

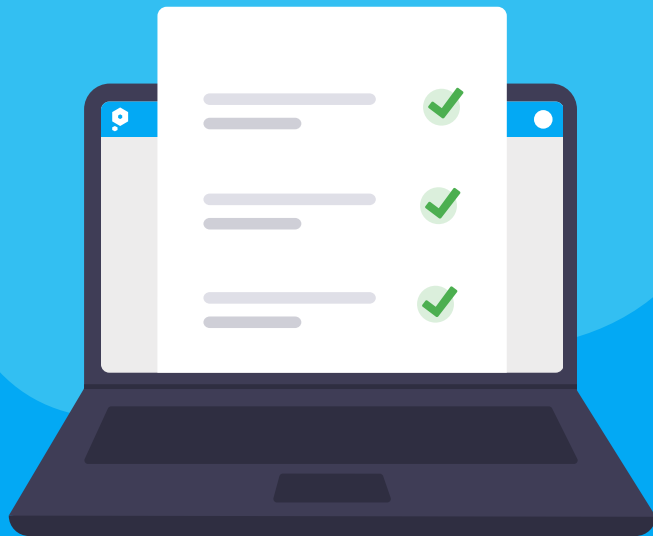


# Starting a business

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Your comprehensive guide to taking the first steps





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## Name your business and start building your brand

The first thing your business needs is a name, although this is sometimes easier said than done.

With so many businesses out there at this point, it can be hard to find a name that's original and available!

As well as avoiding any legal backlash from taking someone else's business name (whether accidental or not), make sure you take a look at [the rules for naming a business](#).

### Do I need to work with a brand specialist?

It's not normally compulsory to work with a branding agency or similar unless you want to.

While your business is still very new, this might be an expense that you prefer to put off.

Just be sure that your business name and brand come across exactly how they're supposed to.





## Decide on the right legal structure for your business

One of the most important milestones for any new business is choosing the best legal structure for it.

You'll need to make this decision before registering the business, because your structure determines who you register with, and when.

The most common types of business structure are:

### Sole traders

- ⬡ You can keep all of the profits after tax
- ⬡ But you're also personally responsible for any tax liabilities (such as debts).

This means that it can be more straightforward to set up a sole trader business, and you won't need to register with Companies House.

There are fewer reporting requirements (so a bit less paperwork!) but there is more personal risk.

## Limited companies

As a Limited company, you and the business are completely separate legal entities, even if you're the only owner and director.

The business' finances and your personal finances are totally separate, and this is what the 'Limited' in Limited company really means; your personal Liability is Limited.

In some cases, you might find that it's a requirement for lending or funding applications, or for certain projects if you bid for contracts.

There's also the question of tax efficiency. Depending on how much the business earns, it can sometimes be more efficient to operate as a Limited company, and [pay yourself a combination of a salary and then dividend payments](#).

- ⬡ Sole traders pay income tax on all their profits, whether they actually 'withdraw' them from the business or not.
- ⬡ Limited companies pay Corporation Tax on their profits, and this is a lower rate than the income tax which sole traders pay.





## How do I register my business?

Once you decide what to call your business and its structure, it's time to register it.

- ⬡ Limited companies register with Companies House. As a company director, you'll also need to register for Self Assessment if you plan on taking dividends from the business.
- ⬡ You will need to register with HMRC, so they know to expect a Self Assessment return from you

## Do I need to register for VAT?

No, you don't need to register for VAT right away. In fact, you don't need to register for VAT until your VAT taxable turnover reaches the registration threshold, which is currently £90,000 in a 12-month period.

That said, some business owners choose to register for VAT voluntarily. This might be to:

- ⬡ Make the business seem more established or larger.
- ⬡ Be more tax efficient, if they regularly pay more VAT on purchased than they would need to collect from sales.

## Do I need an accountant to register my business?

No, it isn't a legal requirement to have an accountant register your business for you.

Setting up your new venture is fairly simple, although there are benefits to using an accountant:

- ✓ Peace of mind that the process has been completed correctly
- ✓ Saving your own time
- ✓ Expert guidance on things like legal structure and tax efficiency





## Put a business plan together

Your business plan is a formal document detailing your plan of action as you enter the market. It lays out things like:

- ⬡ Why the world needs your business
- ⬡ What your goals are, and how you plan to work towards them
- ⬡ Sources of funding, what you need it for, and your plans for growth
- ⬡ Costs and other considerations like locations, staffing, when you'll break even
- ⬡ How you plan to make a profit (and repay any loans or provide a return on investment)

A business plan is a vital resource for steering your business's journey but it's also essential when approaching lenders.

They'll want to see why supporting your business financially will be worth the risk to them, and what your timeline to success might look like.

## What information should I include in my business plan?

This isn't exhaustive, but in general you should include:

- ⬡ Personal information and your own professional profile (and any other key people in the business)
- ⬡ Details about the business concept
- ⬡ Specific information about your product or service, and what is unique or different about the business
- ⬡ Details of your market research and target audience
- ⬡ Wider market research findings
- ⬡ Competitor analysis insights and how you plan to stand out from the crowd
- ⬡ Financial information and forecasts (including details about any Loan repayments or debts)



## Set up your bookkeeping and accounting

High on the List of your priorities when starting up a business should be setting up your bookkeeping and accounting.

These financial records are vital when it comes to submitting your tax returns, but they also provide a solid foundation for making more informed business decisions moving forward.

Look out for feature-rich cloud-based bookkeeping software (like Pandle!) which can help you save time, and reduce the risk of errors. Other benefits include:

- ⬡ Remote access from anywhere in the world with an internet connection
- ⬡ Multi-user access, so you can collaborate with your accountant and other people in the business
- ⬡ Automating some of the most arduous accounting processes
- ⬡ Automated deadline reminders



## Build your team

You might not be ready or financially able to take on full-time staff for a long while yet, and that's okay.

But what if you find yourself needing an extra pair of hands or an expert in a certain niche?

You don't always need to hire staff, and sometimes outsourcing to a freelancer or consultant will fit the bill.

The gig economy is thriving, meaning you can find a specialist freelancer, contractor, or consultant in almost any field.

## Paying your team

If you do take on staff, you'll need to follow recruitment guidelines for hiring, as well as HMRC's rules for telling them about employees, registering as an employer, and deducting the right amount of tax.

When outsourcing, you might not need to worry about things like salaries and payroll.

However, you do need to make sure you're paying your invoices on time in order to maintain healthy working relationships.



## Paying yourself

The goal for any business owner is to make a success of their entrepreneurial venture and usually to make Lots of money.

The way that you pay yourself depends on what sort of business you operate. For instance, a sole trader can just keep the profits after paying tax on them.

As the owner of a Limited company, you might decide to take a salary, dividends, or a combination of the two.

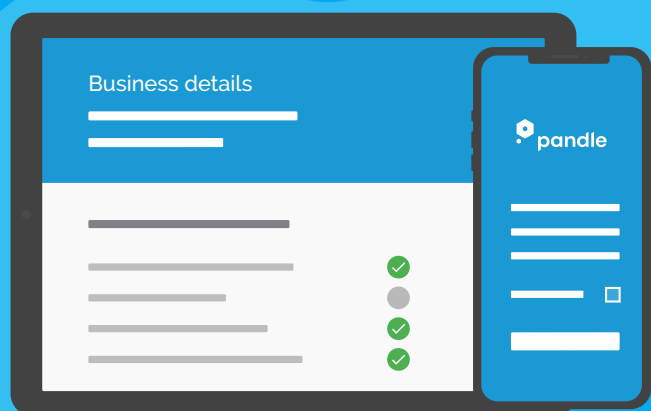
## When can I start paying myself?

You can usually start paying yourself any kind of wage from your business earnings when it starts turning over a stable profit.

At the very beginning, this might be a small amount-but this can increase as your business (and its profits) grow.

An accountant will be able to offer guidance on when the right time to start paying yourself is, to best protect your cash flow.

They'll also be able to advise on paying yourself in the most tax-efficient way.



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