



Jelf Becoming a self-employed tradesman

The DIY guide

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You may have recently completed an apprenticeship in your chosen trade, or you may have been a loyal servant to a local business for many years. Either way, there comes a time when you feel the need to break out on your own and take charge of your own working life.



This is why many tradesmen decide to leave employment and begin working for themselves. However, it isn't as easy as just leaving your job, turning up at someone's house and getting to work on a faulty boiler or stone-cold radiator.

If you are considering becoming a self-employed tradesman, the following ten tips should help you to focus your mind on exactly what you need to do to make going solo a success.



Setting up as a sole tradesman

When breaking out on your own, there are **a few legal structures** you could choose for your business. You could choose to set yourself up as a limited company, however this is costly and involves lots of administration, so probably isn't the best choice to make a quick transition. For your full list of options, it is worth **taking a look at GOV.uk's helpful guide** to choosing a legal structure for a new business.

If you choose to set yourself up as a sole trader, despite common misconception, you can still take on staff - sole trader means you are responsible for the business, not that you have to run it all by yourself.

As a sole trader, you are responsible for the following:

Your business debts

Bills for anything purchased for your business

Keeping good records for all sales and expenses

Completing a Self-Assessment tax return every year

Paying income tax and national insurance (more on that one shortly)

The **GOV.uk website gives a great in-depth guide** on how to set yourself up as a sole trader if you need further information. You can also find more info on the different legal business structures available there too.



Tax, VAT and National insurance

Once you have your business legally set up, you need to get your tax and National Insurance affairs in order as quickly as possible.

HMRC advises that it may be a little while after registering as a sole trader before you receive your first tax and National Insurance bill, so it is probably best to put some money aside from the get-go to make sure you don't come up short.

You will also need to **register for VAT** if your revenue is over £70,000 a year - something that many sole traders don't consider when starting out.

You can register to pay VAT before you legally have to, although this has many advantages and disadvantages. On the plus side, it means you can reclaim VAT that you are charged by other businesses - otherwise known as input tax. As long as your input tax exceeds your output tax over a certain period, HMRC will pay you back what you are owed. Also, other businesses will be aware of the £70,000 VAT threshold, so if you are VAT registered, it will imply that you are bigger than you actually are - whether this is actually worth the cost or not though is for you to decide.

On the downside, by registering for VAT you will need to charge the current VAT rate on any goods or services. If purchases vary from period to period, you may not be able to guarantee that your input tax will outweigh your output, which could cause cashflow problems.

Ultimately, the message here is understand what you're getting into with VAT and National Insurance and when you need to do it - don't overcomplicate things unless you need to. that you are bigger than you actually are - whether this is actually worth the cost or not though is for you to decide.

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Qualifications and training

If you are considering becoming a sole tradesman, you no doubt already specialise in a particular field, such as gas, plumbing or bricklaying. Dependent on your level of experience, you may need to double check you have **all the relevant qualifications in your field**.

As you will be competing against lots of competition at both local and national level, you don't want to do anything to make clients pick someone else instead. No matter how qualified you are, you can

always improve, especially as technology and building practices are constantly evolving. Having a wide, extensive skillset will make you a much more attractive proposition to clients.

While obviously you want to be as qualified as possible when you first get going on your own, training should be something that constantly bubbles away in the background. **Lifelong learning** will help to win a solid client base.

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Equipment

One of the major pitfalls for many people starting out as sole tradesman is the **quality and reliability of their tools**. If you worked for a large firm previously, they likely provided you with the latest, most up to date technology to make sure you got the job done quickly and easily.

Obviously, you want to maintain a similar if not higher standard of work for your own business. To do this, you need the same level of equipment, but this doesn't come cheap. Having a poor or incomplete toolkit could jeopardise the work you take on in the early stages, so the quicker you can get your kit up to scratch the better.

As you will be travelling to sites on a daily basis too, your **van needs to be trustworthy** and have enough space to cater for your needs. If you are buying a van outright at the beginning, think about the size, shape and condition very carefully. The last thing you want is to spend a fortune on a vehicle only to find it isn't big enough for your needs.

Security is imperative too, so make sure you fit an alarm to protect your tools while you are out and about. It is also best practice to move your tools from the van into safe premises at night too.

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Marketing

Once you are all set up and ready to go, the next hurdle is getting your name out there. You will be competing with hundreds of other tradesman for work in your area, so you need to make sure your marketing is tip-top.

When you are on your way, **word of mouth** is the best form of promotion, however you do need an initial boost to set you on your way.

For starters, posting about your services on **local listing sites** or national platforms such as **Top Tradesman** will go some way to letting people know you are open for business.

Be wary of large directories however, as the outlay can be high without any guaranteed return on your investment. Your best bet may well be

to **concentrate more on local, small scale advertising**. It might not be the sexiest way to market your business, but people still use flyers and put posters up in shop windows for a reason. Don't forget local newspapers too as a great means of getting your name out there.

Other than local press and flyering, **digital marketing** is one of the most powerful tools in your promotional arsenal. Although Gumtree's influence for selling unwanted goods is waning a tad, it is still very useful for tradesmen looking to advertise their services - and best of all it is free! Obviously this is only the tip of the iceberg for marketing your services on the internet, and we will go into greater detail on this topic in the coming months.



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Winning work

Once a potential client has found you in the local paper or on a poster in the chip shop, unfortunately your work isn't done -the likelihood is they will have a few potential options for tradesman. Therefore, you need to do all you can to **make sure they choose you**.

When visiting a prospective client to quote, simple things work very well. Make sure you do the following, and you will be well on your way:

Arrive at the time agreed

Make sure you look presentable - a smart uniform with a logo that matches the professional sign you should already have printed on the side of your van shows you are not some two-bit operation.

Listen very carefully to what the customer wants - don't steam straight in and bamboozle them with too much technical jargon; instead, give helpful suggestions using language that is simple to understand.

After you have visited, send them a written quote detailing exactly what you intend to do and how, along with a terms of agreement letter. You should also inform them how you intend to protect their home from damage while you complete the work.

Follow up the quote with a phone call to give your potential client the opportunity to seek further information on anything they are unsure on.

Another good way to win work is to work hard to quickly establish a network of contacts in other trades. This will mean that should another tradesman or business you have a relationship with need a sub-contractor to do specialist work, they will more than likely come to you.

Don't forget that services such as **Rated People** and **Checkatrade** are also worth signing up for as another way of finding work.



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Business plan

Although it may not be a conventional business, it is still best to put together some sort of business plan when you start out. This will describe **what you are going to do** and **how you are going to do it**. Be realistic with your expectations, as you will be using your plan as a point of comparison to gauge how your business is doing as time passes.

Again, for help in writing your own business plan, **the GOV.uk site is a godsend**.



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Insurance

Whether you are up a ladder, fitting a boiler or rewiring a house, you may benefit from some level of **cover**. This will mean you can focus on getting the job done to the best of your abilities, not worrying about whether a claim may be made against you.

For those working on a building site or in a customer's home, **Public Liability insurance** can cover you in case a member of the public suffers injury or damage to their property as a result of you running your business.

When you get to the stage of hiring employees to help you out, you should invest in **Employer's Liability insurance** too. This is a legal requirement, and protects you should an employee suffer injury while at work. Don't forget, that you need Employer's

Liability insurance for any labour-only sub-contractors you use too.

As we have already said, getting the right tools can be pricey - so don't risk a freak accident or theft costing you a fortune to replace them. **Tools and Plant Hire insurance** will have your back should the worst happen.

Obviously, however, there are a few things that you can't get cover for. Anything broken deliberately or recklessly is not insured, and in many cases neither are tools that are stolen while left in a vehicle overnight (we did warn you!). Obviously every insurance provider's terms differ, so make sure to check the small print of what is and isn't included before you sign up.

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Finance

Obviously when you are starting out, finances will be very, very tight. Although they can't be completely relied upon, **grants are available** to help get you going. They are especially helpful in the beginning as they can provide instant capital with which to purchase tools or equipment.

As with any other business venture, you need to keep a tight, firm hold on your finances - tradesmen have a lot of expenses, so only buy things you really need and try your utmost to keep costs to a minimum.

While it can be tough to do in the beginning, paying your bills on time is also highly recommended. This will strengthen your relationship with suppliers, and improve your chances of receiving credit in the future should you need it.

Remember, if you are struggling to get a grip on your numbers, a local accountant or bookkeeper will be able to help you avoid any costly mistakes - there is always help and advice out there if you need it!



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Stay in touch with customers

Repeat custom is key to any sole tradesman. If you do a good job for someone once, they are likely to come to you again next time they need a hand.

This means you need to keep a customer database up to date at all times. You could do this in a simple Excel spreadsheet to begin with, before investing in more elaborate Customer Relationship Management software when you can afford to do so.

However you choose to manage it, you want to keep all the information of every job you have completed in one place. This will mean if you are going through

quieter periods, you can look back at work carried out in the past, and contact customers again to see if they need their boiler servicing for example. If the customer had a good experience last time they chose to use your services, they are likely to have little objection to your contacting them again - providing you do so in a respectful and unobtrusive manner.