



Donncha Hughes

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Guide to Self-Employment in Ireland

A ten step guide to starting your new business

The Ten Step Guide

The following steps are worth considering by anyone thinking of setting up their own business.

1. Claim your [tax back](#) from Revenue.
2. Apply to Social Welfare for [Short Term Enterprise Allowance](#).
3. Register as a [Sole Trader](#) with Revenue.
4. Register a [Business Name](#)
5. Secure your [website URL](#) and get a professional email address.
6. Prepare a [business plan](#).
7. Attend a [Start Your Own Business](#) Programme.
8. Select an [accountant](#).
9. Open a [Business Bank Account](#).
10. Undertake [self-assessment](#).
11. Get Started.

Introduction

Are you thinking of starting a business in Ireland in the coming months?

The key to starting a business is business planning. This involves thinking about your ideal customer; deciding what your product and service will be; and how you are going to stand out in the market. You then figure out your business model (how you make money). You are then ready to get your first customers. But this guide is not really about business planning.

Because, potential entrepreneurs often struggle to address business planning questions when they are caught up in the mechanics of starting a business. This guide seeks to clarify the rudiments of setting up a business so that the important business planning work can follow and/or be managed in unison.

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Number 1 - Claim your tax back from Revenue

If you are working, your employer will be paying PAYE on your behalf. The Irish tax system is set up so that you pay an equal amount of tax in each week or month of the year. When you finish work you may have unused tax credits. So your first task is to contact the Revenue to figure out if you are owed tax back?

AN OPTION: Your tax situation will be particular to your circumstances. If you are married and your partner is working (and paying PAYE) it may be worth transferring your tax credits to them. You will need to complete the [Assessable Spouse Election Form](#).

AN OPTION: It would also be useful to apply for a Tax Clearance form at this stage. This will be required if you intend to submit tenders. You will need to complete and submit a [TC1 Form](#).

FURTHER INFORMATION: Revenue Website www.revenue.ie

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Number 2 - Apply to Social Welfare for Short Term Enterprise Allowance

When you finish work, you can sign on with your local Social Welfare office until you secure your next job or start a business. Your social welfare situation will be particular to your circumstances.

The [Short-Term Enterprise Allowance](#) allows you to retain your social welfare payments for up to one year while you set up a new business. Your payments will be paid into your bank account. You will need to apply at your local Social Welfare office (they may refer you to your Local Partnership company). The application requires a short business plan. When you are approved to join the Scheme you can then register with Revenue as a Sole Trader; start your business and issue your first invoices. The Short Term Enterprise Allowance Scheme includes a small grant fund for eligible business expenditure.

Please note that the Short-Term Work Enterprise Allowance is subject to [income tax](#) in the same way as Jobseeker's Benefit.

AN OPTION: This is part of the [Back to Work Enterprise Scheme](#). This has more onerous conditions but may be worth checking out.

FURTHER INFORMATION: Revenue Website www.welfare.ie and Citizens Information Board on www.citizensinformation.ie¹

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¹ www.selfemployedsupports.ie is provided by the Citizens Information Board. The website aims to provide comprehensive information on the services and entitlements available if you are self-employed and your income is reduced.





Number 3 - Register as a Sole Trader with Revenue

The form [TR1](#) is used to register as a Sole Trader with the Revenue Commissioners. The advantages of being a sole trader is that your business can be involved in a number of unrelated activities. For instance you could have a Flower Shop and also be a Dancing Instructor and/or be a plumber. As a sole trader you personally are responsible for all debts of the business.

The key responsibility to the Revenue of Sole Traders is prompt payment of Tax. This is an issue that you can discuss with your accountant. In brief:

- A self assessment system is used. This means that you declare your income and taxes for your business to the Revenue on a yearly basis.
- Tax is calculated on the annual profits or gains from your trade or profession and on any other income.
- The rates of tax that apply are the same as those that apply for people who are working and paying PAYE. You are entitled to the same level of tax credits.
- There is a common date for the payment of tax and filing of returns, i.e. **31 October**. This system, known as **“Pay and File”**, allows you to file your return and pay your tax at the same time.
- If you file the return known as Form 11 on or before 31 August Revenue will, if you wish, calculate your Income Tax liability for you. This will assist you in paying the correct amount by the due date.
- Prepare a Profit and Loss Account and Balance Sheet for each year of business . You will have 9 months after year end as you will pay your taxes the following October.
 - Pay Tax in October 2013 as year end is December 2012.
- In year 2 you have to also pay Preliminary tax² in October of that year.
 - Pay Preliminary Tax in October 2013 for year end December 2013.
- The Universal Social Charge is payable on gross income. The rates are as follows:
 - 2% up to €10,036.
 - 4% on the next €5,980.
 - 7% on all income above €16,016.

² Preliminary Tax is your estimate of Income Tax and related charges payable by you for a tax year and must be paid by 31 October in the year in question. In calculating your Preliminary Tax payment you should ensure that it covers your liability to PRSI and Universal Social Charge, as well as Income Tax. To avoid interest charges, the amount of preliminary tax paid for a tax year must be equal to or exceed the lower of:

1. 90% of your final liability for the tax year, or
2. 100% of your final liability for the previous tax year, or
3. 105% of your final liability for the pre-preceding tax year. (This option is only available where preliminary tax is paid by direct debit and does not apply where the tax payable for the pre-preceding year was nil).

Source: <http://www.revenue.ie/en/tax/it/leaflets/it10.html>





- Using the Revenue Online Service you can make payment by Laser Debit Card or via Online Banking (Available for Banking 365 (Bank of Ireland) and AIB Internet Banking)³. Payment by Credit Card is not facilitated.
- You can make arrangements with the Collector-General to pay your taxes by Direct Debit.

Further information is available on the Revenue website. See also [Starting a Business – A Revenue Guide](#).

AN OPTION: Sole Traders can register for VAT using the TR1 form used to register as a Sole Trader. The VAT threshold for services businesses is €37,500 in revenue while for manufacturing it is €75,000. You can elect to register for VAT at the start if you are buying equipment or you can register as you approach the threshold. You will need to find out what VAT rate applies. For children's shoes it is 0%, for Hairdressers it is 9%, for services such as plumbing it is 13% and for goods such as mobile phones it is 23%. The revenue has produced a nice guide on [VAT for Small Businesses](#). VAT returns are submitted every two months on the 19th of the month following the end of the 2nd month ie 19th March for January and February.

AN OPTION: Sole Traders can use the TR1 form to register to employ people in their business. If you employ someone you will have to notify revenue (submit part 3 of P45 to employee's Revenue office) and then pay PAYE and PRSI on their behalf in addition to employers PRSI. This is done using a P30 form on a monthly basis. For example, if the deductions were made between 1 May and 31 May, payment to the Collector-General should be made between 1 June and 14 June. A P35 is then submitted each year before the 15th of February of the following year. Employees must also be issued with a P60.

AN OPTION: The Revenue has a user friendly online system called Revenue Online ([ROS](#)).

ALTERNATIVE: You may decide that your business needs to trade as a company. The company will be a separate legal entity distinct from its shareholders and is responsible for payment of all debts incurred by the company. The Companies Registration Office ([CRO](#)) is the central repository of public statutory information on Irish companies and business names. A [Form A1](#) is completed and submitted with a memorandum and articles of association to the CRO. There are lots of service providers who can assist with *company formation* in Ireland but you can do it yourself.

FURTHER INFORMATION: Revenue Website www.revenue.ie and www.cro.ie

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³ When using Online Banking the payment will be made to Revenue by credit transfer. You must contact your bank to set Revenue Online Services (ROS) up as a third party payee and you must quote your PPS number as the reference number. Banking 365: Revenue account no an sort code to be used is: A/c no. 95165130 Sort 90-00-17 [Set up as a Domestic Payee] AIB Internet Banking : Revenue account no an sort code to be used is: A/c no. 95165130 Sort 90-00-17





Number 4 - Register a Business Name

Deciding on your business name is a critical branding decision. If you decide as a Sole Trader not to trade under your own name you will be required to register a business name with the Companies Registration Office (CRO).

Using the free [Search facility](#) on the CRO website you can check the details of **Companies** and **Business Names** in Ireland⁴ to see if your preferred business name is available. Please note that no protection is given to the name registered, i.e. there is nothing to stop someone else registering the name that you have registered (unlike a company where each name is unique).

Form RBN1 is used to register a business name by an individual. [Form RBN1](#) can be completed online at www.core.ie – you will fill in the details online print out the completed form, add your signature and send payment of €20 to the CRO by post. Your application will be processed in about 4 weeks.

ADVICE: The business name chosen should ideally be short, memorable, easy to spell and relevant or easy to associate with your product and services. It is also advisable to check availability of the relevant website domain.

ADDITIONAL NOTE: A business may elect to Trademark their chosen business name. This is essential in the case of a business which wants to build a national or international brand or indeed intends to set up as a Franchise i.e. McDonalds is the classic example of a franchise whereby each Restaurant is owned by the local operator but they conform to rules set down by Head Office and pay an agreed fee each year to operate. It is advisable to consult a solicitor who specializes in Trademarks. However, you can do it yourself if you wish⁵.

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⁴ In January 2012, there were 417 businesses with Hughes in their name.

⁵ See <http://www.patentsoffice.ie/en/trademark.aspx> for more on Trademarks in Ireland. Apply online <http://oami.europa.eu> for an EU wide trademark registration €400 and www.uspto.gov for a USA Trademark \$400.





Number 5 – Secure your Website URL and get a professional email address

A website URL or domain is your website address. Generally, you will choose either a .ie web address or a .com. The .ie is associated with Ireland while .com is available worldwide. You can of course choose to register both plus others associated with other countries - .co.uk is the United Kingdom.

To register a .ie domain the IE Domain Registry (IEDR) strongly recommends that you use one of their [list of Accredited Registrars](#) for registration⁶ and hosting services.

After buying your domain you will need hosting for your website. This can be looked after by your web designer. Or you can do it yourself. Most hosting providers have sitebuilders which provide templates for your site. Professional email addresses will be supplied with your hosting package. You can link these to email programmes such as Microsoft Outlook or [Mozilla Thunderbird](#) and/or use them on your smartphone.

ADVICE: You should figure out what you want your website to do before approaching a web designer. Have a good look at what the competition is doing. You will be responsible for providing the content. When working with your web developer the key considerations are: User navigation; Search Engine Optimisation (SEO); Google Analytics; Google Adwords; and provision of a Content Management System which will allow you to update the site regularly.

ADVICE: To learn about Social Media, sign up for LinkedIn, Twitter, Facebook and maybe YouTube and Slideshare. They are all free to use. You can then talk to your web designer about creating a Digital Marketing strategy to promote your business.

AN OPTION: The Getting Irish Business Online ([GIBO](#)) initiative provides a free website for the first year of business to include hosting and domain name registration by Blacknight. The Enterprise Boards arrange 3 hour training programmes (which I deliver in Clare, North Tipperary and Limerick). You will be able to publish a site⁷ at the end of the training programme if you do some preparation beforehand.

FURTHER INFORMATION: IEDR Website www.domainregistry.ie

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⁶ To give an indication of costs for Domain Name Registration, I could buy the domain www.paintingsbymary.ie for 1 year for €29.95 with one of the providers. With another provider I could get www.flowersingalway.com for 1 year for €7.95 and www.flowersingalway.ie was available for €24.95. Hosting a website should not cost more than €60 a year.

⁷ For more see my additional website www.startupwebtraining.com





Number 6 – Prepare a Business Plan

Business planning helps you to answer the tough questions about your business. It helps you to prepare for the tough road ahead. If applying for a bank loan or grant you will need to prepare a proper business plan. This will require a full set of financial projections to include assumptions and 3 year Profit & Loss, Balance Sheet and Cashflow statements.

However, a business plan need not necessarily be a long written WORD document. I find that a presentation or a mindmap⁸ of key business areas is as useful as a full business plan. Suggested headings for a Business Plan presentation could be:

1. The Customer's Pain or Burning Problem
2. The Market
3. The Solution (your product service offering)
4. Unique Selling Proposition
5. Competition
6. Marketing Communication
7. The business model
8. Financials - set up investment and projections
9. The Promoter
10. Action Plan

The business plan preparation process will identify other requirements which are particular to your business. These could include: getting insurance such as professional indemnity insurance for marketing professionals; complying with HACCP regulations for food businesses; registering with RSA for driving schools; joining industry associations to ensure continuous professional development (CDP) for solicitors. A mentor can be useful to identify these strategically important issues. There may also be particular Health & Safety⁹ issues to be addressed.

⁸ A **mind map** is a diagram used to represent words, ideas, tasks, or other items linked to and arranged around a central key word or idea. You can download free mind map software from <http://freemind.sourceforge.net>

⁹ Check out the Health & Safety Authority's website [BeSMART](http://www.hsa.ie), which has a free tool that will help you to identify the hazards in your workplace. This guided step-by-step process will assist you in generating your own risk assessment and safety statement, in consultation with your employees, as required under health and safety law.





CHECK OUT: Regulations which affect your business. This new website from the Department of Jobs Enterprise and Innovation www.businessregulation.ie aims to help you identify the main regulations which affect your business and to provide links to the relevant agencies and their guidance, tools and contact points. Seems to have a good start up section and address sector specific regulations.

OPTION: You might find my blogpost useful: [How to write a business plan that won't gather dust?](#)

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Number 7 – Attend a Start Your Own Business programme

The 35 Enterprise Boards around Ireland run Start Your Own Business (SYOB) Programmes for people who have just started or are thinking of starting a business.

The programmes will cover all aspects of business to include Finance, Legal, Grants, Marketing and Sales from a startup perspective. A breakdown of a typical Start your own Business training programme is available on www.enterpriseboards.ie.

The programme are generally delivered one evening a week for either 6, 8 or 10 evenings to groups of up to 18 people. Contact your [local Enterprise Board](#) for details of SYOB and other training programmes.

A key benefit of these programmes is networking with people at a similar stage of development. Most will focus on assisting participants to prepare a plan for their new business.

ALTERNATIVE: Enterprise Ireland funds the Institutes of Technology to deliver New Frontiers programmes for early stage businesses which have international potential. The Entrepreneur Development programmes are delivered in 3 Phases over a full year.

Phase 1 – Testing the Business Case

Phase 2 – Business Planning

Phase 3 – Business Development

For further information check out the Enterprise Ireland webpage on [New Frontiers](#).

AN OPTION: I highly recommend Starting Your Own Business: A workbook, 3rd edition available from [Oak Tree Press](#) for €20. It provides a wealth of practical, relevant information for would be entrepreneurs. It also contains planning exercises and is supported by www.startingabusinessinireland.com

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Number 8 – Select an Accountant

As a sole trader you don't need an accountant. You can prepare your own accounts if you have an aptitude for bookkeeping. There are a number of software packages for bookkeeping and payroll that you can buy to assist you.

However, most business promoters find that an accountant offers invaluable services to include:

- Company formation.
- End of Year Account preparation.
- Self-assessment tax returns + advice.
- VAT returns.
- Payroll + P30s + P35s + P60s.
- Registering employees.

Accountants are paid to take out the hassle of preparing accounts and having to remember important deadlines. This will free up your time to allow more time to invest in your business. However, it is ultimately your responsibility to ensure that your accounts are correct and submitted to Revenue on time.

To facilitate your accountant you will need to keep and furnish the following records:

- Receipts for all eligible expenditure.
- Records of Sales.
- Bank statements for all relevant account, cheque and lodgement books.

The added value provided by your accountant is analysis to facilitate decision making. Your accountant should assist you to understand the finances underpinning your business.

Finally, you may ask how one can find a good accountant. I would ask your business network for referrals. Then you need to go meet them and ask them questions.

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Number 9 – Open a Business Bank Account

It is advised that you open a Business Bank account to manage the finances of your business separate to your personal and household finances. The major banking providers have packages for start-up promoters. These generally include a period where fees will not be charged.





Number 10 – Undertake self-assessment

Have you got what it takes to be an entrepreneur? This is a tough question to answer. For many people it is not a choice they may have opted for or envisaged in their careers but it is an opportunity that they now embrace. They are enthusiastic but nevertheless aware of the uncertainty that change brings.

In my view, whether you have what it takes to be entrepreneur or more accurately have what it takes to be your own boss is a judgment call. It is not something that you can score and give yourself a pass or a fail. It is more akin to a SWOT analysis where you look at your strengths and weaknesses. As always you play to your strengths and understand and manage your weaknesses. The key is preparation and the key to preparation is analysis and planning. Planning should give you confidence to start your business on the right foot. But remember that a key quality of new business promoters is flexibility. The best laid plans often go out the window in response to real world events.

I address the key topic of *self-assessment* as the final point in my list to highlight that the complexities involved in starting a business can be managed. All the points from 1 to 9 can be addressed successfully. It takes time and organisation. Be prepared to ask for help. The good news is that in my experience there is fantastic goodwill among the business community and the general public for new businesses. Everyone remembers what it was like starting out.

Before moving onto two Self-Assessment exercises, I would now like to share some key points in terms of starting a business:

1. You will work long hours.
2. Your personal earnings will probably reduce and definitely will not be as regular.
3. Your family life could be affected.

There are lots of positive reasons for starting a business and lots of rewards but the realities of new business life need to be addressed in this guide. The support of friends and family will be critical as starting a business is stressful. However, the good news is that hundreds of thousands of people have taken the journey successfully. Every business small and large in every corner of Ireland started as an idea in someone's head.





Self-Assessment: the big question

The first key question for you in terms of self-assessment is whether you have a passion or inner drive for your proposed business. Some days will be great but what is it about the business that will drive you on when you have a bad day – a potential customer decides not to buy, a supplier is late making a delivery, or as can happen a customer says he can't pay you. On those bad days you will need a reason that makes you keep going. This is about more than your own personal motivation. Many books have been written about the importance of vision in driving successful businesses. I love meeting entrepreneurs. You can feel the passion when they speak about their businesses and how what they do makes the world a better place for their customers. In my view the person and the business go hand in hand and cannot be evaluated without regard to each other.

Two Self-Assessment Exercises

Exercise 1 - Business Evaluation

Q.1 Do you know what are the key success factors (KSFs) for a business that is operating in the market that you wish to enter? KSFs are what make the difference between business success and failure.

KSFs could include: reference customers, location of premises, ability to hire qualified employees, logistics, partners including distribution or retail, sales process, customer awareness/ brand reputation, special machinery, and/or access to finance.

Q.2 List the top 3 Key Success Factors for your business – and indicate for each one if you have it by circling your choice.

- | | |
|--------------|----------|
| KSF 1. _____ | Yes / No |
| KSF 2. _____ | Yes / No |
| KSF 3. _____ | Yes / No |





Exercise 2 - Personal Evaluation

Use a table to list the answers to these questions:

- a. Reasons for setting up a business?
- b. Strengths that you bring to the business
could include: technical knowledge, experience, contacts, partners, finance
- c. Says who
Is important as your business to include your first customers will need references

Reasons for setting up your business?	Strengths	Says who
•	•	•
•	•	•
•	•	•

The important point to remember in completing the table is that you are not expected to do everything on your own. A key aspect of starting a business is building a team that can support you.

AN OPTION: Starting a Business in Ireland – A Workbook from [Oak Tree Press](#) has a very good section on self-assessment to include practical exercises.

ANOTHER OPTION: An online self-assessment can be completed on www.nubie.ie

AN OPTION: This guide has not discussed Idea Generation. Under that topic, buying a franchise is certainly an option that brings with it an important evaluation requirement.

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Get Started

I have written this guide with the following readers in mind:

- John who wants to go out on his own as an electrician because he does not want to be on social welfare anymore.
- Graduate Mark who thinks that there is demand in the area for a business who provides a superb service fixing PCs, laptops, and iPhones.
- Mary who always wanted to offer yoga classes to mums in the locality.
- Fidelma who is a recently qualified hairdresser who is thinking of converting a room at home to start a business.
- Tony who wants to set up a garden landscaping business.
- Jason who has been asked loads of times to provide music lessons to individuals and groups.

To get started each of these fictitious people need their first customer(s). After that they join the rollercoaster of emotion that is starting a business. I have learned the following from talking to hundreds of people who have walked the entrepreneurial road:

- It's not what you do it's the way that you do it. Technical skills are important but you delight your customers by treating them as individuals and with respect and appreciation. It is how people are treated will determine if they will recommend you to their friends, family, colleagues and business contacts. The best businesses benefit hugely from Word of Mouth. Your personnel are the greatest asset of your business. You set the tone for your business with your actions.
- Approach each customer and each day as an opportunity to learn. This is the best marketing research you can undertake.
- Don't be afraid to tell your potential customers that you are brilliant if you can back it up.
- Be prepared to leave your comfort zone, outside this zone is where things get done!
- A positive attitude is worth its weight in gold. Surround yourself with positive people. No job is too big if you break it down into small steps and proactively take those steps to achieve your goals.

Best of Luck

“Choose a job you love, and you will never have to work a day in your life.” — Confucius

I hope that this Guide to Self-Employment is a useful reference document. I appreciate all feedback and comment. Please feel free to contact me if you have any questions.

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