



Starting a New Business

It's a big step to start your own business.

For some, it's a lifetime ambition; you may have been made redundant or you could be deciding to throw caution to the wind, giving up employment and making a substantial investment. Whatever your reason, a number of potential pitfalls and dangers exist. Probably the greatest concern is the possibility of business failure.

In this factsheet, we've outlined the potential benefits and pitfalls of setting up your own business. This factsheet cannot cater for every possibility or every new business, so we always recommend that you seek professional advice before any decisions are made.

Things to consider to make a new business a success

Let's face it; no-one wants to fail, so it may be worthwhile thinking about these questions?

- Do I have the necessary commitment, determination and enthusiasm to start a new business?
- Is there a proven market for my products and services and can I ensure they do not conflict with the patent or rights of another business?
- Do I have the broad understanding of business or access to the required skills such as finance, technical and marketing?
- How much money do I need to live on?
- How much money do I need to borrow?

Is a business plan important?

In a word, yes! Without a business plan, bank managers or other lenders will not lend you money and it will be impossible to obtain an investment grant.

We will draw on our vast experience with business start-ups and together with the information you supply to us, we can produce a business plan with realistic objectives and targets / projections, in addition to financial forecasts. It will include the way the business will commence and develop, the market it will trade in, and other information lenders expect to see.

What type of business should I establish?

There are three common types of business structure:

- **Sole Trader** – the simplest form of business as it can be established without legal formality.
- **Partnership** – similar in nature but as more people are involved it is advisable to draw up a written agreement for all partners to be aware of in terms of the partnership. A further possibility is what is known as a Limited Liability Partnership.
- **Company** – unlike a sole trader and partnership, the business affairs are separate from the personal affairs of the owners, but there are legal regulations to comply with.

Your appropriate structure will depend on a number of factors, including consideration of taxation implications, the legal entity, ownership and liability of the business.

We can advise on the best type of business for you. You must register as self employed or as a company with HM Revenue & Customs (HMRC) within 3 months of starting up in business, otherwise you face a £100 fine.

Business Stationery

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

What about keeping books and records?

All businesses must keep records, either by hand or computerised. All details of payments, receipts, credit purchases, sales, assets and liabilities should be maintained.

Accounts

The books and records you keep will then be used to produce your accounts. If the records are well kept it's much easier to put together the accounts. Accounts must be prepared for and submitted to HMRC. If a company is formed there are strict legal requirements as to their format. A company and a LLP may need to have an audit and will need to make the accounts public by filing at Companies House within a strict time limit.

Taxation

When starting in business, taxation must be considered.

Taxation on Profits- The type and rate of taxation you pay will depend upon your business structure.

National Insurance (NI) - The rates of NI contributions are generally lower for a sole trader or partnership than for a director of a company but the entitlements can also differ. In a company, it may be possible to avoid NI by paying dividends instead of salary.

Value Added Tax (VAT)- Correctly accounting for VAT is an essential part of any business and neglect may result in a significant loss. When starting a business, you should consider if you need to register for VAT. If the value of your taxable sales or services exceeds the registration limit, you will be obliged to register.

Employing Others

To get your business off the ground or to enable expansion, you may need to employ staff. As an employer, it is your responsibility to deduct income tax, national insurance and to account for student loan deductions. The balance then must be paid over to HMRC. Obviously payroll records need to be carefully maintained and you will need to be familiar with employment law. Howsons can deal with this for you.

Premises

There are many pitfalls to be avoided in choosing a property. You will need to consider suitability, compliance with legal regulations, local by-laws and physical restrictions (such as access).

Insurance

Don't forget comprehensive insurance for business motor vehicles and employer's liability insurance which are a legal requirement. You may need to consider other types of insurance such as public liability, consequential loss, business assets and bad debt.

Pensions

Due to favourable tax rules, putting money into a pension scheme can be an attractive way of saving for your retirement. Many businesses have to provide access for their employees to a stakeholder pension.

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How can Howsons help me through the financial and legal minefield of new businesses?!

Whilst some generalisation can be made about starting up a business, it is always necessary to tailor the strategy to your situation. Any plan must consider your circumstances and aspirations. Whilst business success can never be guaranteed, professional advice can help to avoid some of the potential problems which come about with new businesses. We offer an initial, free consultation meeting to discuss your opportunities; we guarantee honest, jargon-free feedback on your new business potential and can also assist with;

- Guiding you through the important early stages of business start-up.
- Advising on VAT and tax issues.
- Helping you to decide upon the best structure for your business.
- Assisting with the preparation of a business plan.
- Advising on how to finance your business and draw upon our excellent relationships with banks and other lenders to help raise your money.
- Providing key services such as bookkeeping, management accounts, VAT returns and payroll preparation at an early stage.

Call our New Business Specialists for more help

We have offices throughout Staffordshire and North Shropshire. Our new business specialists are:

Stoke Office – 01782 848838 - Suzanne Preston

Leek Office – 01538 393600 – Nick Armstrong, Seaton Kennerley, Alastair Kennedy

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(N.B. When addressing Leek Office, please replace .com with .net)

We believe the information within this fact sheet to be correct at time of going to press, but we cannot accept any responsibility for any damage or loss occasioned to any person as a result of action or refraining from action as a result of any item herein. This sheet provides outline information only; you should always seek specific professional advice. April 2009

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