HOW TO START A BUSINESS IN THE UK
THE STARTUP GUIDE FOR FOUNDERS & SIDE HUSTLES

SET UP FOR SUCCESS

AVOID COSTLY MISTAKES - KEEP MORE - BUILD IT RIGHT

- Sole Trader vs Limited Company
- Self Assessment & Tax Returns
- Making Tax Digital (MTD)
- Director Pay, Salary & Dividends
- Allowable & Non Deductible Expenses
- Companies House Guide
- Xero & Bookkeeping Setup
- Corporation Tax Explained
- Registering with HMRC
- Payroll, PAYE & NIC

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WRITTEN BY
START SHARP
UK CHARTERED CERTIFIED ACCOUNTANTS

ESSENTIAL GUIDE FOR NEW BUSINESS OWNERS

Introduction: Sole Trader vs. Limited Company

When it comes to starting your own business, the first decision you face isn't about what to name it or what colour the logo should be — it's about choosing your battlefield: Sole Trader or Limited Company. Think of it as the ultimate "choose your fighter" moment. On one side, you have the simpler, no-fuss Sole Trader, ready to take on the world with simplicity and a "do-it-yourself" charm. On the other side, there's the polished and professional Limited Company, suited up for credibility and armed with the power of limited liability.

But the question is: are you a lone wolf who thrives on independence and light admin work, or do you aspire to the prestige of a corporate alter ego? Choosing between these two isn't just about taxes and liability (although those are pretty important); it's about understanding your business's DNA and setting yourself up for success as an entrepreneur.

In this guide, we're pulling back the curtain on these two business structures, stripping away the jargon, and giving you the inside scoop — minus the boring textbook fluff. Whether you're launching a side hustle or dreaming of empire-level domination, this is where your entrepreneurial journey gets its official title. So, are you ready to pick your side? Let's dive in and get you set up for success.

Sole Traders and the Self-Employed — Spot the Difference

So, you've decided to step off the beaten path and start working for yourself. Congratulations! But before you start scribbling your genius ideas on napkins or printing those shiny business cards, there's a question lurking in the background: Are you a sole trader or just self-employed? Or… both?

It's like trying to solve a riddle: all sole traders are self-employed, but not all self-employed people are sole traders. Confused? Don't worry, you're not alone. Think of it this way: if being self-employed is like saying, "I work for myself," being a sole trader is like declaring, "I'm running my own business — and I'm the boss, the employee, and the HR department all rolled into one."

Sole traders are the ultimate one-person show: no shareholders, no directors' meetings, just you, your business, and your ambitions. It's simple, flexible, and perfect for those who like the freedom to call the shots. But don't let the simplicity fool you — there's still a difference between being "self-employed" as a freelancer, contractor, or partner in a business, and going the full-on sole trader route.

In this section, we're breaking down what it means to be a sole trader, how it fits into the self-employed universe, and what makes this business structure both uniquely appealing and sometimes a little tricky. Ready to discover what being a sole trader is all about? Let's get started — because running your own show means you need to know the script!

Distinction Between Sole Trader and Self-Employed

What Does It Mean to Be Self-Employed?

Being self-employed means that you work for yourself rather than being employed by someone else. It's an umbrella term that covers a wide range of work styles and business structures, including: