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MONEY BOX LIVE

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LEWIS: Hello. Nearly 4 million of us describe ourselves as self-employed, but no-one really knows how many people are their own boss and still less do we know how many do *some* work for themselves while still being an employee. But with the cost of everything from food and energy to mortgages rising, borrowing to tide us over getting more expensive, earning a bit on the side becomes more attractive. Perhaps you've lost your job or you're facing redundancy and think self-employment is the answer. And I'm sure there are very few employees who haven't woken up on a dull Monday morning and thought why don't I give it all up and work for myself? So today, Money Box Live looks at being your own boss - everything from buying and selling on the Internet or a car boot sale to becoming a fulltime freelance doing maybe accounts or hypnotherapy, copyediting or knitting baby clothes. What does it take to be self-employed? What's the tax and national insurance position? Should you form a limited company? What if your customers don't pay you on time or indeed at all? And does contract work count as self-employment? Then, of course, on that dull Monday morning, how do you motivate yourself to get out of bed and work at home? Well whatever your question, you can call Money Box Live now. The number is 08700 100 444. With me today to answer your questions are Cathy Brown who's a psychologist and consultant on self-employment who's written a book called 'Testing the Water: Is Self-Employment for Me?'; Ian Hunter is Head of Employment at the law firm Bird & Bird; and John Whiting, a tax partner with PricewaterhouseCoopers. Our first question today is from Vic who's in Cambridge. Vic, your question?

VIC: Yes, I work as a freelance advocate for a couple of organisations advocating for young

people and those with disabilities. And my money is paid gross. All my training supervision and travel is paid for all in one lump sum. And I've given the tax office an estimated earnings, but I'm wondering how you go about claiming for or offsetting costs of travel and training and management cost?

LEWIS: Okay, John Whiting?

WHITING: You're filling in a tax return, I assume Vic - a self-assessment return at some stage, are you?

VIC: Well they said they would let me off it last year, but I've got to fill one out this year, apparently.

WHITING: Yes, well it would make sense because at some stage ... I mean in effect as a self-employed person, you're having to prepare a little set of accounts almost, your profit and loss; and, as you say, you have got scope for claiming expenses which you would normally do through self-assessment. And it would be things ... Well the jargon term is 'wholly and exclusively for the business', so it is the travel incurred in the performance of your work. I don't know if you buy reference books, for example, but they might come as costs. If you're based at home, a proportion of the running costs of home. It's really thinking through what are the costs of earning that money, getting that income.

LEWIS: And, John, I think that is a bit daunting when people start out as a self-employed person, and I suppose really the kind of thing you're talking about is do your accounts ...

WHITING: It is.

LEWIS: ... because you should do business accounts to show this is your gross income, your fees, and these are all the things you take off before you're left with your taxable income.

WHITING: Yes. I mean that I got this £1,000 or whatever it was, and what it cost me to get that - I *had* to go travelling, I *had* to go off and see these people and that cost me this much

and I'm keeping a little log of those expenses. I had to stay overnight and I had some costs there. I had to do this reference, I had to get somebody to look something up for me. It could easily be a little bit of sub-contract work. So you're absolutely right Paul, try and get into the habit of keeping good records, keeping something more than just a diary of where you were that day.

LEWIS: And Cathy Brown, you talk to people about becoming self-employed. Is it this kind of nitty-gritty tax thing that people worry about, or is it how on earth do I get up and do the work on a Monday morning?

BROWN: I think that's an interesting point because I think when we are employed, we have you know a contract, a line manager and ...

LEWIS: And set hours.

BROWN: Set hours. ... so when we are running our own business, we have to create that motivation for ourselves.

LEWIS: And the sort of framework of working for yourself.

BROWN: That's right. So it's knowing what it needs to actually help us to get out of bed, what activities help us to feel more energised and a positive mindset, who actually gives us that energy.

LEWIS: Yes, I suppose the bills coming through the letterbox are quite a good motive for working, aren't they? (*laughter*) Anyway, thanks very much for your call, Vic. I hope that helps. It is a difficult one when you're starting out, I know. And we've got another person starting out, I think - Tina in Nottingham. Tina, your question?

TINA: Yes, hello. I'm about to go self-employed and I need to decide whether to set up as a sole trader or a limited company, so I'm trying to weigh up the pros and cons.

LEWIS: Can I ask what you're going to do, Tina?

TINA: Well I'm going to be working as an environmental consultant.

LEWIS: And you've been an employee before, have you?

TINA: Yes, but I will be working part-time because I have a small baby, so I'll only be working a couple of days a week initially.

LEWIS: Right, so it's whether a limited company or a sole trader. I think that's probably another one for John at this stage.

WHITING: Well there's quite a lot of factors there. I mean one of the things is just simply whether you want the *bother* of running a limited company because, when all's said and done, just being self-employed on your own is easier.

LEWIS: You mean from an accountancy point of view?

WHITING: Well just record keeping, you know. You say you've got a young baby. Well actually if you're running a company, that's almost like another baby. You've got to keep the records and file the returns and everything. Not quite as much bother, I'm sure Tina, but you never know. Also you can put it to sleep occasionally.

LEWIS: Come on, John, a baby's much nicer than filling in accounts. (*laughs*)

WHITING: It talks to you. There are tax differences. Not as much as there used to be. There used to be quite an incentive to operate through a company. The system tends to be a bit more equal these days. It can offer you limited liability protection. That can help when all's said and done. But I mean you may come up against the fact as to how your prospective customers, your clients actually *want* you to operate. In this day and age, many will say we *want* you to come through a company because that throws back to you the issue fundamentally as to how you are going to be taxed on the income that you get.

LEWIS: And Ian Hunter, John mentioned liability and I suppose that there is - I mean in most jobs but certainly if you're a consultant - you could say or recommend something that caused someone else a loss and you've got to think how that would be paid for?

HUNTER: I think that's absolutely right and I think the limited liability point you know is a strong one and it obviously depends particularly what sort of business you're in. Where you're giving advice, where there's a high degree of liability attached to it, the limited liability protection obviously has an enhanced attraction.

LEWIS: And from a legal point of view, if Tina did do a report recommending a certain course of action, a company took her advice and it went horribly wrong - what she recommended turned out to cause them great losses - she would be liable, would she? I mean is that a danger you have to be aware of?

HUNTER: I think that's absolutely right. You do find in some situations that when you're acting for large clients, they in fact often require you to take out indemnity insurance to cover off that type of risk.

LEWIS: Yes and of course they will have their in-house lawyers and they will present you with a long contract that you may not understand. Should you have your own contract, you know, or your own lawyer that you can sort of consult on these things?

HUNTER: Well you can often have this, the battle of forms. I think it really depends you know who you're dealing with. If you're dealing with a large multi-national plc and they give you their standard terms, you can probably work on the basis that if you want the work you'll have to deal with their standard terms.

LEWIS: You also know they're entirely in their favour, don't you? (*laughs*)

HUNTER: Absolutely right. So I think it's worth having them reviewed so you know where you're at, but be realistic about what you feel you can negotiate on.

TINA: Right.

LEWIS: Cathy, you wanted to add something?

BROWN: Yes, I think the point I'd want to add is with the limited business one of the benefits of having a limited business is the profile that gives to some clients.

LEWIS: People take you more seriously, you mean?

BROWN: That's right. It gives the impression of, as you say, a more serious, a more professional, a larger business. I think if that's important, that's certainly a benefit.

LEWIS: Yes so, Tina, if it's just you, Tina Holt, c/o of back bedroom, no. 3 Acacia Avenue, that's not quite as good as being Tina Holt Limited or LLP.

WHITING: International appeal.

LEWIS: International appeal. I mean what are your thoughts on this, Tina? Are you tending to think you would like to have a proper company set up?

TINA: One bit of me would prefer to go for the very simple, low key option, but the thing that I suppose I've got in the back of my mind is the limited liability kind of area because although I probably wouldn't be giving very specific advice, I would perhaps be more doing workshops around helping people to think things through, of course there may come a time when it does become a grey area or it could be construed as advice and I just wanted to be absolutely really safe.

LEWIS: Okay. John Whiting just wants to add one point.

WHITING: It probably isn't a factor for you, Tina, but in some businesses of course people get a limited liability company and think that's it, but then find they've given guarantees, *personal* guarantees to the bank for all the financing and suddenly they're not as limited

liability as they thought they were going to be. But I suspect that wouldn't be in your situation.

LEWIS: Okay Tina, well thanks for that and great that you're thinking about it. I'm sure it's a question a lot of people have wondered. We're moving onto Frances now who's in Surrey. Frances, your question?

FRANCES: Oh good afternoon. I'm a self-employed bookkeeper, I have been for many years. One of my clients has just ... well they've run into financial difficulty, I think, so they have not been paying my bills. And they're a limited liability partnership. As I understand it, I could take them to the small claims court. They don't deny that they owe me the money, but would I get it from taking those legal proceedings?

LEWIS: Right, well Ian, I mean this can be a problem with self-employed people particularly, can't it?

HUNTER: Absolutely. I think the key question here is whether they've got the money. It's all very well if ... It looks as if they've admitted they owe you the money, you know they owe the money.

FRANCES: Yes.

HUNTER: You're quite right that the small claims court would be the right place to go to. The key issue really here is have they got the money if you get the judgement? If they do, then I would move ahead very quickly through the small claims court. It's a fairly efficient way of operating.

LEWIS: And I suppose if they are short of money and they have a number of customers, the one that they'll pay will be the one that seems to be taking the strongest action in some cases, unfortunately, won't it?

HUNTER: I think that's absolutely right and there's also the possibility of exploring some ...

it's again finding out what their problem is. If it's a cash flow problem, whether or not you're able to come to some sort of instalment, payment arrangement with them short of actually having to issue proceedings. But it's amazing how issuing proceedings on occasion can focus people's minds and the small claims court is quite a cost effective way of doing that.

LEWIS: And, Frances, is this a client you'd be sorry to lose? I mean in normal circumstances, I suppose I should say, if they were paying you?

FRANCES: The work won't continue, there's no doubt about that. It's a past activity if you like, as I say. But I just wondered what the benefit is. As I understand it, I would just get the right to send the bailiffs in, is that right?

HUNTER: Ultimately that's right. Well if they didn't pay up once you'd got judgement, you can then take enforcement proceedings against them, which would include sending the bailiffs in.

FRANCES: Right.

LEWIS: So there's no real downside except a small initial cost which you'll recover if you get a judgement or if you get the money. So it sounds in your case, Frances, as if probably there's no downside to this really. It's just one of those unfortunate burdens that people do bear if they're self ... Well I suppose *any* business does, doesn't it? Anyway, thanks very much for your call. Just before we move onto Chris, who I know has been waiting, I just wanted to take a couple of national insurance questions because it surprised me in a way how many we've had. We've had people wanting to know 'what national insurance do I have to pay?'; somebody says he's paying it and is no longer self-employed - what does he do?; and another chap, whose name I really *won't* give, says he's been a freelancer for seven years and has never paid national insurance and his accountant didn't tell him to. (*laughter*) John Whiting, just remind us what you have to do as a self-employed person because there's two lots of national insurance you have to pay, aren't there?

WHITING: Two lots, yes. As an employee, if we just check that, strictly you're paying class 1 national insurance and your employer also pays national insurance, their contribution.

LEWIS: And that disappears from your pay packet before you see it?

WHITING: And that disappears and that's it and that's all gone and that gets you lots of benefits. Not necessarily good value. As self-employed, you have *two* types - class 2 and class 4 as they're known. Class 2, currently a huge amount - £2.30 a week - and that's the one that you pay as soon as you sign up as self-employed. You're supposed to tell the Revenue within three months, so your guy who hasn't told them for seven years has kind of missed that deadline. What that gets you is essentially your right to the state pension in due course. But then there is the class 4, which is a profits related one. That comes in at 8% on profit between the basic personal allowance, or what *was* the personal allowance, and the higher amount - £35,000 there or thereabouts - over that 1%. And that's ... - well we were arguing before we came on air - it's a tax, isn't it Paul? It's just an extra amount that you have to pay.

LEWIS: Well, yes, because Julia emails to say 'I'm a freelance and I pay class 2 and class 4. I've been told class 4 doesn't count towards any benefit. Is this right and, if so, why do we pay it?'

WHITING: Because we *have* to.

LEWIS: It is just a tax.

WHITING: You might say it's a bit like the employers' or indeed a lot of the employees' liability. It's just that extra liability. Of course technically it's not a tax, it's a contribution, but the one that actually gets you on the system as it were is of course the class 2. And I mean one thing to say is that self-employed people don't get the benefits that the employed people do through paying their national insurance. You're not into jobseeker's allowance and various other benefits.

LEWIS: No. But the class 2 at £2.30 a week is actually in a way quite a bargain if it gets you the state pension at least, the full state pension, as long as you pay enough.

WHITING: (*over*) It's not bad. Yes, I mean it's worth doing and there is a small exemption if you fall below £4,800 or thereabouts. But it's one to look at and generally it's worth paying.

LEWIS: Okay and there's more on that. There are links, I should say, on our website, bbc.co.uk/moneybox, links to various bits of information, including the Revenue website where you can find out about national insurance. We'll move on now to Chris who is ringing us from Bromley. Chris, your question?

CHRIS: Hi there, my name is Chris. I'm a self-employed graphic designer and I've been trading as a sole trader for about a year now. My question's regarding VAT. I understand the VAT threshold is about £60,000 in turnover. Now because I outsource some of my work to other suppliers but all payments come through me, it looks like I might reach that threshold in the near future. As a sole trader, do I have to become *personally* VAT registered or is there another way round that?

LEWIS: Right. I think the threshold's £67,000, John, isn't it?

WHITING: £67,000.

LEWIS: But what are the rules about registering for VAT?

WHITING: Well basically, Chris, it comes down to what you are doing, what you are billing. I mean the jargon ... If you're making taxable supplies that in principle would have VAT on them - possibly at zero rate but in your case it would be the normal rate - and those supplies will be £67,000 in a year, then you should register. Now you say you're getting some sub-contract work or others to do some work for you, but of course if they're billing you and then you are billing on your customers, then you should take those into account for deciding if you're up to the threshold and then charging your customers VAT. Of course there's an admin hassle here and many people don't *want* the thought of charging VAT, but if your customers are ones that can recover the VAT, if they're separate businesses - and I guess in your line of business they may well be so - then in many cases they don't mind and it may just be easier to go with the flow and *you* can get the VAT back on *your* costs.

LEWIS: Yes and if you buy things like a computer or stationery, you can claim all that VAT back, which you can't do otherwise.

WHITING: Exactly.

LEWIS: So in some cases, is it better to register even if you're *not* at £67,000?

WHITING: Many will do so. And going back to one of Cathy's points about how you can *appear*, you know many people will say if I am registered for VAT and I can quote a VAT number on my invoices, it says something about ... you know I have a certain amount of substance and standing and that says something. But there's no getting away from it. It is more hassle and some people would rather keep below the tax barrier.

LEWIS: Yes. There is a flat rate scheme though, isn't there, if your turnover's less than, what, £150,000?

WHITING: And that is something that Chris might well think about. That depending on what your category of sales are, rather than keeping details, records of inputs - what you've paid, outputs - what I've got to do, you keep one record in effect of what your sales are and then you look up your category; and if graphic design is (I don't know) for the sake of argument is 12%, I don't know what the figure is, then you would pay 12% of your turnover to ...

LEWIS: (*over*) Your turnover including VAT, yes. Okay, Chris, well if you reach £67,000 you *have* to register. That's it, that's the law.

WHITING: You're taking in these sub-contractors. Although of course if they bill separately, then maybe they're just paying you a commission and that's one way you could keep your turnover down.

LEWIS: Right, yes. But if you do have to register, other people listening with a turnover of £67,000, you do, but there are other things to think about. And all the information's there on the Revenue website, though I have to say it's not always as easy to understand as we'd like. But thanks for your call, Chris. And we're going to go to Michael now in Hertfordshire. Michael, your question?

MICHAEL: Yes, hello, good afternoon. I've recently started a new business, which is ironing - pick up people's ironing and do it and return it to them. And my wife and I are at the moment completely up to our ears in ironing, so we're looking at taking on some employees, for want of a better word, to do the ironing for us and we're looking at the possibility of having people who'd be self-employed working from home. We're trying to make sure that we do this in the correct way, so that we're not leaving ourselves open to future liabilities.

LEWIS: Yes. So people would bring you or you'd collect people's ironing, but then you'd give it to other people to do the ironing and then you'd collect it and give it back to the people you first took it from?

MICHAEL: That's correct, we'd deliver it to the people doing the ironing for us and then get money to them.

LEWIS: Right, yes, I see. As long as the labelling works out, it sounds a very good business.
(laughs)

MICHAEL: It's taking off.

LEWIS: Good, good. But the question is whether the people you then take on to do the ironing can be employees?

MICHAEL: Well we want them to be self-employed.

LEWIS: Sorry, can be self-employed rather than employees is what I meant to say. Ian Hunter?

HUNTER: I think it's a good question here. I suppose the first point to make really is it's not really up to individuals to choose whether they're employed or self-employed. The law will determine that. I think from where you are, Michael, I think it's possible that they will be able to define these individuals as self-employed, providing a number of criteria are satisfied. The sort of things that determine whether somebody's an employee are normally whether you

have personal service - so whether you want a particular person to carry that ironing out; whether you have what they call mutuality of obligation - so in other words they will be able to do that ironing whether or not the ironing turns up or not and you will pay them. In those circumstances, they'd be treated as an employee. But if you were able, for example, to ring up and say, "Look, we've got some ironing come over. Have you got capacity this week to do it?" And they said, "Well actually no, I haven't, I'm not interested", that would tend to suggest that they were self-employed. And certainly if they were to say, "No, I don't have the capacity, but I tell you what, I can get my sister to do it instead" - all of that would tend to suggest that what you had there was a self-employed relationship rather than one of being an employee. As a general rule, people need to be very careful when they're going down this route not to assume that it's simply their choice. But I would have thought, Michael, you're probably on, certainly from an employment's perspective - and I'll defer to John on the tax side - I'd have thought you would be in a reasonable prospect to be able to take people on a self-employed basis.

MICHAEL: The one particular thing I was considering is that I can see a situation where someone who's doing ironing for us would be doing it for us alone and may not actually be doing any work for anyone else. And the fact that they were working solely for us, even though they may be available to do it for other people, would that be a consideration?

HUNTER: Well exclusivity of service does tend to support more the employee route. But I still think one of the big things for you would be what we call the mutuality of obligation - so if they can say, "I don't fancy doing the ironing this week" or "Can I get someone else to do it?", I would have thought that would put you in a reasonable position to argue self-employed status.

MICHAEL: Even if they didn't ever actually use that option? If they always did it, even if they never did actually turn it down - the fact that they *could* turn it down?

HUNTER: Yes and it certainly might be worth having a short formal contract put together which talks about the ability of substituting someone else to do their work.

LEWIS: There is a questionnaire on the Revenue website, I think, isn't there John?

WHITING: Employment status indicator ...

LEWIS: Employment status indicator. Thanks, I'd forgotten the name.

WHITING: ... which people can put themselves through. But I mean I'd echo everything Ian said. I mean it is difficult. It needs to be understood that the mere fact that you're not using somebody full-time does not mean they are self-employed. You can easily have part-time employees, as I'm sure we all appreciate, and it does come down to the sort of things Ian's saying: who controls, do these people have the chance to turn it down and turn it away and, as you say, ideally get somebody else to do it? Do they provide their own tools? Well presumably they do. That's helpful. How are they paid?

LEWIS: If they provide their own iron rather than going to Michael's house to do the ironing?

WHITING: Exactly. They choose *when* they do it, *how* they do it, all the rest of it. They might lose by putting in a pretty creased job.

LEWIS: (*laughs*) Cathy?

BROWN: Well I've heard this argument happen before. It's come down to who actually controls the diary; and if it's the choice of the individual, you could say that they are self-employed; if it's the actual choice of the employer, it's the employed route.

LEWIS: Yes, but it is an important thing to get right, isn't it, because if you're an employer, you have huge obligations. If it's a self-employed contract, you don't.

WHITING: Both from the tax point of view and of course the employment rights point of view.

LEWIS: Minimum wage, sick pay and all that kind of thing.

WHITING: Yes.

HUNTER: Absolutely right.

LEWIS: And notice when you want them to stop. I mean we've had an email about this - somebody who says they want to remain anonymous and I can understand why. 'I became self-employed, was working for two companies. I'm now working for one company who has been' - and she uses the word - 'employing me on a freelance basis for six years'. And is she self-employed or employed? You know that's the question.

HUNTER: You'd really need to go through and apply that test, but for a lot of people it's likely they're going to be employed.

WHITING: It is. And of course the danger is actually for the employer rather than the individual because they're the ones who in tax terms the taxman will come looking for the extra tax potentially. And of course they've potentially been stacking up a lot of employment rights, which is where I think, Ian, most of the cases are tending to come - people trying to *enforce* the rights.

HUNTER: Absolutely right.

LEWIS: And if it turned out that all these ironers were in fact employees, there'd be national insurance to pay over a long period of time.

WHITING: There would be more national insurance to pay.

LEWIS: Anyway, Michael, we haven't quite answered it, but we've sort of given you guidelines as to how you *might* answer it, but it certainly is a question to take seriously from your own liability point of view. We'll move on now to Theresa who's calling from her mobile. Theresa, your question?

THERESA: Hello. I'm a freelance solicitor. I'm just about to go on maternity leave and I'd

like to know what happens with my tax. I'm not expecting to earn very much for the next year. I'd also like to know what benefits I might be entitled to whilst I'm actually on maternity leave but also beyond that and what happens to my national insurance contributions while I'm not earning very much?

LEWIS: And you're a freelance ... You're a self-employed solicitor, Theresa?

THERESA: I'm a self-employed solicitor. I work for a number of firms, so I'm self-employed, yes.

LEWIS: Right. I suppose, Cathy, this is one thing you have to consider, especially if you are a woman; that you're not going to get the same rights as a self-employed person?

BROWN: That's right, it's quite you know a different situation. So, yes, it would be something to think through.

LEWIS: John, what is the position for Theresa?

WHITING: I mean in essence, I mean unlike an employment where your salary stops and therefore PAYE perhaps catches up and you get a few extra benefits in that sense, as self-employed you're just going to pay less tax because you're going to have less income. Probably the class 2 will keep on going because you will in principle be available for work. But it's not that you have stopped work; you are just going to declare a lower profit for the year, one assumes.

LEWIS: Yes. And you do get some sort of maternity benefit from the DWP, but of course you don't get maternity pay, Theresa, which is going to be far less than that.

THERESA: No.

LEWIS: And of course you have no rights against yourself. You don't have to give yourself your job back at the end. (*laughs*) But it does sound as if it's very hard to stop being self-

employed, and this is something that often crops up. If people stop being self-employed, they can't claim benefits and things because you know you can always go back to it. So you're going to have to give yourself a sort of low paid holiday for a while. But it's your annual ... it's your accounting year, I suppose, John?

WHITING: It is basically and you know Theresa is going to make less money for her year, which will therefore be a lower amount of profit and therefore less tax and national insurance.

LEWIS: Less, yes. But of course because you're taxed on the basis of what you earned last year, she's going to have to tell the Revenue so that she pays ...

WHITING: Lower payments on account.

LEWIS: Lower payments on account.

WHITING: She must make sure she's got that controlled.

LEWIS: Yeah, that's very interesting, Theresa. Does that answer your question?

THERESA: It does. Thank you very much.

LEWIS: Okay, thank you for your call. We've got an email here from somebody, which is almost completely at the other end. This is someone who again wants to remain anonymous. He buys and sells postcards on eBay, the Internet auction site. He says he's never made a profit and some of his friends say he should tell the taxman; others say he shouldn't bother. What does he have to do, John?

WHITING: Has he really got a business? And you get quite an increasing number of these. It's quite possible he has got a business, but is he in business with a view to profit? Doesn't sound like it.

LEWIS: Well he might have a *view* to profit; he just isn't making it.

WHITING: And just isn't making it.

LEWIS: I mean there is a difference, isn't there? And correct me if I'm wrong, but if you sell things, unwanted Christmas presents, then that's not a business; but if you're *buying* things to sell them, that makes you a ...

WHITING: Exactly, you're doing it frequently, you've got a bit of paraphernalia, you're putting adverts out. You're basically looking like a business and then, frankly, you *are* beginning to get a business and maybe you should be telling the taxman even if you aren't going to be contributing much to the coffers.

LEWIS: Okay, well we're coming to the end of our time. I just wanted to quickly do a quick round up. Cathy, just one or two key points for people who are thinking of becoming self-employed. What should they think of, briefly?

BROWN: I think the main thing is about the self-management. Obviously when you're part of an organisation, you have a contract and a line manager; and when you become self-employed, you have to manage yourself. So it's looking at what can I do to keep myself in top form?

LEWIS: Am I the sort of person who can do that? Ian Hunter, what do you think the main thing is?

HUNTER: I think the main thing is if you're an employer, don't assume just simply because you've agreed with someone that they are self-employed that that's going to reflect the reality of the situation. And if you've got it wrong you may take both a tax and an employment hit.

LEWIS: John?

WHITING: That's the one I was going to say - make sure you get your status right. So I will have to say well make sure if you are going self-employed that you remember you do have to tell the taxman that you're setting out that way; they want to treat you rather differently for

national insurance and income tax.

LEWIS: And you have to do it within three months, three whole months.

WHITING: Three whole months of starting.

LEWIS: Or you're fined £100.

WHITING: Indeed.

LEWIS: Anyway we must stop there. Thanks very much to all of you. Thanks to John Whiting of PricewaterhouseCoopers; Ian Hunter from Bird and Bird; and psychologist Cathy Brown. Thanks too for your calls. More about self-employment from the BBC Action Line - 0800 044 044. Our website, as ever: bbc.co.uk/moneybox. Listen again, download a podcast, read a transcript in a couple of days. I'm back at noon on Saturday with Money Box and here on Money Box Live next Monday afternoon.