

Before starting your business



...you'll need to know

TownendEnglish

Chartered Accountants





We prepared this guide to help answer any questions you might have when starting your own business.

We know that all you want to do is get your business up and running! We understand that you just can't wait to embark on this exciting journey.

We're here to lend a helping hand, to give you directions, so you have the confidence to know... you're doing the right thing.

Every business has different circumstances and requirements, so it's essential that you do your research and speak to experts to give your business the best chance to succeed.

At Townend English, our free consultation service gives you the opportunity to discuss your business idea with a member of our team. We will help you develop a tailored plan to help you reach your business ambitions.

**Please call
01759 305 989
to book an appointment
or to ask any questions
about anything in this guide.**



What should you consider when setting up in business?

If you are starting, or have recently started a business, the team at Townend English can help you with appropriate and professional advice.



Initial considerations

In order to make your business a success there are a number of key factors which should be considered.



Commitment

Starting a business is demanding; determination and enthusiasm are essential.



Skills

You will need managerial, financial, technical and marketing skills. If you do not have these skills personally, consider training opportunities, a partner, an employee or a consultant.



Your product or service

Your product or service should have a proven or tested market and must not conflict with the patent or rights of an existing business.

In addition to the above considerations, there are a number of specific matters which we will gladly discuss and give you help and support.



Business Structures

Which should I use?

Having made the decision to be your own boss, one of the major considerations is to decide the best legal and taxation structure for your enterprise. The most suitable structure for you will depend on your personal situation and your future plans. The decision you make will have repercussions on the way you are taxed, your exposure to creditors and other matters.

We will help you to identify what is important for you and your business and assist you to decide on an appropriate business structure.

Sole trader

This is the simplest way of trading. There are only a few formalities to trading this way, the most important of which is informing HMRC.

You are required to keep business records in order to calculate profits each year and they will form the basis of how you pay your tax and national insurance. Any profits generated in this medium are automatically yours.

The business of a sole trader is not distinguished from the proprietor's personal affairs so that if there are any debts, you are legally liable to pay those debts.

Partnership

An extension of being a sole trader, here, a group of two or more people will come together, pool their talents, clients and business contacts so that, collectively, they can build a more successful business than they would individually.

Partners are taxed in the same way as sole traders, but only on their own share of the partnership profits. As with sole traders, the partners are legally liable to pay the debts of the business.

Each partner is 'jointly and severally' liable for the partnership debts, so that if certain partners are unable to pay their share of the partnership debts then those debts can fall on the other partners.

Limited company

A limited company is a separate legal entity from its owners. It can trade, own assets and incur liabilities in its own right.

Your ownership of the company is recognised by owning shares in that company. If you also work for the company, you are both the owner (shareholder) and an employee of that company.

Profits generated by the company are the company's property, with the company itself paying corporation tax on the profits.

Extracting money from the company is done via payment of dividends to shareholders, or salary to employees. Effective tax planning requires profits, salary, dividends and employer pension contributions to be considered together in order to minimise your overall tax and national insurance liability.

There are additional administrative duties, such as statutory accounts preparation, company secretarial obligations and PAYE procedures.

A big advantage of owning a limited company is that your personal liability is limited.

Limited liability partnership

A limited liability partnership is legally similar to a company. It is administered like a company in all aspects except its taxation. In this, it is treated like a partnership.

Therefore, you have the limited liability, administrative and statutory obligations of a company but not the taxation and national insurance flexibility. They are particularly suitable for medium and large-sized partnerships.

How we can help

If you are starting, or have recently started a business, the team at Townend English will be happy to discuss your plans and suitable business structures with you. The most appropriate structure will depend on a number of factors including consideration of taxation implications, the legal entity, ownership and liability.





Once you've decided on your business structure there are many other areas that require consideration:

The business plan



The business plan is the key to success. If you need finance, no bank manager will lend money without a sensible plan. Your plan should provide a thorough examination 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 projected financial results.

Bank account



One of the first things to do when setting up your business is to open a business bank account. If you have formed a limited company, a company bank account is essential in order to receive money from trading.

For sole traders and partnerships, a business bank account helps to keep your business transactions separate, aiding your record keeping and overall view of the business.

Books and records

All businesses need to keep records that contain details of payments, receipts, credit purchases and sales, assets and liabilities. Cloud accounting, such as Quickbooks, can assist in maintaining your records and benefit your business in many other ways. More information about cloud accounting can be found later in this guide.



Accounts

The books and records are used to produce the accounts. If the records are well kept it will be easier to put together the accounts. Accounts must be prepared for HMRC and if a limited company is formed there are strict legal requirements as to their layout.

Employing others

It may be necessary for your new business to employ staff. It is the employer's responsibility to advise HMRC of the wages due to employees, to deduct income tax and national insurance and to account for student loan deductions under PAYE.

The deductions must then be paid over to HMRC and payroll records carefully maintained. Under Real Time Information (RTI) an employer must advise HMRC of wages and deductions 'on or before' the time they are paid over to the employee. You will also need to be familiar with employment law.

Pensions and auto enrolment

UK employers are required to automatically enrol all employees in a pension scheme and to make contributions to that scheme on their behalf. Enrolment may be either in to an occupational pension scheme or the National Employment Savings Trust (NEST).

Insurance

Comprehensive insurance for business motor vehicles and employer's liability insurance are a legal requirement. Other types of insurance such as public liability, consequential loss, business assets, Keyman and bad debts should be considered.

Business stationery

There are minimum requirements for the contents of business stationery, both paper and electronic, which will depend on the type of business structure.



Tax

When starting in business, taxation aspects and your obligations must be considered.

Taxation of profits

The type and rate of taxation will depend on the form of business structure. Profits from sole traders and partnerships are taxed under the self assessment system for individuals whilst profits in limited companies are liable to corporation tax.

The taxable profit for all business structures will normally differ from the profit shown in the accounts due to certain expenses which are not allowed for tax purposes and the timing of some tax allowances.



VAT

When starting a business you should consider the need to register for VAT.

VAT is an indirect tax that is added to the value of the goods and services invoiced to your customers. The current standard VAT rate is 20%, however some goods and services have a VAT rate of 0% or 5% applied.

If the value of your taxable sales or services exceeds the registration limit you will be obliged to register. Correctly accounting for VAT is an essential part of any business and neglect may result in a significant loss.

It may be beneficial to voluntarily register for VAT, however whether this is worthwhile for you depends upon many factors. **We can help you to assess whether a voluntary VAT registration is suitable for your business.**

National Insurance (NI)

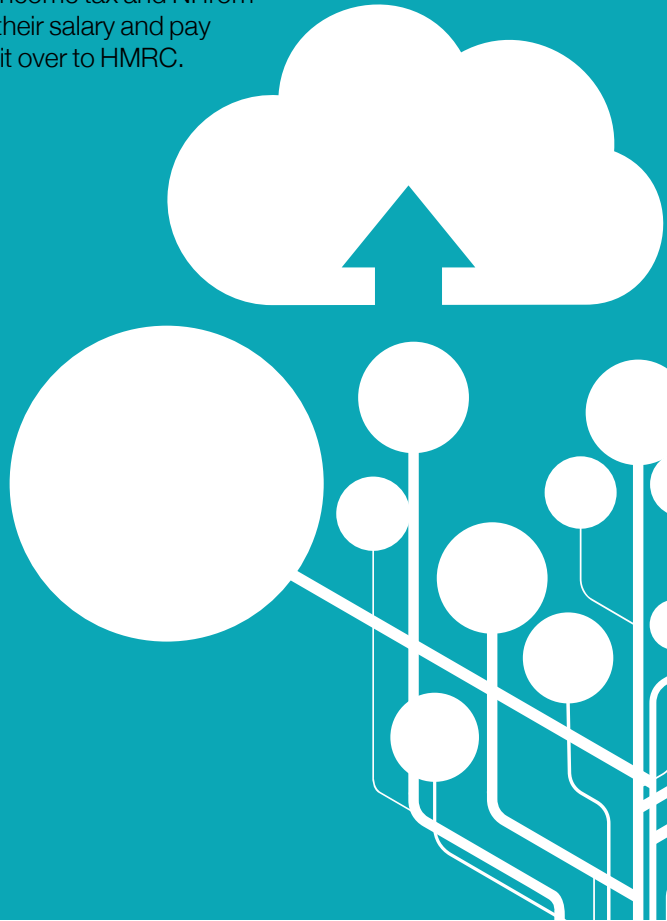
The rates of NI contributions are generally lower for a sole trader or partnership than for a director of a limited company receiving a salary. The entitlements can also differ. The flexibility of paying a combination of dividends and salary in a limited company can minimise NI and maximise tax efficiency.

CIS

If you work as a contractor or subcontractor in the construction industry, then you will need to register for the **Construction Industry Scheme** (CIS). Under CIS, deductions are made from payments to subcontractors, passed over to HMRC and count as advance payments towards the subcontractors tax.

Employee PAYE/NIC

When an employee is paid you will be required to deduct income tax and NI from their salary and pay it over to HMRC.



How we can help

Successful tax planning can minimise tax liabilities of both individuals and companies saving you money. Through consideration of your individual business we ensure that all available tax reliefs and strategies are considered and implemented accordingly.



Cloud Accounting



At Townend English, we use the latest technology to make sure you have all the information you need at your fingertips - wherever you are in the world.

Our partnership with Intuit Quickbooks online allows you to have access to vital accounting and business systems that enables you to have real-time information when you need it. Here are a few ways it could benefit your business:



Create branded invoices and quotes.



Quickly generate and customise professional invoices and quotes, then send them by email.



Connect to your business bank account. Automatically import and reconcile bank account transactions from major banks.



Track and manage your VAT. Instantly view your VAT liability and get all the information you need to complete your VAT return, every quarter.



Get things done when you're on the go by accessing real-time customer information.



Send estimates or invoices from your smart phone or tablet.



Track sales and expenses with an up to date view of sales, full details of expenses and a clear view of profit.



Automatic backups - Quickbooks automatically backs up your data every day keeping your figures safe.

Appoint an accountant

It is important to appoint an accountant in the early stages of running a business. The knowledge and advice offered by an experienced accountant can be invaluable in guiding you through the compliance issues involved.

We can help

Whilst some generalisation can be made about starting up a business, it is always necessary to tailor the strategy to fit your situation, taking account of your circumstances and aspirations.

Whilst business success can never be guaranteed, professional advice can help to avoid some of the problems which befall new businesses.

We would welcome the opportunity to assist you in formulating a strategy suitable for your own requirements. We can also provide key services such as bookkeeping, management accounts, VAT return and payroll preparation at an early stage.



**Townend
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Get your business off to a flying start.

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Chartered Accountants

Townend English
Chartered Accountants
81 – 83 Market Street
Pocklington
York
YO42 2AE

Telephone 01759 305989
Email info@townendenglish.co.uk
www.townendenglish.co.uk