes
Bank Feeds	✓ Excellent	✓ Very good	✓ Good	✓ Yes (core feature)
Mobile App	✓ Strong	✓ Strong	⚠ Basic	✓ Designed mobile-first
Ease of Use	⚠ Moderate	✓ Easy	⚠ Moderate	✓ Very easy
Invoicing	✓ Yes	✓ Yes	✓ Yes	⚠ Limited
Expense Tracking	✓ Full	✓ Full	✓ Full	✓ Simple
Designed for Sole Traders	✗ Not specifically	⚠ Partially	✓ Yes	✓ Yes
Overkill Risk	⚠ Medium	⚠ Low-Medium	⚠ Medium	✓ Very low
Typical Cost (UK)	£15–£38 / month	£12–£28 / month	Often free via bank	£9–£12 / month

TAX DEDUCTABLE EXPENSES

This is where people mess up

Generally safe expenses:

- ✓ Stock or Materials
- ✓ Software and Tools used for the business
- ✓ Marketing and Advertising
- ✓ Business Insurance
- ✓ Training directly related to your work



Quick wins most people forget:

Business Mileage
Professional Subscriptions
Work mobile use
Website/domain costs
Accounting fees

Grey area (be sensible):

- Phone & Home Internet (Business portion only)
- Home Office Costs (Simplified method recommended)
- Travel (Business journeys only, not commuting)

High-risk claims:

- ✗ Clothes that could be worn normally
- ✗ Meals unless travelling for work
- ✗ "Everything goes through the business" thinking

Rule you should remember:

If you'd buy it anyway, it's probably not an expense. Items that are tax deductible should be **wholly** and **exclusively** for business use.

MAKING TAX DIGITAL

From April 2026 Making Tax Digital for Sole Traders & Landlords went live

Who does it affect?

From:

April 2026 Sole traders & Landlords with revenue (income) over £50,000 per tax year

April 2027 Sole traders & Landlords with revenue (income) over £30,000 per tax year

April 2028 Likely to be all Sole Traders & Landlords and partnerships with any revenue (income). This is to be fully confirmed.

What do you need to do?

- Identify if/when you need to register
- Register for MTD for Income Tax
- Submit quarterly returns digitally

Could MTD affect you?

If your turnover is:

Under £30k → **Not yet**

£30k–£50k → **Watch this closely**

£50k+ → **Act now**

MAKING TAX DIGITAL TOOLKIT

TAX RESERVE RULE

Stop the panic

This is the habit that separates calm business owners from stressed ones

The 25% Rule

Every month:

- 1 Calculate your profit
- 2 Move 25-30% to tax savings (separate account)
- 3 Don't touch it

Why?

- ✓ Tax bills planned for
- ✓ Cashflow improves
- ✓ You stop borrowing from yourself



If you do this:

- Tax bills stop being scary
- You stop dipping into savings
- You stop resenting HMRC

If or when to switch to A Limited Company

It's not about ego, it's about numbers

Common signs you may be outgrowing sole trader status

You don't become a limited company because it sounds more professional. You do it because the numbers, risk, or future plans start changing.

You may be approaching the right time if:

- ✓ Your profits are consistently above £40,000+
- ✓ You want more control over how and when you pay tax
- ✓ Your business is taking on bigger contracts or financial risk
- ✓ Clients, agencies, or corporate buyers expect a limited company
- ✓ You plan to hire staff, bring in partners, or scale faster

Hard truth:

A limited company can save tax in the right circumstances, but it also brings more admin, compliance, deadlines, and costs.

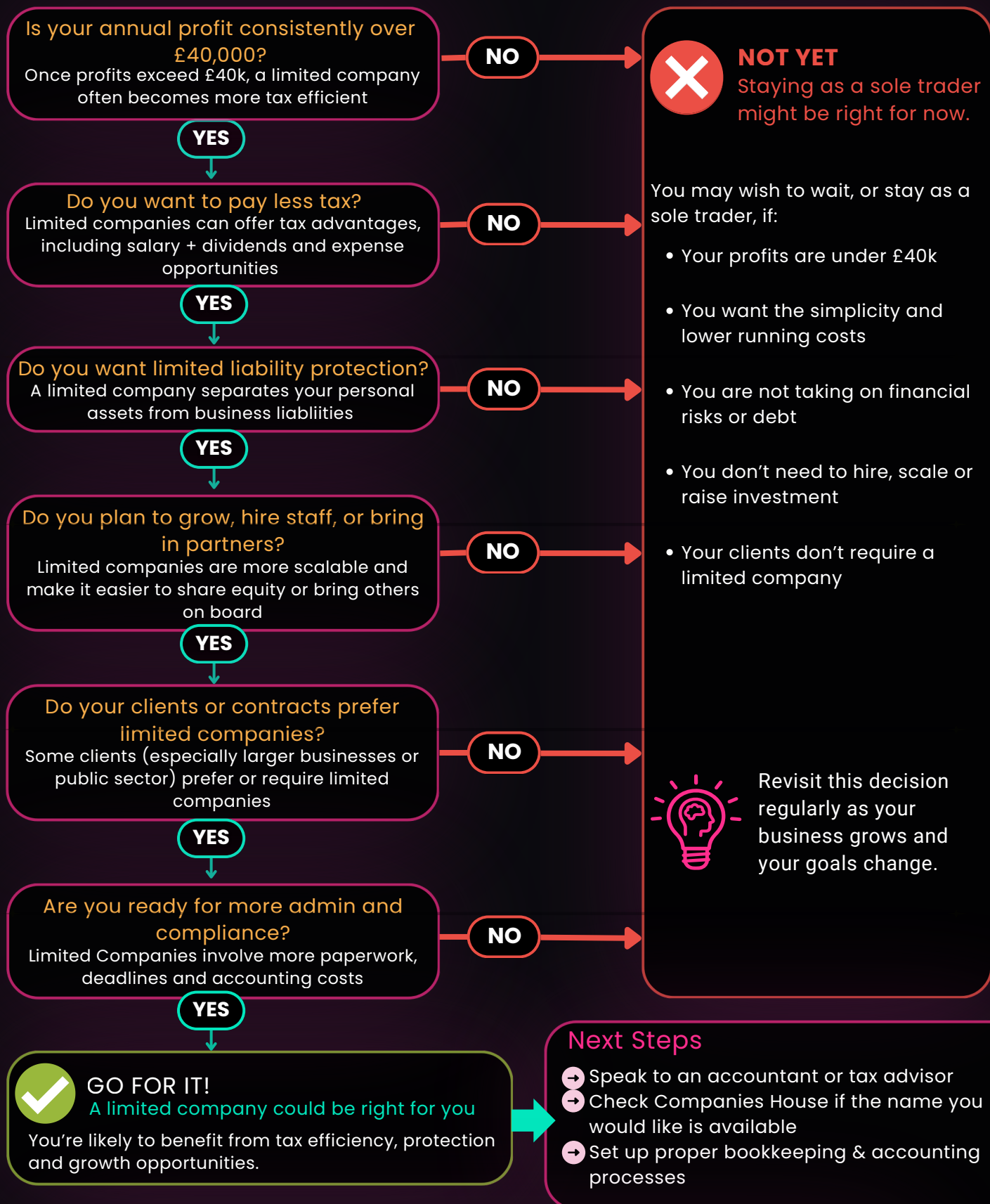
That's why the next page helps you decide.

Not ready yet? That's fine.

Many profitable businesses stay sole traders longer than they need to because simplicity still has value

Should you switch to A Limited Company

thrive



Things to consider

Accountant & filing costs are required and are typically £1000 - £2000+ per year
More admin: accounts, tax returns, confirmations, payroll
Deadlines you must follow (even if you are not trading)



OTHER CONSIDERATIONS

1

ICO

You must register with the Information Commissioners Office if your business processes personal data. Check if you need to register at www.ico.org.uk

Business Bank Account

As a sole trader, you can use a personal bank account but it is wise to have a separate account to keep transactions tidy. Business accounts are advisable

2

3

Software

Spreadsheets can be used. Once you have some growth, you can upgrade to a cloud software package. See comparison table.

Insurances

You need consider: personal liability, product liability, employers liability, public liability, cyber, fleet, buildings, contents, amongst many others.

4

5

VAT

If your turnover reaches £90,000 (2026/27 tax year) you may need to register for VAT and charge VAT to your customers.

Pension

Even £100 makes a difference. Paying into a pension is also tax deductible (so it will reduce the amount of tax you pay).

6

30 DAY SOLE TRADER ACTION PLAN

Starting a business doesn't have to be overwhelming. Ignore perfection. Focus on building the right habits early. Do these 4 things in your first 30 days:

Week 1 → Get Legal

- ✓ Register as self-employed with HMRC
- ✓ Save your UTR when it arrives
- ✓ Decide your trading start date

Week 2 → Open bank account

- ✓ Open a separate bank account
- ✓ Stop mixing personal and business spending
- ✓ Create your first income category

Week 3 → Start tracking income

- ✓ Start using your tracker
- ✓ Record every sale
- ✓ Keep receipts and invoices

Week 4 → Build tax reserve

- ✓ Calculate your profit
- ✓ Move 25–30% to tax savings
- ✓ Review what's working

Do this now, not in January.
Most tax panic starts because business owners ignore
the boring stuff early.



YOU'VE TAKEN A GREAT STEP WITH YOUR SOLE TRADER START UP GUIDE!

You've started your business. Now let's build it properly.

Get expert support so you can make the right decisions from day one and **grow with clarity & confidence.**

MOST POPULAR



Set Me Up Right Session

£97 - Founding client offer

90-min 1:1 session with a business mentor & finance expert.

- ✓ Get clear on registration, tax & expenses
- ✓ Ask your set-up questions live
- ✓ Understand software, banking, VAT & compliance
- ✓ Leave with a personalised action plan

Walk away knowing exactly what to do, what to ignore, and how much tax to set aside so you don't get caught out

[BOOK MY SESSION](#)



Expert support
you can trust



Practical advice
you can action



Better decisions
Better results

NEED MORE SUPPORT?

Building a business can feel overwhelming alone.
If you want deeper support, strategic thinking and accountability, Thrive can help.

Business Clarity Sessions | Pricing & Profit Coaching | Business Growth Mentoring | Leadership Coaching | Practical Toolkits & Templates

Ready for your next move?

Explore tools, coaching and business resources:

www.mythrivehub.co.uk

PRACTICAL TOOLS. SMARTER DECISIONS. STRONGER BUSINESSES.

thrive