

Kickstart your start-up

A quick guide to
starting a business



Setting up a new business can be very exciting, but it is not without its challenges. There are certain steps that all new entrepreneurs will need to consider when launching their new enterprise.

To help make the process of establishing a new business easier, we have prepared this short guide covering the initial steps you may need to take.



This guide is by no means comprehensive and it is strongly advised that you seek additional support.

Registering your business

When launching a new business, entrepreneurs must consider their business structure. This could mean operating as a partnership, sole trader or, incorporating the business as a limited company, although other structures are also available.

Choosing the correct structure is essential to get right from the start, so consideration should be given to:

- tax consequences;
- risk to personal liability;
- ultimate ownership;
- suitability for the scale of the business; and
- HM Revenue & Customs (HMRC) and Companies House reporting and registration requirements.

Generally, registering as a limited company brings with it many distinct advantages when it comes to tax and personal liability, but entrepreneurs should also be aware that it also has several important obligations and responsibilities.



Hiring and paying staff

If you intend to pay a salary to yourself or others and provide in-work benefits then you will need to set up a PAYE scheme with HMRC.

You will then need to calculate and deduct the PAYE and National Insurance contributions every time you pay your staff or yourself.

This is payable to HMRC monthly or quarterly. You are also required to notify HMRC each time a payment is made to an employee in a process known as Real Time Information (RTI).

All employers have to provide a workplace pension to all staff members aged between 22 and State Pension age that earn at least £10,000 per year and work predominantly in the UK.

Employers must contribute at least 3% and ensure that staff receive contributions equal to 8% of their wages.



It is strongly recommended that you issue formal contracts of employment that set out the standard terms and conditions of employment, including salary and benefits.

Drawing profits from the business

Business owners will need to understand how profits will be taken from the business. Sole traders and partnerships can simply draw profits out of their business, but companies will have the option of paying themselves a salary, dividends or other benefits.

All business will need to make sure their remuneration is tax-efficient and have a clear idea of their upcoming tax liabilities so they can provide accordingly.



Record keeping

You must maintain appropriate accounting records for the business.

Some businesses will need to comply with Making Tax Digital (MTD) requirements requiring records to be maintained and submissions made to HMRC in the correct format.

However, as a minimum all businesses should maintain:

- Copies of sales invoices sent to customers
- Purchase invoices for any supplier costs incurred
- Expenses claim forms for items reclaimed from the business by any directors or employees
- Petty cash expense receipts
- Bank account and business credit cards statements for the business account
- Copies of any loan/finance/hire purchase/credit accounts the business has with any third parties.



There are many cloud accounting software packages available with varying functions to help with this process, that we would be happy to demonstrate for you.

Reporting requirements

Businesses will need to prepare accounts summarising their financial position. Companies will need to file accounts with the Registrar at Companies House within nine months from the last day of its accounting period.

Please be aware, penalties are charged by Companies House and HMRC where accounts and tax returns are filed late, so businesses should be aware of filing deadlines.



Business Tax

Companies pay Corporation Tax on their net profits after allowable expenses and capital allowances. The current Corporation Tax rate in the UK is 19%, but there are a variety of reliefs available to reduce this bill.

Corporation Tax is always calculated based on the accounting period to a maximum of 12 months and must be paid to HMRC nine months and one day after the accounting period.

Profits of sole traders and partnerships are taxable at the business owner's marginal rate of tax, which is typically 0%, 20%, 40% or 45%, although certain individuals can be taxed at as much as 60%. Class 2 and 4 National Insurance is also charged on trading profits.

VAT

You will need to register for VAT if the annual turnover of your company exceeds the VAT registration threshold of £85,000 per year. However, there can be benefits for businesses in registering if your turnover is below this level.

Once you are registered, you are required to charge VAT on your sales at the appropriate rate, which is known as output VAT. The VAT which you incur on your costs is known as input VAT.

You must calculate your VAT liabilities via a VAT return, which must be sent electronically to HMRC and any charges paid.



VAT registered businesses with a turnover of £85,000 or more must make VAT returns every quarter using a 'designated software package' under MTD, which includes many of the cloud accounting solutions we use.



How we can help

The information included in this guide covers some of the main considerations of setting up a business.

However, entrepreneurs must also consider:

- Creating a business plan
- Seeking out finance
- Tax planning
- Share arrangements
- Establishing credit controls
- Obtaining tax reliefs and grants.

We have helped many businesses from start-up through to exit and understand the unique needs of entrepreneurs across a range of sectors. To find out how we can help you launch your next successful business, please **contact us**.



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