

Business Startup

It is the ambition of many people to run their own business. Some may have been made redundant and find themselves with free time and financial resources. Others make the decision to start up in business to be more independent and obtain the full financial reward for their efforts.

Whatever the reason, a number of concerns exist. The biggest of which is the possibility of business failure.

This factsheet gives guidance on some of the factors that should be considered before starting your business.

Any decisions should be supported by seeking appropriate professional advice.

Initial Considerations

To make your business a success you need to consider a number of key factors:

Starting a business is demanding and time consuming. Commitment, determination and enthusiasm are the key ingredients. You will need managerial, financial, technical and marketing skills. If you do not have all of these skills, they can be obtained, or acquired through training.

The Business Plan

This is an essential requirement of any startup. Bank managers and other financial providers will only lend money with a sensible plan.

Your plan should provide through detail of the way in which the business will commence and develop. It should describe the business, product or service, market, mode of operation, capital requirements and financial projections.

Business structure

There are three main types of structure used by businesses:

Sole trader

This is the easiest to get going as it can be established without any legal formality. The business of a sole trader is not separately distinguished from the proprietors personal affairs.

Partnership

A partnership is similar to a sole trader; however more people are involved. It is advisable to draw up a formal written agreement and for all partners to be aware of the terms of the partnership. The business and personal affairs of the partners are not legally separate. An alternative is to use what is known as a Limited Liability Partnership (LLP).

Limited Company

Business affairs are separate from the personal affairs of the owners, however there are more complex legal regulations to comply with.

The appropriate structure will depend on a number of elements, this includes consideration of taxation, legal entity, ownership and liability.

Further structure information can be found on Factsheet 2.

Books and records

It is a legal requirement for any business to keep records. They can be maintained manually and should include payments, receipts, credit purchases, sales, assets and liabilities. If you are considering purchasing a computer package to maintain your records, you should get appropriate training.

Accounts

The books and records are used to produce the end of year accounts. If the records are well kept it will be easier to construct the year end accounts. Accounts must be prepared for HMRC and if a company is formed there are legal requirements as to their format.

A Company will need to file the accounts at Companies House within a time limit. These are also on public record.

Business stationery

There are certain requirements for the contents of business stationery, this can depend on the type of business structure, but is mainly relevant to companies.

Taxation

When starting a business, tax aspects must be considered.

- **Taxation on profits**
The type and rate of taxation will vary, dependant on business structure. The taxable profit will normally be different from the profit shown in the final accounts. This is due to certain expenses not being allowed for tax purposes and the timing of certain tax allowances.
- **National Insurance (NI)**
The rates of NI contributions tend to be lower for a sole trader or partnership than for a company director. In a company, it may be possible to avoid NI by paying dividends as opposed to salary.
- **Value added tax (VAT)**
When starting a business you should consider the need to register for VAT. If the value of your taxable sales exceeds the registration limit you will be obliged to register. Correct accounting for VAT is an essential part of any business and neglect may result in significant penalties and problems with HMRC.

Employing Staff

Many small start-ups do not need staff, however as your business grows this may become necessary.

It is an employers responsibility to account for income tax and national insurance on its employees. The balance must then be paid to HMRC. Payroll records should be carefully maintained.

Employment law is constantly changing and it is important that any employer is up to date with the latest legislation.

Insurance

Insurance for business motor vehicles and employers liability are legal requirements. Other insurance types such as public liability and Keyman should be considered.

Pensions

Putting money into pension schemes can be an attractive way of saving for retirement because of favourable tax rules. Many companies will have to provide employees access to a stakeholder pension.

What Can We Do To Help?

Professional advice will help to avoid some of the common problems which occur within new businesses.

We are more than happy to assist you in creating a plan suitable for your requirements. We are able to provide key services such as company registration, management accounts, VAT registration and compilation and payroll preparation at an early stage.

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