

# 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 DEDUCTIBLE 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.**

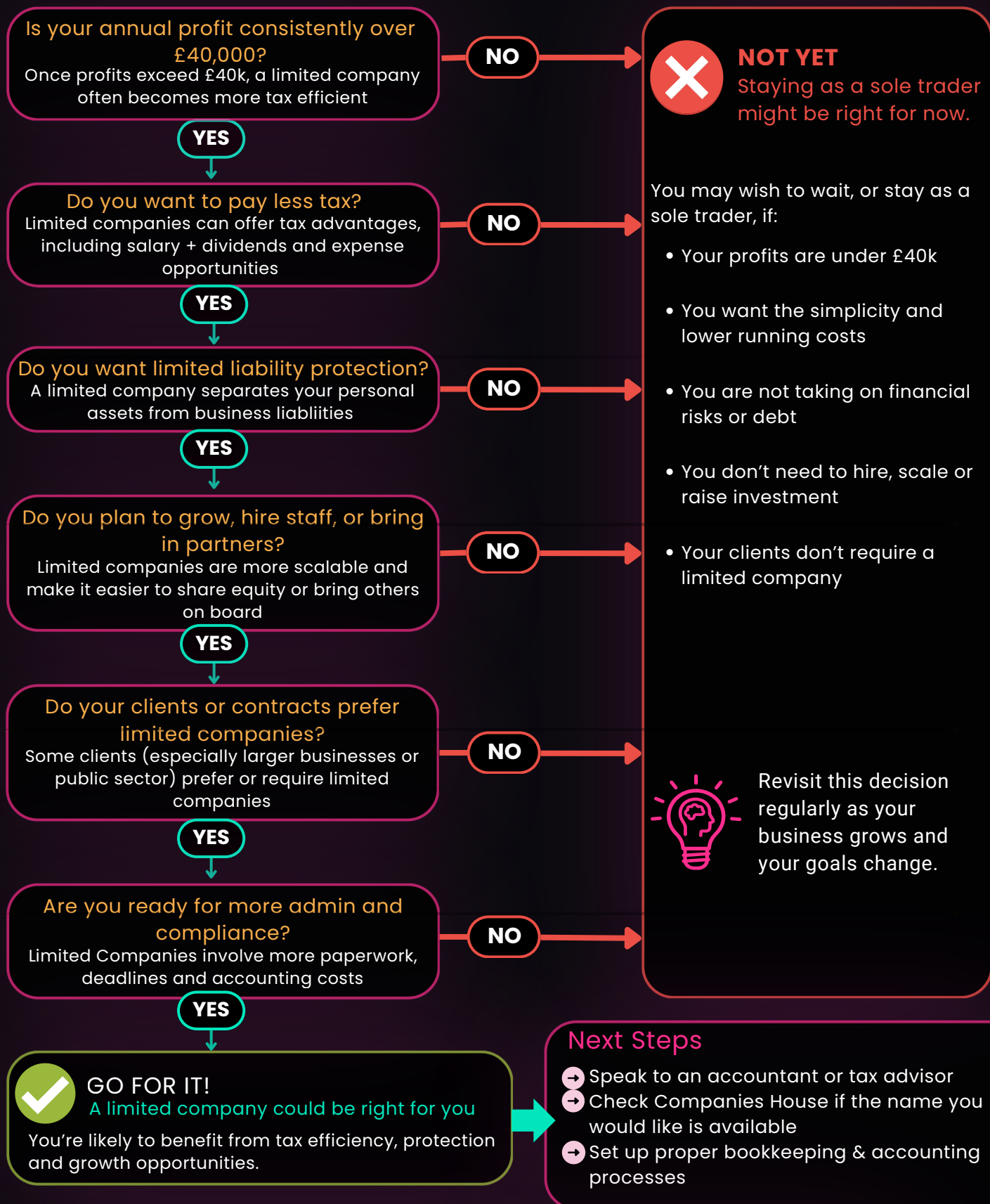
**That's why the next page helps you decide.**

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](http://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



### Strategy Session

£147

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](http://www.mythrivehub.co.uk)



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