

# Set up as a sole trader

If you're a sole trader, you run your own business as an individual and are [self-employed](#).

You can keep all your business's profits after you've paid tax on them. You're personally responsible for any losses your business makes. You must also follow certain rules on running and naming your business.

## When you need to set up as a sole trader

You need to set up as a sole trader if any of the following apply:

- you earned more than £1,000 from self-employment between 6 April 2021 and 5 April 2022
- you need to prove you're self-employed, for example to claim Tax-Free Childcare
- you want to make voluntary Class 2 National Insurance payments to help you [qualify for benefits](#)

## How to set up as a sole trader

To set up as a sole trader, you need to tell HMRC that you pay tax through Self Assessment. You'll need to file a tax return every year.

[Register for Self Assessment](#).

## Your responsibilities

You'll need to:

- keep [business records](#) and [records of expenses](#)
- send a [Self Assessment tax return](#) every year

- pay [Income Tax](#) on your profits and [Class 2 and Class 4 National Insurance](#) - use [HMRC's calculator](#) to help you budget for this

You'll need to [apply for a National Insurance number](#) if you're moving to the UK to set up a business.

## VAT

You must [register for VAT](#) if your turnover is over £85,000. You can register voluntarily if it suits your business, for example if you sell to other VAT-registered businesses and want to reclaim the VAT.

## Working in construction industry

Register with HMRC for the [Construction Industry Scheme](#) (CIS) if you're working in the construction industry as a subcontractor or contractor.

## Naming your business

You can trade under your own name, or you can choose another name for your business. You do not need to register your name.

You must include your name and business name (if you have one) on official paperwork, for example invoices and letters.

## Business names

Sole trader names must not:

- include 'limited', 'Ltd', 'limited liability partnership', 'LLP', 'public limited company' or 'plc'
- be offensive
- be the same as an [existing trade mark](#)

Your name also cannot contain a 'sensitive' word or expression, or suggest a connection with government or local authorities, unless you get permission.

## Example

To use 'Accredited' in your company's name, you need permission from the Department for Business, Energy and Industrial Strategy (BEIS).

Check which [words you need permission to use, and who from](#).

If you want to stop people from trading under your business name, you can apply to [register your name as a trade mark](#).

## Help and support

You can [sign up for business support emails](#) from HMRC to help you if you're working for yourself.