

# Self-directed support

## Micro enterprises

Micro enterprises are small businesses.

**A micro enterprise is a good way of doing something you like and getting paid for it. And you're the boss.**

This fact sheet explains what a micro enterprise is and how you can set up your own.



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## The basic facts

If you want to earn your own money, you can look for a job and work for someone else. There are other In Control fact sheets about getting a job – see the last page of this fact sheet.

Another way of earning money is to set up your own business. This may not be as hard as it sounds. And there are lots of good things about running your own business.

Some good things about setting up your own micro enterprise:

- Your business can be about anything you are good at or enjoy – so long as somebody else will pay for it.
- You are self-employed. You work for yourself. You are your own boss.
- It's flexible. You can usually decide when and where you work. Some people work from home.
- You can work at a pace that suits you.
- It's a good way of getting used to working or just working in a way that suits you.

With a micro enterprise, you can start small and grow, you don't need to try and make a living from it straight away. It can be really rewarding and interesting but can also be really hard work.

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## More information

This part tells you about the kind of business you could start. There is more information on the following pages about some of the responsibilities – like tax and National Insurance.

### What kind of business?

A micro enterprise can be based on what you're interested in.

There are three main types of micro enterprise:

- Selling something you make. Maybe you knit or are good at woodwork or jewellery making. Maybe you like growing vegetables or fruit. Perhaps you like baking bread and cakes. If you can find ways of getting what you make to people who want to buy it, you may have a business.
- Buying and selling – buying something and selling it to a customer for more than you paid for it. Perhaps you might find something on the Internet and sell it on a market stall. You could buy an assortment of things, arrange them differently and sell them in a gift box.
- Selling a service – you do something for somebody and they pay you. For example: looking after somebody's garden or doing someone's shopping.

Every business needs to make money. Some things to think about:

- You need to sell your product for more than it costs you. Don't forget to include all your costs (travel, printing, etc.) And don't forget to charge for your time!
- How can you make your product different to other people's – or better?
- Don't rush into it. Take the time to develop your product or service so it's as good as it can be. But you do need to get started – you can't plan forever. Get the basics right and you will learn as you go along.

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- Customers will pay more for good quality and nice design. For example, if you knit, could you use high-quality wool rather than cheap acrylic?
- You might find a 'niche'. A niche is a small area of business that big companies can't be bothered with or aren't flexible enough to do.
- Can you be known as the person who will do something at short notice? Or the person who can adapt something for each customer?

## Getting your product or service out there

Think how you are going to tell people about your business:

- Do you know people in your community who could be customers?
- Do you need a leaflet done on a computer? Or something more professional? Think about your image.
- Where will you sell? For example: in other people's shops; a market stall; craft fairs; door-to-door?
- The Internet allows you to sell all over the world and can work really well for micro enterprises.
- Are there local businesses that might buy from you? Local or community shops like good quality, locally made products, and they don't want big quantities.
- Don't underprice. Try different pricing and see what works best.

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## More detail

### What next?

If you decide to start a micro enterprise, you need to think about your financial situation – especially benefits, tax and National Insurance.

You have to work out what is your profit or earnings – your pay.

Add up all the money you have made and take off your business costs – things like the price of materials and your travel costs, printing and business telephone. What is left is your profit or earnings.

Even if you don't take all your profits as pay they still count for tax and benefits.

### Benefits

Welfare benefits are complicated. Some people don't work because they are worried about what will happen to their benefits. But there are good benefit rules to help people start to work.

The rules are complicated and we can't cover everything here.

### Here is some basic information:

- Everyone has different circumstances. There are different rules for different benefits. Your housing arrangements can make a difference, too. Some of the rules are a bit different if you are self-employed. Get good advice before you start to work. There should be someone local who can advise you. There is more information on all this on some websites we have listed below.
- But, in a nutshell: the permitted work rules mean a lot of people can start to work and earn money and still keep some or all of their benefits. The permitted work rules say what work you can do while you're on benefits.

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- You have to apply for most permitted work by sending a PW1 form to Job Centre Plus.
- Job Centre Plus can also agree to average out your earnings over a period. This is important if you are self-employed because your earnings can go up and down.
- If you are getting Employment Support Allowance (ESA) there are some different rules about keeping the money you earn.
- If your business starts to do well, you could apply to move off benefits onto Working Tax Credits and you then just start paying some tax as your earnings grow over a certain amount. Although it is called a 'credit' you actually get paid money while your earnings are low.

## Tax

You have to tell Her Majesty's Revenue and Customs (HMRC) that you are setting up as self-employed. You do this on a form called a CWF1 (see the Internet link on the last page). They will ask you for a 'tax return' every year. This is where you tell them how much you have earned in your business, and how much money you have paid out on business costs or expenses that they allow you to count. You may need help to fill out your tax return.

## Some basic information about paying tax:

- As a self-employed person, you have to pay tax as your business grows.
- You don't have to pay tax if your earnings are small.
- This tax year (2010-2011) most people can earn their first £6,475 tax free – this is called a 'personal allowance'. But some benefits – like Employment and Support Allowance – count as income for tax. So you have to add that money to your earnings.

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## National Insurance

If you work, you have to pay National Insurance so you are entitled to social security benefits, including the state pension.

These are some of the things you need to know about paying National Insurance:

- If you are self-employed, you normally pay two kinds of National Insurance: Class 2 and Class 4 contributions. If your earnings are small, you can ask for a 'Small Earnings Exception' on Class 2 so you don't have to pay. Use form CF10 to do this.
- Many of the benefits you get for incapacity automatically give you what's called a 'credit to pay' your National Insurance.
- You should get advice about the 'Small Earnings Exception' and 'credit to pay' before you do it to make sure you will not affect your other benefits like your state pension.
- If you do pay Class 2 National Insurance, it costs £2.40 a week in this tax year (2010-11).
- You only have to pay Class 4 National Insurance if your business starts doing well and you are earning more than £5,715 a year.

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## Other insurance

Think about whether you need liability insurance. This gives you cover if somebody gets accidentally hurt or something gets damaged as a result of you running your business.

You probably want to buy insurance to cover expensive tools, equipment or stock. You could get advice from any insurance broker – or see information about miEnterprise on the next page.

## Licences

Some types of business might need special licences – for example, running a regular market stall. Your council can help you check this out.

## Keeping records

You need to write down all the money you spend on your business and all the money that people pay you. You must keep receipts and invoices.

It is important your records are accurate and honest.

You need this information to tell Job Centre Plus about your earnings and to fill in your tax return for HMRC.

If you get organised from the start, keeping records is quite easy. But things get difficult if you don't do it regularly. You end up with piles of paper and a panic!

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## Getting support

If you are self-employed, it is important you make the decisions. But there's nothing wrong in getting help to make those decisions. Even the most successful business people have ways of getting support.

### If you have a personal budget, here are some ways to get support:

- You can use some of your budget to help you set up a micro enterprise – but this will need to be agreed as part of your support plan.
- You could look for a personal assistant who has experience or interest in the type of business you want to set up.
- You could use some of your budget to set up the business and pay for insurance, buy some tools, stock, etc.
- You may also be able to find a local employment support organisation that you could pay to help you.
- Another idea is to see if there are other people who want to set up micro enterprises nearby. Think about getting together to share support.
- An organisation called **miEnterprise** supports people to set up businesses. It works with Jobcentre Plus and HMRC. People can use their personal budget to join the miEnterprise 'club' and get support to set up and run their business. It has arranged good deals on things like insurance, tool hire, marketing and banking. Members can trade through it to make running their businesses as easy as possible. miEnterprise also makes it easy for members to share information and ideas.

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## An example

D is 41 years old and receives a personal budget as part of his social care support. D liked the idea of being self-employed and running his own small business. He was particularly interested in selling food, as his grandfather had been a grocer.

D worked with miEnterprise, to discuss what businesses might work for him and what wouldn't. This helped him set up his business properly.

D now runs a small market at his local church's coffee morning once a week. miEnterprise help him to find good local food products to sell and D chooses which he wants to sell. D collects his products once a week from miEnterprise's base and labels and bags products himself with support.

On his first week of trading D sold out in an hour and he is now expanding his product range. He enjoyed dealing with his customers and was relaxed running his stall. As he is quite shy this was a real achievement. People who know him well comment on how surprised and impressed they are with his decision making now.

He is supported to run his stall by one of his existing support workers who is keen to help him do well. His family are very supportive and are excited to see D with the confidence to start making his own decisions and to be so relaxed running his business.

D now has ideas to expand his business by operating a delivery service in his community.

**Please note: Some of the information on this sheet will go out of date. We would not recommend that you start your own business without getting good up-to-date advice about your situation first.**

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There is a lot more information  
on the In Control website:  
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## Information about Disabled Facilities Grants

Her Majesty's Revenue and Customs:

[www.hmrc.gov.uk/selfemployed/](http://www.hmrc.gov.uk/selfemployed/)

The CWF1 form is available to download at

[www.hmrc.gov.uk/forms/cwf1.pdf](http://www.hmrc.gov.uk/forms/cwf1.pdf)

## Or visit:

[www.direct.gov.uk](http://www.direct.gov.uk)

The Citizen Advice Bureau can also help with questions  
related to benefits

[www.adviceguide.org.uk/index/life/benefits.htm](http://www.adviceguide.org.uk/index/life/benefits.htm)

miEnterprise

[www.mienterprise.org.uk](http://www.mienterprise.org.uk)

A lot of the information on this fact sheet comes  
from miEnterprise's website.

This fact sheet was produced in November 2010.

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### About the In Control and Me project

A three-year project to produce accessible information for everyone who  
wants to direct their own support, funded by the National Lottery through the  
BIG Lottery Fund. You can find out more at [www.mencap.org.uk/incontrol](http://www.mencap.org.uk/incontrol) or  
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