



Starting a business

If you are planning to start your own business or recently have started one this guide will help direct your attention to the areas to focus on. We are available to assist and help maximise your success.

The business plan

Rather than being a mere formality a good business plan will give access to finance on better terms and help attract investors, partners and employees. It should detail the business, product or service, operations, capital requirement and contain projected financial results and cash flows.

Registration

There is inevitably a fair amount of paperwork associated with starting a business. All businesses need to register with HMRC, implement a PAYE scheme if required, and register for VAT. We are able to carry out all these requirements for you efficiently as well as incorporating any limited companies.

Structure

One of the most important decisions is how to structure the business. There are three common types detailed below and they all have their advantages and disadvantages:

Sole trader – this is the simplest way of trading and reduces the number of initial formalities. There is no distinction between the owner and the business so all profits are assessed as they arise. The owner is also personally liable for any debts of the business. For someone starting a business on their own this is often the way to go at first.

Partnership – this is similar to a sole trader but several people group together to pool assets, talent, contacts etc. There would normally be a Partnership Agreement which details rules and how profits will be divided up. Partners are also taxed in the same way as sole traders but on their share of profits only. Each partner is “jointly and severally” liable for the partnership debts. In practice this means that a

partner’s share of the partners’ debts can fall on other partners if he is unable to pay them.

Limited company – this is a separate legal entity owned by shareholders. This important distinction means the company can trade, own assets and incur liabilities in its own right. It also pays its own tax on any profits. Shareholders can receive after tax profits by way of a dividend. For owner managed companies this gives the option of structuring remuneration in the most tax-efficient way and Evans Weir can advise in this regard. There are strict requirements on companies to file annual accounts and their own tax returns.

Other considerations

All of the above options require a certain amount of administration which Evans Weir is able to help with:

Bookkeeping/annual accounts – all businesses need to keep records which may be computerised. They should contain, as a minimum, details of payments, receipts, assets and liabilities. We can advise on the best option and recommend software packages if required as well as produce the statutory annual accounts to be filed.

Tax returns – limited companies must file their own tax returns. Sole traders and partners will need to file personal returns including their business income. There are extensive rules to convert profits per the accounts to profits assessable to tax and we are able to advise in this area or produce and file the returns for you.

Payroll – if a business takes on employees a PAYE scheme must be registered with HMRC and administered. Payments of income tax and national insurance are then made quarterly to HMRC. An annual return must also be filed.

VAT – once a business expects to exceed annual sales of £ 70,000 it must register for VAT. It must then file quarterly returns to pay/reclaim the net amount of VAT incurred on sales and purchases. There are a number of schemes designed to reduce the burden on small business such as cash accounting and the flat rate scheme.