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ART@HEART SOCIAL HANDCRAFT EXPERIENCE

IO6 – MOOC

Entrepreneurship

Lesson n. 1



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What is an enterprise?

**How can you become
an entrepreneur?**





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Necessary features:

Organization

Professionalism

Production of capital



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Self-employed VS Small business owner



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Self-employed

The self-employed worker is the one who performs a work or a service for a fee, with mainly his own work and without the bond of subordination towards the client.



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Examples of being self-employed:

- Sole proprietor: As a sole proprietor, you are your business. You call the shots, work for yourself, and take your business profits as personal income.
- Independent contractor: As an independent contractor, often called freelancers, you produce work for others, but you are still your own boss. You work on a contractual basis with clients of your choosing, but you are not their employee.
- Partnership: As a partnership, you have all the qualities of a sole proprietorship, but you share ownership of the business with two or more people who are your “partners.”



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Small business owner

The entrepreneur is the one who professionally exercises an economic activity organized for the purpose of producing or exchanging goods or services



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Characteristics of being a small business owner:

- You hire employees or have other self-employed workers working for you as independent contractors
- Your business can be classified as a separate entity, meaning you have less personal liability
- If you have part-time or full-time employees, you are responsible for collecting their taxes and obtaining workers' compensation insurance



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How are taxes handled differently?

The most significant difference between small business owners and self-employed individuals is how you pay yourself



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If you are self-employed:

- Your business tax deductions, profits, and losses are reported on your personal income tax return
- Normally if you make more than a national amount per year, you are responsible for paying self-employment tax to cover social security contributions
- You might pay quarterly estimated taxes throughout the year to avoid any penalties or a large tax bill at the end of the year



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If you are a small business owner:

- Small businesses are taxed differently based on your business type — for example, limited liability company (LLC or SRL) taxes can be passed through to the owners, or you can elect to be taxed as a corporation
- If you are taxed as a corporation, you will pay corporate taxes, which is a tax on your profits (your revenue minus the cost of goods sold and other business operating costs)
- If you hire independent contractors, you must report any payments



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When should I transition from being self-employed to being a small business owner?

As your business grows, many self-employed people start wondering when they should create a formal business entity.



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You might want to consider changing your business structure if:

1. You want to lessen your personal liability:

it might be a good idea to limit your personal liability by structuring your business as a single-member LLC/SRL for tax purposes. In doing so, you are forming a business entity separate from yourself, offering more liability protection.



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2. You are adding additional owners or employees:

Maybe you've been riding solo as a sole proprietor and are considering adding more owners to become a partnership or LLC. Or perhaps you've been in a partnership with someone else who has decided they want to leave. Whatever the case, a change in ownership can often lead to a change in business structure.

Likewise, adding employees can mean more liability, providing you with another good reason to switch your business type.