

The 10 things to consider when setting up a business

1. What stage in the setting up process are you at?

- Vague idea?
- Business activity?
- Name?
- Started trading?
- Premises?
- Business plan - for you, your bank and investors. To help you monitor your progress and keep you focused.

2. Decision on type of business vehicle

- Sole trader
- Partnership
- Limited liability partnership
- Company limited by shares
- Company limited by guarantee
- Community Interest Company (CIC/CIO)

Consider what stakeholders expect you to be e.g. are you applying for funding? Does being a company give you a certain status?

3. Set up business vehicle

- Register as self employed within 3 months of starting.
- Apply for exemption for Class 2 NIC's if under £5,885 if you don't need your NIC stamp for pension.
- Form company - Consider shareholders/directors/year ends.

4. Bank

- Set up a separate bank account, even if sole trader, keeps things simple & clear.
- If a limited company, you will need an incorporation certificate to open bank account.

5. Tax considerations

- Will you have another job as well as setting up business? If so, personal allowance will be used up by income from that job & tax will be due on any profits made from new business.
- If pay PAYE on other job, liability due on self assessment can be collected via PAYE code helping cash flow.

Deadline for self assessment - 31 January following end of tax year. Penalties will be applied for late filing. Payments required 31 January and 31 July each year.

- Corporation tax - due 9 months and 1 day after the year end of the company.

6. VAT

- If turnover is expected to exceed the threshold of £81,000 the past 12 months or in the next 30 days will need to register for VAT.
- Will need to submit returns on a quarterly basis, paying over difference between VAT charged on sales less VAT incurred on purchases.
- If under threshold, consider status of being seen to VAT Registered?
- If sales are mainly business to business would it be better to be VAT Registered?

7. Compliance issues

- Companies - Annual Return each year to be filed at Companies House.
- CT600 to be submitted to HMRC.
- Abbreviated accounts to be filed at Companies House.
- Self assessment - payments on account may need to be made if liability due to HMRC is over £1,000.

8. Cash flow

- Very important to ensure you are billing for work as you go along. Cash is King!

9. Record keeping

- Important to keep a record of income and expenses along the way. No need to use a fancy system, simple income and expenditure spreadsheets are enough.
- Hard to go back at the end of the year and write up all transactions, items can be missed.
- If need help, lots of cheap cloud based systems out now, which integrate with your bank account making it easier to keep track of income & expenditure.
 - Sage One
 - FreeAgent
 - Quickbooks Online

10. GET ADVICE EARLY ONI!

- Consider it as an investment, not a cost! Initial meetings are free.
- NWES/MENTA.
- Easy to pick up and correct mistakes as go along then to go back after a few years and realise that things have not been done correctly.

For more information please visit: www.ensors.co.uk/start-ups/