

A Guide To Starting Up a Business



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Introduction

Firstly, congratulations on starting your new business venture! Here at JP Accountancy, we know how exciting but stressful setting up and starting a new business can be, so we have put together this guide with the aim to help and show you the important processes you need to consider.

At JP Accountancy we take pride in looking after our client's business, wanting you to succeed as much as you do, providing help and support throughout your journey, as well as maximising profits and minimising tax liabilities. We make sure all compliances and deadlines are met to avoid any fines and penalties.

A lot of new businesses that start up don't make it to the end of their first year, usually because they underestimated how much money they would need, not planned well enough or not had the knowledge needed to succeed. (This is where we can help!)

Creating a business plan or the at very least a start-up budget, is the first and most important part of the business set up, along with a plan for anything unexpected. This ensures there is enough money to cover costs of the business before you start receiving income. This then helps to see clearly if the business is viable, how much money you need to start up and then you can understand sales targets needed to earn your aimed profits.

We can offer this service! We help you to calculate your start up costs, assets, a contingency plan and ways in which you can fund your business. We check that the business idea is viable and can have a good estimate for hours, sales, capital needed to achieve a profit goal.

Business Structure



One of the first things to consider is the trading structure, the four main structures are:

Sole Trader
Partnership
Limited Company
Limited Liability Partnership (LLP)

Sole Traders and Partnerships follow very similar guidelines and principles compared to a Limited Company or LLP which also follow similar to each other.

There is much more to deciding between structures and all have pros and cons. This is something JP Accountancy can help you understand and decide which suits your business best.

Sole Traders and Partnerships

Are not separate entities from yourselves. Although all of your profits belong to you, you are personally liable for any debts of the business. Registering is quick and easy.

Taxes are simpler to manage, you don't have to disclose accounts in the public domain, and you can change to a Limited Company or LLP.

Limited Company and Limited Liability Partnership

Are separate entities from yourself, so any debts would be the responsibility of the business and not you personally.

You must register at Companies House who set out the rules to follow for reporting and disclosure. There are more reporting requirements than a sole trader or partnership.

You can pay yourself with a salary or dividends or a mixture of both.



Considerations

Choosing A Name

Now on to the exciting bits... things to consider when choosing a business name.

- Give the right impression
- Reflect what you do
- Consider pronunciation and spelling
- Check availability if Ltd Co or LLP on Company's House web checker.



Insurances

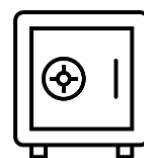
Insurances offer you protection in the event of something going wrong or not to plan. The main type of insurances to consider are:

- Professional Indemnity
- Public Liability
- Product Liability
- Business Equipment Insurance
- Employers Liability

Opening A Business Bank Account

If you are Ltd, you are legally obligated to open a business bank account, as a sole trader or partnership you don't legally have to but it is HIGHLY recommended! There are banks that are super easy to set up I always recommend Mettle, NatWest and RBS. They all include free accountancy software which may suit your business, reducing your accountancy fees!

Having a separate business bank account just makes good business sense. Having all off your income and all of your outgoings in one place makes things clear, organised and understandable for you and your accountant.



Advertising and Marketing

Advertising your new business can be done through adverts in local papers or leaflets.

You can have a website designed for you or attempt at doing one yourself.

Social Media plays a critical role in marketing businesses if used effectively and is also a great way to connect with other businesses and clients. You can set up business pages on platforms, such as Facebook, Instagram, and LinkedIn.

Record Keeping

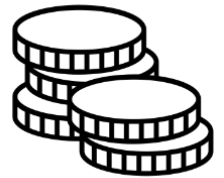
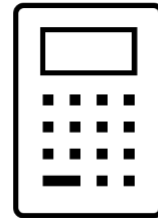
Accounting Records

You are expected to maintain appropriate accounting records.

As a minimum you must have:

- Copies of sales invoices sent to customers
- Purchase invoices for any supplier costs you incur
- Expenses claim forms including mileage forms
- Petty cash receipts
- Bank account statements
- Copies of any loans, finance, hire purchase, credit accounts
- Any other income
- Pensions

You are required to keep these records for a period of six years



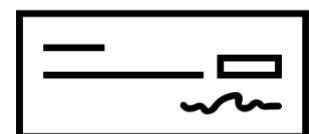
Invoicing

In order to receive money from customers, you will need to provide them with an invoice. Legally, an invoice must contain the following details:

1. Full business name and registration number if a limited company.
2. Registered office or trading office.
3. Invoice Date
4. Invoice Number
5. VAT Registration number if applicable
6. Breakdown of the elements on the invoice, including service, rate, number of items and VAT inclusive total if applicable.

Expenses

There are allowable and disallowable expenses for a list of some of what you can include to reduce your tax liability see JP Accountancy's guide on expenses.

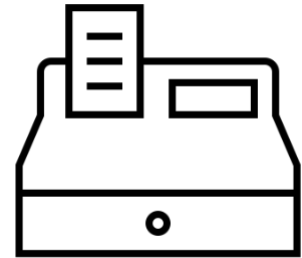


VAT

VAT Registration

You will need to register for VAT if the annual turnover of your business exceeds the VAT registration threshold, currently at £85,000. However, there can be benefits for your business in registering if your turnover is below this level, depending on the amount of VAT expenditure in your business.

To register, you must submit a VAT1 form to HMRC confirming the business' details. The VAT registration can take a few weeks to come through from HMRC.



VAT Returns

Each VAT period (usually quarterly) you must account for the output VAT you have charged to your customers and deduct your input VAT incurred on your costs from suppliers. You must then pay the net balance to HMRC and file your VAT return with them each quarter.

You are required to file your VAT return electronically and pay by direct debit or bank transfer.

Registration And Filing

Registration

You are legally required to register with HMRC as self-employed once your turnover reaches £1000.

You must do this by October 5th in your businesses second tax year.

Self-Assessment

A Self – Assessment must be filed to HMRC each year by the 31st of January.

Each person in a partnership must file a Self - Assessment as well as the partnership return.

SOLE TRADERS AND PARTNERSHIPS

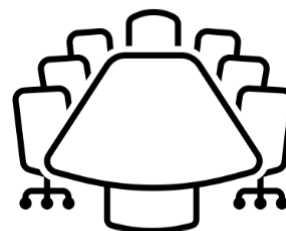
Partnerships

It is recommended to have a legal document written up on partnership agreements stating the percentage on how the business is split, this is to avoid any future disagreements or disputes.

Taxes

When you are self-employed you will pay income tax on your earnings after deducting your expenses and applying any allowances.

You will also pay Class 2 and 4 National Insurance.



Registration

Before you begin trading, you must register at Companies House, providing them with details of registered office, company officers and shareholders. HMRC should also be advised that your company exists, they will then send a CT41G form to complete and give you a UTR.

Confirmation Statement

Every limited company is required to file an annual Confirmation Statement with the registrar. The form contains details of registered office, officers, and shareholders of the company.

LIMITED COMPANIES AND LIMITED LIABILITY COMPANIES

Corporation Tax, Self-Assessment and Taxes

A corporation tax return must be filed with HMRC within 9 months of the accounting date.

Each company director must file a personal tax return with HMRC each year. The self-assessment includes details of all income and salaries, dividends, bank interest and rental income. Deadline for filing your tax return is 31st of January following the end of the tax year.

Annual Accounts

You must file accounts with the registrar at Companies House, they are usually made to the business's accounting year. The company's year-end is originally set on the month in which it incorporated.

The annual accounts must comply with the Companies Act 2006, including the format and notes.

They must be filed with Companies House within 9 months of the accounting date.

Disclaimer

The information contained herein is for general information only and does not substitute specific advice.

The content is based upon information correct at the time of publication and is subject to change and we cannot accept any liability for its contents.