

Sole Traders

A sole trader is the simplest business structure in the UK, where you run your business as an individual and are self-employed.

As a sole trader, you and your business are legally the same entity, meaning you're personally responsible for all business debts and obligations. This structure offers maximum flexibility and minimal administrative burden, making it ideal for individuals starting out in business, freelancers, consultants, and small-scale operations.

Sole traders benefit from straightforward setup, complete control over business decisions, and the ability to keep all profits after tax. However, you have unlimited personal liability, meaning your personal assets could be at risk if the business encounters financial difficulties.

Despite this, sole trading remains the most popular business structure in the UK due to its simplicity and low compliance costs.

Our Comprehensive Sole Trader Services

📌 Bookkeeping Services

Day-to-day recording of income and expenses, bank reconciliation, and maintenance of accurate financial records.

📌 Business Registration Assistance

Help with registering as self-employed with HMRC, obtaining UTR number, and initial setup guidance.

📌 Self-Assessment Tax Returns

Complete preparation and filing of your annual tax return, ensuring all allowable expenses are claimed.

📌 Expense Optimisation

Expert advice on allowable business expenses to minimise your tax liability legally and effectively.

📌 Management Accounts

Regular financial reports showing your business performance, profitability, and cash flow position.

📌 VAT Returns & Compliance

Quarterly or monthly VAT return preparation and submission if you're VAT registered.

📌 Tax Planning & Forecasting

Proactive planning to minimize tax liabilities, including pension contributions and capital allowances.

📌 Payment on Account Calculations

Accurate calculation and advice on payment on account obligations to avoid surprises.



7 CIS Returns & Compliance

Construction Industry Scheme compliance for subcontractors, including monthly returns and verification.

7 Mileage & Vehicle Expense Claims

Calculation of vehicle expenses using either actual costs or simplified mileage rates.

7 Home Office Expense Claims

Advice on claiming home office expenses using actual costs or simplified flat rate method.

7 Profit & Loss Statements

Clear financial statements showing your business income, expenses, and net profit.

7 Capital Allowances

Maximising tax relief on equipment, vehicles, and other capital purchases through Annual Investment Allowance.

7 Profit & Loss Statements

Clear financial statements showing your business income, expenses, and net profit.

7 Cash Flow Management

Advice on managing business cash flow and planning for tax payments.

7 Business Structure Advice

Guidance on when it might be beneficial to incorporate as a limited company.

Key Tax Obligations & Deadlines

Deadline	Deadline	Details
Register as Self-Employed	By 5 October after end of tax year you started.	Register with HMRC and obtain Unique Taxpayer Reference (UTR).
Self-Assessment Tax Return	31 January following tax year end.	Online submission of SA100 with self-employment pages.
Payment on Account (1st)	31 January during tax year.	50% of previous year's tax and NIC liability.
Payment on Account (2nd)	31 July following tax year end.	Second 50% payment on account.
Balancing Payment	31 January following tax year end.	Final payment to settle any remaining tax liability.
VAT Returns (if registered)	1 month and 7 days after period end.	Quarterly or monthly depending on scheme chosen.
CIS Returns (if applicable)	19th of each month.	Monthly returns for construction subcontractors.



VAT Information for Sole Traders

VAT Registration Thresholds (2024/25)

Mandatory Registration Threshold: £90,000 - You must register for VAT if your taxable turnover exceeds £90,000 in any rolling 12-month period.

Deregistration Threshold: £88,000 - You can deregister if your turnover falls below this amount and is expected to stay below.

Voluntary Registration: You can register voluntarily even if below the threshold, which may be beneficial if you have significant VAT on business purchases or want to appear more established.

Monitoring Requirement: You must monitor your turnover monthly and register within 30 days of exceeding the threshold.

VAT Schemes Available to Sole Traders

Standard VAT Accounting

- ✓ Charge VAT at 20% (standard rate)
- ✓ Reclaim VAT on business purchases
- ✓ Quarterly returns
- ✓ Most accurate method

Flat Rate Scheme

- ✓ Pay flat rate % of turnover
- ✓ Keep the difference as profit
- ✓ Much simpler accounting
- ✓ Turnover under £150,000

Cash Accounting Scheme

- ✓ Pay flat rate % of turnover
- ✓ Keep the difference as profit

- ✓ Much simpler accounting

- ✓ Turnover under £150,000

Flat Rate Scheme

- ✓ Pay flat rate % of turnover
- ✓ Keep the difference as profit
- ✓ Much simpler accounting
- ✓ Turnover under £150,000

Flat Rate Scheme - Popular Choice for Sole Traders

The Flat Rate Scheme is particularly popular with sole traders because of its simplicity. Instead of tracking VAT on every purchase, you pay a fixed percentage of your gross turnover to HMRC. The percentage varies by industry (typically 7.5% to 14.5%).

You still charge your customers the full 20% VAT, but only pay HMRC the flat rate percentage, keeping the difference. This can result in significant savings, especially if you have low VAT-able expenses.

First Year Discount

New VAT registrations benefit from a 1% discount on their flat rate percentage for the first year, making this scheme even more attractive for new businesses.

Making Tax Digital (MTD) for VAT

All VAT-registered sole traders must use MTD-compatible software to keep digital records and submit VAT returns. This means you cannot use spreadsheets or paper records alone.

We provide full support with MTD compliance, including software recommendations, setup assistance, training, and ongoing digital record-keeping services to ensure you remain compliant.



Our Sole Trader VAT Services Include

- ✓ VAT registration and deregistration assistance.
- ✓ Advice on the most suitable VAT scheme for your business.
- ✓ Flat rate percentage selection and optimisation.
- ✓ Quarterly or monthly VAT return preparation and submission.
- ✓ VAT reconciliation and error correction.
- ✓ MTD compliance and software integration.
- ✓ VAT planning to optimise cash flow and minimise liability.
- ✓ Representation in VAT inspections and disputes.
- ✓ Advice on partial exemption and VAT issues.
- ✓ Training on VAT record-keeping requirements.

Income Tax Rates & Allowances (2024/25)

Income Tax Bands

- ✓ **Personal Allowance:** £12,570 (0%)
- ✓ **Basic Rate:** £12,571-£50,270 (20%)
- ✓ **Higher Rate:** £50,271-£125,140 (40%)
- ✓ **Additional Rate:** Over £125,140 (45%)

Class 2 National Insurance

- ✓ £3.45 per week (2024/25)
- ✓ Paid if profits over £6,725
- ✓ Collected via self-assessment
- ✓ Builds state pension entitlement

Class 4 National Insurance

- ✓ 9% on profits £12,570-£50,270
- ✓ 2% on profits over £50,270
- ✓ Paid via self-assessment
- ✓ No upper age limit from 2024

Trading Allowance

- ✓ £1,000 tax-free trading income
- ✓ No expenses if using allowance
- ✓ Useful for small side businesses
- ✓ Can't use with other reliefs

Allowable Business Expenses

As a sole trader, you can deduct legitimate business expenses from your income to reduce your tax bill. We ensure you claim everything you're entitled to while staying within HMRC rules.

Common Expenses

- ✓ Office costs and supplies
- ✓ Travel and accommodation
- ✓ Marketing and advertising
- ✓ Professional fees
- ✓ Insurance
- ✓ Training and development

Vehicle Expenses

- ✓ Actual costs method (fuel, repairs, insurance)
- ✓ Or simplified mileage: 45p first 10,000 miles
- ✓ Then 25p per mile thereafter
- ✓ Must keep mileage log



Special Considerations

When to Consider Incorporating

As your profits grow, incorporating as a limited company may become more tax-efficient. Generally, this becomes worthwhile when profits exceed £50,000-£60,000 per year. We provide analysis and advice on the optimal time to make this transition.

Basis Period Reform (2024/25 onwards)

From the 2024/25 tax year, sole traders are taxed on profits arising in the tax year (6 April to 5 April) rather than profits from their accounting year end. This simplifies the system but may require transition adjustments. We manage this process to ensure you're not disadvantaged.

Why Choose Our Sole Trader Services?

➤ Sole Trader Specialists

Extensive experience working with self-employed individuals across all industries and sectors.

➤ Maximise Deductions

We ensure you claim every allowable expense to minimise your tax bill legally.

➤ Simple Fixed Fees

Transparent, affordable pricing designed specifically for sole traders with no hidden costs.

➤ Tax Payment Planning

Help you budget for tax payments and avoid nasty surprises with payment on account.

➤ Quick Response Times

Fast turnaround on queries and tax returns - we understand you're busy running your business.

➤ Cloud Accounting

Modern software solutions that make bookkeeping simple and accessible from anywhere.

➤ Growth Support

Advice on when to consider VAT registration or incorporating as a limited company.

➤ HMRC Representation

We deal with HMRC on your behalf, handling enquiries and investigations professionally.



Ready to Get Started?

Contact us today for a free, no-obligation consultation to discuss your sole trader accounting needs. We'll provide a clear, fixed-fee quote with no hidden charges.

[Book a Financial Clarity Call](#)



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