

# Setting up as an independent practitioner



**Dr Dionysios Kyropoulos**  
Co-Chair and Director, PASSHE



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## Sole Trader

## Limited Company

You and the business are one and the same

### legal status

A separate legal entity you own and direct

Unlimited: personal assets at risk

### liability

Limited: personal assets protected

Drawings (you simply take the profit)

### taking money out

Salary and/or dividends

Income Tax and Class 4 NI on profits

### how you're taxed

Corporation Tax, then tax on what you take out

Lighter

### admin and cost

Heavier

Your affairs stay private

### privacy

Listed publicly at Companies House

Starting out, lower profits, testing the water

### best suited to

Higher profits, protection, credibility



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## Sole Trader

- Sole trader: legal status recognised by HMRC
- Freelancer: informal label (sole trader or via limited company)
- Legally still you (not a separate legal entity)
- Quick and free to register
- Can be employed and self-employed at once
- First £1,000 a year tax-free (trading allowance)
- All profit is yours (and all taxable)
- HMRC may treat different strands as separate trades

### Good practice

- *Define each strand of work clearly*
- *Keep separate “pots” for income and expenses*
- *Makes record-keeping and evidence easier*



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## Bank Accounts

- Personal account works, but messy
  - missed expenses, tax-time confusion, often against the bank’s terms
- Simplest fix: a free business account (Starling, Mettle, etc), open in about 15 minutes
- High-street business accounts exist too, but can charge monthly or per-transaction fees

Accounting methods: 1. cash basis ←

2. accrual accounting

**REVENUE**                      **EXPENSES**                      **=**                      **TAXABLE**  
*everything you bring in*                      *what you spend*                      **PROFIT**



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## Allowable Expenses

- Must be “wholly & exclusively” for business
- Keep evidence: invoices, receipts, mileage logs, etc.

### Examples:

- *CPD (courses, training, conferences)*
- *Professional memberships*
- *Mileage to occasional or one-off work locations*
- *Specialist software*
- *Insurance premiums*
- *Office supplies and stationery*

Full list: [gov.uk/expenses-if-youre-self-employed](https://www.gov.uk/expenses-if-youre-self-employed)

- Sole traders don't get a salary: they take **drawings** from profit
- Drawings are not expenses and don't reduce taxable income

Home working costs  
(flat rate or fair % of bills), business-use proportion only of internet bill, etc.  
*(can be claimed, but fiddly)*



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## Invoicing

### Invoices must include:

- Your name (or/and trading name)
- Your address
- Your contact information
- Unique invoice number and invoice date
- Client details
- Service description with details and date (itemised if relevant)
- Total amount owed

Full list: <https://www.gov.uk/invoicing-and-taking-payment-from-customers>

- **Business address:** your home address, or virtual office or PO box (privacy, branding)
- **Phone number:** either use your personal number, or set up a dedicated line for your practice



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## Record-Keeping

- Spreadsheets OK as a start
- Accounting software
  - Xero
  - QuickBooks
  - FreeAgent
  - Hammock
  - *and many more*



Bank feeds (auto-import)  
 Receipt capture & reconciliation  
 Invoicing  
 Tax return reports

BANK FEED		
22 Aug	VODAFONE LTD 1234567890	-£23.50
21 Aug	NMH AGENCY PAYMENT REF 289374	+£132.50
20 Aug	WHSMITH OXFORD	-£4.50
19 Aug	PASSHE LIMITED	-£40.00
18 Aug	PI INSURANCE LTD	-£120.00
17 Aug	TRAINLINE LONDON	-£12.40
16 Aug	ZOOM.US 888-888-8888 GBR	-£11.99
15 Aug	PASSHE LIMITED	-£90.00
14 Aug	INVOICE 00139 JOHN A. SMITH	+£95.00
11 Aug	UNIVERSITY OF SURREY INV 00143	+£115.00

### Good practice

*set aside 1 hour per week to update books*



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## Self-Assessment

- **Register:** Apply for UTR (Unique Taxpayer Reference) via gov.uk (≈10 days)
- **Tax year:** 6 April - 5 April
- **Deadline:** File and pay by 31 January (following year)
- **Process:** Report revenue and expenses → HMRC calculates **tax & NI** based on profit

Details: <https://www.gov.uk/self-assessment-tax-returns>

What you'll pay

- **Income Tax** (on profits above £12,570 after expenses)
- **Class 4 NI** (6% on profits £12,570 - £50,270, 2% above £50,270)
- *Payments on account* = advance instalments for next year (big shock in Year 2)

Pensions

- State Pension (via NI) limited
- Consider private pension (SIPP) as contributions reduce tax liability



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## Making Tax Digital

- ❖ Four quarterly digital updates plus a year-end declaration, through compatible software, replacing the single annual return
  - from April 2026 over £50,000 turnover
  - from April 2027 over £30,000 turnover
  - from April 2028 over £20,000 turnover
- ❖ Records kept in MTD-compatible software (Xero, QuickBooks, FreeAgent, etc, or built into some business bank accounts)
- ❖ Spreadsheets still allowed, but quarterly updates need to be filed through “bridging software” that files them to HMRC for you
- ❖ Digital records as you go: every transaction dated and categorised, no shoebox of receipts
- ❖ Each quarter: running totals of income and expenses. It's a snapshot, not a tax bill. Figures are finalised with year-end declaration (replacement of the old annual tax return)



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## Insurance, ICO and Contracts

### Insurance

- Professional Indemnity (min £1m)
- Public Liability (min £5m)
- *Optional: Cyber insurance (data loss, hacking)*
- Typical cost: £150 to £300/year (Oxygen, Hiscox, SimplyBusiness, Alan Boswell, and more)

### ICO Registration

- Information Commissioner's Office
- Required as you are handling student personal data
- £52/year (or £47 by Direct Debit)
- Easy online registration: [ico.org.uk/for-organisations/data-protection-fee/register/](https://ico.org.uk/for-organisations/data-protection-fee/register/)

### Contracts

- Always have a written agreement (scope, fees, cancellation, confidentiality)
- Use e-signature tools (e.g. DocuSign, PandaDoc, etc) to make contracts legal and easy to manage



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## Visibility

- ✓ **Website:** clear, simple, accessible, with a public fees page
- ✓ **LinkedIn and Facebook:** where HE and neurodiversity networks tend to look
- ✓ **Professional directories**
- ✓ **Association membership**
- ✓ **Google Business Profile:** helps people find you locally
- ✓ **Consistent branding:** same name, title and contact details everywhere
- ✓ **Speaking , writing and networking:** talks, webinars and posts raise your profile



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## Marketing

- ✓ **Word of mouth:** always the strongest route
- ✓ **Testimonials:** short quotes from students and HEIs build trust fast
- ✓ **Relationships:** HE disability teams, assessment centres, study skills services
- ✓ **Find your niche:** be known for one thing
- ✓ **Look after existing clients:** they come back and refer others
- ✓ **Partner with other practitioners:** referrals and overflow flow both ways
- ✓ **Make it easy to say yes:** a simple enquiry-to-booking route and clear pricing



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