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How to set up my business as a sole proprietorship

Being a current undergraduate in the American University in Bulgaria, I have always been wondering what exactly I am going to do when I graduate in 2 years. I am sure that this question has come up to your mind too and you already have some ideas which you are following. In fact almost every one of us has a dream business to start up. However, most of us have a general idea of what this business is going to be but we have no idea how exactly to set it up, what documents we are need to fill in, what taxes we need to pay and so on. Occasionally, this paper will give you exactly this information. I will point out the procedure of establishing a **sole proprietorship** in the **United States of America** compared to the one in **Bulgaria** as being part of the AUBG, an American/Bulgarian institution, these are the two countries when most people are interested in when it comes to starting their own business.

To start with, a sole proprietorship is a one-person business that, unlike corporations have an unlimited personal liability. However, it is the most common type of a first established business around the world as it is the easiest to set up and furthermore it is easily converted into a corporation or LLC.

**In the USA**, a sole proprietorship does not have to be registered with the state in order to exist. In fact the first step you need to take is to think of a name for your company and then protect it. It is a good idea to choose a domain name which is not being used by anyone else. You can check whether the name already exist through *Register.com*. If you operate the business under your own name, you do not need to register your name. However, if you prefer a “fancy” name for your company, you should file it as a fictitious name (DBA, “doing business as”) with the local government. It is often a good idea to legally protect your name or simply trademark it through the U.S. Patent and Trademark Office or their website.

The next step you need to take is to consider the financial structure of your sole proprietorship. Starting a sole proprietorship you must separate your personal finances from your business and prepare tax returns. Barbara Weltman, a tax and business attorney, suggests to open a business bank account, a business credit card, and business recordkeeping. As a sole proprietorship you must file an annual return with the IRS to report your business income and expenses using Schedule C-EZ which you can find here: http://www.irs.gov/pub/irs-pdf/f1040sc.pdf, which is part of Form 1040: http://www.irs.gov/pub/irs-pdf/f1040.pdf. If you do not have employees, the business can operate under your Social Security Number. However, if you have hire staff, you are obliged to get a federal employer identification number (EIN) which you can obtain online at no cost from the Internal Revenue Service (IRS.gov). Being a self-employed you do not need to withhold money from your paycheck to cover your tax obligations, instead you pay income: http://www.irs.gov/pub/irs-pdf/f1040es.pdf and self-employment: http://www.irs.gov/pub/irs-pdf/f1040sse.pdf taxes through quarterly estimated tax payments. You may be required also to pay sales taxes on the goods and services. For some businesses you need to get the proper license or permits in order to exist as a sole proprietorship.

The last step you need to take is to obtain an insurance – property and liability coverage, auto insurance, health coverage, disability coverage are the most common and recommended.

Having all of those you can legally and safely operate as a sole proprietorship. Now you can realize your business idea in the U.S.A.

**In Bulgaria**, setting up a sole proprietorship is not a difficult process too. In order to be able to set up one, indeed, you need to be 18 years old without seriously mental diseases and you should not be sued for bankruptcy in your past.

Similarly, to the procedure in the United States, first you need to register a name for your company. According to the law in Bulgaria, however, the name of your company must consist of your full name (First name and Surname). After you have checked that the name you have picked for your company is original online - https://public.brra.bg/CheckUps/Verifications/RightsOverCompany.ra, you need to fill in the following documents:

1. Registering form A1 which you can find here - http://www.brra.bg/ContentManagement.ra?contentType=2;
2. Декларация по чл.57 и чл.58 от Търговския закон – this is a declaration which states that I am a legal person and I have the right to set up a sole proprietorship.

http://pravatami.bg/wp-content/uploads/2013/04/%D0%94%D0%B5%D0%BA%D0%BB%D0%B0%D1%80%D0%B0%D1%86%D0%B8%D1%8F-%D0%BF%D0%BE-%D1%87%D0%BB.-57-%D0%B8-%D1%87%D0%BB.-58-%D0%A2%D0%97.pdf

1. Декларация по чл. 57, ал.4 – this is a declaration that complements the first declaration

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1. A declaration for the truthiness of the already stated of you facts

http://pravatami.bg/wp-content/uploads/2013/04/%D0%94%D0%B5%D0%BA%D0%BB%D0%B0%D1%80%D0%B0%D1%86%D0%B8%D1%8F-%D0%BF%D0%BE-%D1%87%D0%BB.-13-%D0%B0%D0%BB.-4-%D0%97%D0%A2%D0%A0-1.pdf

1. A sample of your signature if you are going to be the specimen of the company. This document, however, need to be signed and legalized by a notaries.

http://pravatami.bg/wp-content/uploads/2013/04/%D0%A1%D0%BF%D0%B5%D1%81%D0%B8%D0%BC%D0%B5%D0%BD-1.pdf

After you have filled the necessary documents you need to bring them in the Registering Agency which is located at: Geo Milev, 20 “Elisaveta Bagrqna” Str, Sofia, Bulgaria. Three days after the submission of the documents you can check whether your company is already registered online using your registering number: https://public.brra.bg/CheckUps/Verifications/Registrations.ra

In Bulgaria, you do not need to prepare any documents in advance for the taxes for your company as basically you represents the business itself and all the taxes you need to pay will be gathered at the end of the fiscal year and you can pay them using the tax declaration in the nearest Tax Agency in your city where you are automatically registered from the Registering Agency.

To conclude with, setting up a sole proprietorship is easy and inexpensive to form both in the States and in Bulgaria. You have complete control over your decisions and it has easy tax preparations. It is a perfect type of business for a start-up company. However, it has unlimited personal liability and you are responsible for your own actions and the actions of your employees. It is also hard to raise money out of it and it has a heavy burden of pressure for failure versus success. So, if you want to enlarge your company it may be a good idea to incorporate your sole proprietorship at same point of time.

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