

Disability and Self Employment

If you are living in the UK and claiming disability benefits, you might have heard of Permitted Work. This is a scheme which allows disabled people claiming certain benefits to try out employment for up to 16 hours per week and earn no more than £99.50 without it affecting any benefits. As most people know, the rules for claiming benefits, the rates and types of benefits are constantly changing, especially at the moment as the government works towards the Universal Credit system. This website has some good info about which benefits qualify for Permitted Work and has some up to date information about it.

<http://www.workways.org.uk/index.php/the-maze/permitted-work-rules/>

For a lot of disabled people even a small amount of work outside the home is at best impractical, and for others impossible. Working from home with flexible hours would be a welcome opportunity for many, but the help to find it isn't exactly abundant. Self-Employment is risky, but with Permitted Work it is a viable option.

I've recently started Permitted Work, but it took a long time because it wasn't very easy to find anyone who knew much about trying Self Employment with it or how it worked. In fact a lot of people didn't know you *could* try Self Employment with it and thought it was a mistake or I was confusing it with the New Enterprise Scheme.

If you're like me, you want to know as much as possible beforehand, it's frustrating thinking you know something only to come across another hurdle at every stage; forewarned is forearmed and all that.

Although the rules for Permitted Work and the different benefits all seem to be the same, my personal experience is of Employment Support Allowance and Permitted work. I can't claim to know for definite how it works for other benefits, especially those where claimants have other sources of income, as filing tax will be different. Also, each small business will be different and you might need start up loans and have large expenses, so please just use this as a guide.

Getting Started

To apply for Permitted Work, you have to fill in a very simple form called the PW1 form. You can get this from the Job Centre or your personal adviser.

This link goes to an image of the form:

<http://www.whatdotheyknow.com/request/128480/response/317533/attach/3/PW1%20ESA%201011%20For%20Information.pdf>

The form is worded more for people trying employment but basically just asks for your personal info; if it will be self-employment; the name and address of the employer or company (you); job title; brief description of duties; when the job begins; how much you will earn; how many hours you'll work each week and whether this varies; and when you will get your first payment.

Make sure you put the current permitted wage limit (£99.50 per week at the moment), and that you will be working less than 16 hours.

Send the form in at least 4 to 6 weeks before you want to start trading. Put this date on the form where it asks what date the job will begin.

Enclose a business plan or a detailed description of what the business will be and how you want it to grow. Business Link can send you some really good PDFs about how to plan for your business and write a business plan. <https://www.gov.uk/business-support-helpline>

And the Business Link website has some good advice: <https://www.gov.uk/browse/business/setting-up>

Open a business bank account. If you want to do online banking this could take a few weeks to set up because of safety measures. If you will be selling online/accepting payments online, tell the bank this and ask for a debit card so you can set up a business PayPal account. You might have to regularly deposit small amounts of money into the account to keep it 'active' until you start trading. Remember to keep a record of this.

Phone the Benefits Agency on or around the date you said you wanted to start to see if you've been accepted. I didn't receive a letter telling me I had, I don't know if this is standard or an oversight.

If you have been accepted, ask the Benefits Agency to submit a PW10 form to HMRC.

Go online to register for Self-Assessment with HMRC. You will get registration numbers, a government gateway account number and through the post an activation code. This will take a few weeks so keep a record of all numbers and passwords etc. so you don't lose or forget them.

Writing a business plan

There is no set way to write a business plan, but remember it is as much for you as for anyone else you need to send it to. You can always do alternate versions, for example a more detailed one if you need to apply for financing, and a simpler one to send with your PW1 form.

Here is a link to an example of a Business Plan, and what each of the sections requires:

<http://zedster66.files.wordpress.com/2013/05/business-plan-example-pw-blog-post.pdf>

Keeping Accounts

I'm not going to pretend I'm an expert at this or that I found it easy, in fact I found it incredibly difficult and very confusing at first. I had no idea how or when I had to fill in tax returns or how and when the DWP would check my accounts. I was worried about exceeding the £99.50 per week some weeks if I had no expenses, and whether I'd be allowed to 'pay myself back wages' if I didn't earn enough until months down the line. And probably a hundred other things. I finally got a couple of really helpful advisers from the Benefits Agency and HMRC who patiently explained things (I just got the phone bill, they weren't cheap calls!). I was basically confusing the information I needed for filing taxes and the information I needed for DWP.

You don't have to keep two sets of accounts unless it is easier for you, there are a couple of small differences, but mostly it is just keeping records of all transactions between April and April for HMRC and for 1 year from your start date for DWP.

Basically, the way **HMRC** work out your taxes is: Turnover (total of all sales) minus Expenses equals Profit.

Everyone has a personal allowance (£8,105 at the moment). Profit minus personal allowance equals taxable amount.

Wages are not a business expense and have to come out of what's left after tax. Because you can only earn up to £99.50 per week on Permitted Work, it's very unlikely you'll earn enough to get taxed. (As mentioned in my previous post, this is for ESA claimants, and could be different if you get different benefits and have other sources of income).

52 weeks of permitted work at a maximum of £99.50 per week after taxes equals £5,174 which is well below the personal allowance for tax.

For Permitted Work: Turnover (total of all sales) minus Expenses equals Profit. The Profit must be less than £5,174 or work out at less than £99.50 when divided by 52.

When I phoned up the benefits agency to see if they'd made a decision about me doing Permitted Work, I was told that I would be assessed after 6 months to see if I still fit the criteria (i.e. working less than 16 hours per week and earning up to £99.50 per week after tax.)

It can be hard to get your head around at first because the tax year is from April to April, and the accounts for your year of Permitted Work will most likely be different, but if you keep track of your accounts and keep them simple, it makes it easier.

Keeping Accounts

You need to keep track of every sale and business expense for your accounts. Keep all receipts/bills.

Business expenses are the costs of running a business i.e. Start-Up costs, costs of goods for resale, rent for premises, website hosting, EBay or Etsy fees, utilities (phone, electric, internet) and office supplies such as envelopes, printer paper, cartridges etc.

HMRC have a guide to what you can claim

http://www.hmrc.gov.uk/courses/syob2/syob2/HTML/syob2_menu.html

Accounts, Book-keeping and spread-sheets can seem daunting, but for the most part they just have to be a simple way for you to keep track of your sales and expenses. You don't have to use computer programs, you can write it all down by hand if that is easier.

Lyn from rosiepink gave me a link about Cardboard box accounting, which has some good advice:

<http://rosiepink.typepad.co.uk/rosiepink/>

Cardboard box accounting: <http://handmadelives.wordpress.com/2012/09/17/cardboard-box/>

One simple way to do your accounts is to use an A4 ring binder. You can customise your records, and you can add, remove or redo pages wherever necessary, and create separate sections with dividers.

I've split my accounts into Start-Up costs; Sales and Expenses. (Actually, I had to split my Start-Up costs into two sections because I had been working towards self-employment for more than a year buying supplies, and only needed the receipts back to last April for filing taxes, but I need a record of all my start-up costs for the Permitted Work scheme.)

Start-Up

Keep all your receipts from your start-up costs, print out relevant invoices from PayPal and online spending/purchases and try to keep them in chronological order so they are easy to find. You can always photocopy them or print out copies to keep in your ring binder to add dates, notes or anything that makes it easier for you. Try to keep a written list and record them regularly; it's amazing how easy it is to forget what a receipt is for if all the information isn't on there, especially when buying second hand items or from charity shops.

Sales

Depending on what your small business is, keeping track of sales will be different for everyone. If you primarily sell online, one way is to keep a weekly records of sales and simply record the date, name of buyer, which site, what they bought, and the amount paid for each transaction (If the buyer paid by PayPal, enter the figure after PayPal take their fee, it's all listed in the PayPal account and easy to see)

SALES

Week		Date		
Date	Buyer	Product	Site	Amount

Week		Date		
Date	Buyer	Product	Site	Amount

If somebody sells your product on your behalf, like a distributor or a gallery, you might receive payments from them quarterly; customise your sheets depending on how you sell your product or service. Keep separate sheets for the different ways you make sales if it makes it easier for you. Hopefully you will have too many sales to record every individual one, but you will need to keep track of them all, so maybe do a daily or weekly tally and keep track of online and cash sales.

Expenses

For keeping track of Expenses, you can record them in a similar way to Sales. I split my expenses into those paid online, and those by cash.

EXPENSES CASH

Week _____ Date _____

Date	To	For	Amount

Week _____ Date _____

Date	To	For	Amount

Instead of recording online and cash expenses separately, you may want to keep separate records for the different *types* of expenses so it is easier when it comes to filing tax returns.

When you fill in your tax returns online, you can either give a simple total of expenses or you can break it down into categories, such as: Goods bought for resale; Rent, Rates, Power, Insurance; Bank costs; Phone, Fax, Stationery, office costs; travel etc.

Receipts and Invoices

You don't have to print out a receipt or invoice for every sale or everything you pay for online as long as you have a record of it and can find it easily. If your accounts are clear and simple, this should be easy. If you use PayPal, you can download a weekly (or monthly) record of your transactions.

Click 'All Transactions'

My recent activity | [Payments received](#) | [Payments sent](#) | [View all my transactions](#)

My recent activity - Last 7 days (29 Apr 2013-6 May 2013)

[Archive](#) | [What's this](#) | [Payment status glossary](#)

Select the dates for the week or month you want to view

[Recent Activity](#) | **All activity** | [Find a transaction](#)

Select to

[Activity \(with balance\)](#) | [Payments received](#) | [More filters](#)

Under 'More', Select 'PDF-All Activity'

In

[Print](#) | [Download: CSV](#) | [More](#)

- [Monthly Account Statements](#)
- [Comma delimited - Completed Payments](#)
- [Comma delimited - Balance affecting Payments](#)
- [Tab delimited - All Activity](#)
- [Tab delimited - Completed Payments](#)
- [Tab delimited - Balance affecting Payments](#)
- [Download History](#)
- [PDF - All Activity](#)**
- [From last download to present](#)

This will download a PDF file of all transactions (sales and expenses) between the dates you chose. It will be named 'Download', so make sure you rename it so you can identify it.

To make it easier to keep track of receipts for cash expenses, put them together in an envelope each week or month and write the time period on the outside of the envelope. You could even keep these in the ring binder with the expenses sheets, just remember to put the holes in the envelope *before* you put the receipts in 😊

Filing tax returns

Tax years run from April to April. Whichever month you start your business, the tax year ends the following April. For example, if you start in May 2013, you have to file tax returns after April 2014 (all income and expenses from the date you start trading in May 2013 to April 2014). HMRC will send you a letter in April 2014. If you file by post, you have until Oct 2014 to file. If you file online, you have until Jan 2015. It's easier to do it as soon as possible.

If you receive a letter from HMRC at any other time, asking you to complete your returns, you have 3 months from the date you received it.

This video explains it well: <http://www.youtube.com/watch?v=telx6WOMWNo>

You don't have to submit any receipts, but you must keep them in case you are asked for them.

I hope this information has been helpful, Good Luck if you try Permitted Work and Self Employment 😊

For Convenience I have added the Sample Business plan with explanation of sections, below.

Business Name/logo

date

Contents:

1. Executive summary

1.1 Executive summary

1.2 Business details

1.3 Owner's details

2. Vision

2.1 The business idea

2.2 Business goals

3. Marketing

3.1 Profiling customers

3.2 Market research

3.3 Profiling competitors

3.4 What makes the business different?

3.5 Testimonies

3.6 Marketing, Promotion and Advertising

4. Finances

4.1 Start-up costs

4.2 Pricing Policy

4.3 Profit and loss Forecast

4.4 Sales Forecast

Executive Summary

1.1 Executive Summary

What the aim of the business is: what you will sell or what service you will provide.

What experience and/or market research has shown to support your belief that there is a demand for your product/service.

Whether you will need funding or how the business will support itself.

What you expect from the business in the first year in terms of turnover (sales) and profit.

People often write this last and condense the information given in other parts of the business plan.

1.2 Business Details

Company name:

Address:

Telephone number:

E-mail address:

Legal status: Sole Trader

1.3 Owner's Details

What education/training/experience you have which qualifies you to run your business successfully. Include any hobbies, or previous relevant work, any business courses or training courses, online craft courses/workshops etc.

Include any help or advice you have been given by supportive agencies such as Business Link.

Include established contacts who could help your business succeed or your 'networking' history.

2. Vision

2.1 The business idea

2.2 Business goals

Short Term

What you hope for/expect from the first year of trading and how you see it financially by the end of that first year...will you have paid off start-up costs, will it be supporting itself?

Medium Term

What you hope to be doing in years 2 to 3 of your business, how you will expand on your initial idea and develop it

Long Term

What you hope for by year 4 and long term business aims, what you plan to do to work towards this. Investment, partners, growth, expansion etc.

3. Marketing

3.1 Profiling customers

Who are your target customers? What has led you to believe that they want your product or service?
What do they want and how will you provide it?

Knowing this well, will help your business succeed and also help you for marketing and advertising.

3.2 Market Research

This is similar to profiling customers. How did you identify that there is a gap in the market for your product or service? What makes your product different? Have you identified what customers want?

What kind of research did you do? Did you do any test marketing? Do you have supportive feedback?

You can include any information that you have that supports your future plans for the business.

3.3 Profiling competitors

Is anyone offering a similar product or service to you/yours?

How is yours different? How is yours better?

Have you improved on what others are offering by considering your market research?

3.4 What makes the business different?

Why is your product or service unique or better? What do you personally have to offer that makes it different?

3.5 Testimonies

If you have any evidence to support your product or service, from test marketing, asking for a review or feedback then use it. If they are not views/reviews solicited solely for the use in your business plan/market research, say so. Include any 'negative' or critical feedback too to show how you have taken this advice on board *before* you start to trade

3.6 Marketing, Promotion and Advertising

Have you identified where/how you will sell your product or service? Have you approached people and do you have proof that they will stock or sell your product. Is it on commission, consignment?

Are you planning to sell online?

How do you plan to market your product or advertise it? Do you have social networking contacts, will these help, or will it be a way of marketing and advertising? Will it reach many people?

What do you plan for future promotion or advertising? Will you have special promotions? Will you have other products/services that will be available? Discounts etc.?

4. Finances

4.1 Start-up costs

Items bought for use in the business/items already owned and planned to use	£
Total start-up costs	
My contribution to these costs	
Other sources of Finance	

Include any supplies you bought specifically for the business: camera, software, supplies, equipment

4.2 Pricing Policy

How you have determined the price of each product or service.

Have you considered the costs of production or manufacture, the business expenses that need to be paid, travel expenses, competitors prices

4.3 Profit and loss forecast

How many sales do you predict?

Will there be times when it might be high or particularly low?

When do you think you will start to make a profit?

Current Business Expenses

	£
Total Start-up costs	
Rent per month	
Utilities per month	
Phone/Internet per month	
Total Advertising & promotion per year	
Blog hosting per year	
Supplies per year	
Other	

4.4 Sales Forecast/Cash flow Forecast