

Saint Financial Group

# STARTING A BUSINESS

A SIMPLE GUIDE



THE STEPPING STONE TO TAKING  
CONTROL OF YOUR LIFE



## BUSINESS PLAN

Studies show that if you have a business plan in place before starting the business, you are 70% more likely to carry through with it and on top of this you are 30% more likely to achieve more during the year compared to someone who doesn't have one in place!

A business plan often gets overlooked for many reasons but understanding your business assumptions such as how many customers you need to survive, how much you need to be charging, understanding your market and target audience and being able to understand your predicted profits and costs is a way of controlling your business.

Only 4 in 10 starts make it past the 5-year mark. Business planning done right will connect the dots between your business to show the whole picture. Being able to set and manage short and long term goals and the actions needed to achieve them will ensure your business is continuously making improvements.

If you want to ensure every angle is covered for your business, get in touch today for our professional business plans.



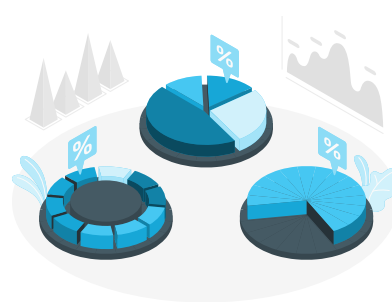
# CHOOSING THE TYPE OF BUSINESS

First off you need to choose the type of business you want to set up.

We will cover the most common ones in this guide which are either a Sole Trader or a Limited Company (there are also partnerships and Limited Liability Partnerships that you could consider). There are quite a few differences between them and you should consider each to see what is best for you.

## Sole Trader

A sole trader is “a person who is the exclusive owner of a business, entitled to keep all profits after tax has been paid, but liable for all losses.” This means that any profits after tax are kept to your self however if your company makes a loss, you will be personally liable for it.



To become a sole trader you will have to register online on the HMRC website, make sure it has gov.uk. You can register [here](https://www.gov.uk/register-as-a-sole-trader). The process is quite straightforward and once you are registered that's it, you won't have to do it again unless you deregister. There is also an option to register through HMRC call centre who will take you through the process and get you set up by calling 0300 200 3500. If you have started working as a self-employed, you have to register within 3 months of starting work. Here is [HMRC guidance on setting up a self-employed](#)

As best practice it would be sensible to set up a new bank account for your business, this will allow you to keep your business and personal finances separate. This will help when it comes to your tax returns.



## Overview of Sole Trader Taxes

As a business owner, you must keep records of your business income and expenses, you are required to keep these for 5 years after the deadline to file your tax return as a sole trader. You will pay Income Tax and National Insurance each year, one payment will be made on the Self-Assessment deadline which is 31st January and another Payment on Account on 31st July.

As a sole trader you are eligible to use the trading allowance which is £1,000 (2020/21) you are eligible if:

- (a) you use the cash basis of accounting, or
- (b) you use the accruals basis of accounting but are eligible to use the cash basis.

If your total trading income for the year is less than £1,000 then you will have no taxable income. This means there is no need to include this income on your self-assessment return or to prepare accounts. If this is your only source of income there is no need to register for Self-Assessments unless you still want to:

- \* Because you want to pay voluntary Class 2 NIC. This is because you want to build up your entitlement to have certain state benefits such as the state pension and contribution based employment and support allowance.
- \* Because you want a record of your self-employment for maternity allowance
- \* Because you would like to claim tax-free childcare.

If the trading allowance is more than the trading income, no trading loss can be created.

As a sole trader, you pay National Insurance and Income Tax on your profits. To be able to reduce your profits you can claim eligible expenses which will reduce your tax. Sole Traders usually pay two types of National Insurance Contributions (NIC). One is called Class 2, this is charged weekly at a set amount if you earn above the Small Profits Threshold and the other one, Class 4, is based on a percentage of your profits over the Lower Profits Limit. When it comes to calculating your tax for the year, you will also be eligible to the Personal Allowance which is £12,500 (2020/2021) but after income of £100,000, you will lose £1 of the personal allowance for every £2 of Income. Anyone with income over the £123,000 will lose their entire allowance.



Also, if your income for your Sole Trader business goes above the VAT threshold (for 2020/21 it is £85,000) you will need to register for VAT and use an MTD compliant software (Xero for example) to file your VAT returns.

Being prepared and planning ahead is important for any business, the money you earned throughout the year, tax will need to be paid. Setting the money aside will ensure you will have no unpleasant surprises.

## Limited Company

Opening a Limited Company provides advantages that being a Sole Trader cannot offer. One of the best benefits is Limited Company directors are protected by Limited Liability, this means that are legal situations or financial situations were to arise, you will not be held personally liable (unless there was illegal activity). The company and yourself are viewed as separate entities, so if the company goes bust, the company would go into liquidation instead of you going bankrupt. Limited Companies tend to provide more creditability compared to Sole Traders however more information about you and your business will be held on Companies House for the public to see.

Some of the common responsibilities of being a Limited Company are:

- Filing annual accounts at Companies House
- Filing confirmation statement once a year
- Submitting a company tax return to HMRC
- Document and declare dividends drawn
- Set up and run a monthly payroll scheme

Plus you will also have to file a personal tax return to declare any income you have received during the year. This is something we can do for you providing you and your business with plenty of extras so you know exactly where you are.

If you have decided to set up a limited company there are two main options:

Private Limited Companies  
Public Limited Companies

The most common option is Private Limited Capital as a Public Limited Company the requirements are quite high, there must be a minimum share capital of £50,000, at least 2 directors and 2 shareholders plus a company secretary.



Setting up a limited company can be done quite quickly, you will need some personal identity to identify yourself as a company director and Companies House can take up to a few hours to have your company formed. If needed this is something we can take of your hands and advise you on the best route to go.

## Overview of Limited Company Taxes

Limited Companies pay Corporation Tax on their profits. In the same way as Sole Traders, expenses can be offset to reduce the profits which would reduce the Corporation Tax. The most tax-efficient way of taking money out of a Limited Company is a small portion of wages each month and dividends. To receive dividends you have to be a shareholder of the company. The wages you pay yourself can be set below the National Insurance Threshold and if there is no other income, you will not need to pay tax on your wages.

The issuing of dividends will affect the cashflow position of the company, which is something that needs to be kept an eye on. The shareholders receiving the dividends will have to pay tax on the dividends they have received through their self-assessment depending on the tax band you are on it can either be 7.5%, 32.5% and 38.1%. Also, you will receive a Dividends Allowance (tax year 2020/21 it is £2,000).

There could also be the possibility of VAT, which you do not need to register for unless your turnover exceeds the registration threshold. Some companies voluntarily register, this will allow them to recover the VAT on any purchases they made which can help with cashflow of some companies.



# CREATING YOUR BUSINESS IDENTITY

Creating your business identity is defining who your business is, it allows employees, customer or suppliers to know who they are dealing with.

## - Name

If you are deciding to set up as a limited company, you will have to check if your name is available as each registered company name has to be unique. If you have chosen a name which you want to change, there is always the possibility of operating under a trade name, if this is the case make sure the name is not trademarked. Once you have chosen your name, it will be good to see if you can have it as your domain name too.

## - Website

Whether you have your own marketing team, outsource the work, or are managing your website yourself, you should make sure that it represents what you offer. Your website is essentially your shop window and your clients need to know what you are selling from the start.

A stagnant website is a sign of a stagnant business. Keeping your website up to date and engaging will keep traffic flowing to your more website, and more traffic means more potential clients.

A good website that is clear and easy to follow will give the attention your business deserves.

There is always the opportunity to build a website yourself however building a website is a very time consuming and can be considered to most individuals, let our professional media team take this off your hands and build something truly excellent.



## - Logo

Creating a logo that represents your brand and is eye-catching will start to bring representation to your business and creating consistency on how your brand appears to your clients will help you become more recognisable.

## - Social Media

Social Media can often be tricky for most, however creating daily exposure will help increase client engagement but there has to be consistency. This is something we often find many business struggles with, creating day to day posts to engage with your clients can be a struggle. Our Media team can provide a helping hand and provide Social Media Management for your business.





# Business Insurance

In today's market, you can buy insurance for pretty much anything, so just buying business insurance and thinking you are done won't be good enough. We will run through some of the most common insurances that are used which could be a good fit for your business. Although legally you might not be required to have these insurances in place, most of them are best practice to do so, especially once you understand what you could be liable for.

## - Performance Indemnity

If you are charging for your professional expertise such as financial advice and the client suffers a loss as a result of the advice, you can be held liable for it. This insurance can protect you, covering the expensive legal costs that could happen from a claim. This is one of the insurances that are not required by law but can cover you for any mistakes that could be made.

## - Employer's Liability Insurance

This insurance is compulsory for any business that has one or more employees working for them. If you are employing staff this will cover your legal liability including the costs and expenses for any injuries or deaths to employees.

## - Cyber insurance / data protection

In an event where you have a breach of data, this insurance can help recover the costs for work such as IT forensics, data restoration, legal expenses, public relations or identity restoration for example.

## - Contents Insurance

If you are working from home, this could be a good one to consider. Even if you have house insurance in place, they won't cover your business equipment. If the unexpected flood or theft happens on your work laptop, you can claim the cost and have the replacement covered by the insurance.



## - Public Liability

If you are dealing with members of the public who could be affected by your business activities, this is something you should have in place, even if you work at home and clients go to your home office this is something you should consider getting. If someone is injured relating to your business or if you cause damage to someone's property during business you will be liable and this insurance can help cover the unexpected costs. This is another insurance that is not required by law but is quite essential.



# ACCOUNTING OR USE AN ACCOUNTANT

As a business owner, you have to keep records of your income and expenses. Using bookkeeping software such as Xero could help you manage and keep on top of your business finances but sometimes having an accountant by your side can provide your business with invaluable advice on what and where your business should be going and how to get there.

## - HMRC

You may hear many stories of what people try and put through their company and hope to get away with it but anyone can be investigated by HMRC plus year on year the amount of investigation has been increasing. The consequences of illegal activity could be anything from penalties or fines to imprisonment. HMRC investigations can last a long time and are expensive, we can provide HMRC protection where we can act on your behalf for a small monthly fee starting from £6 per month.

## - Bookkeeping

As your business starts to grow you need to start setting time aside to do your books each week if you don't your finance can get out of hand quickly. Using a bookkeeper could potentially save you money in the long run and something you probably put off every week is off your to-do list.

## - Managing Cashflow

Managing your cashflow is massively important - even at any stage of your business, this is something that has to be done and probably gets overlooked. 90% of business failures are due to cashflow. Knowing what money is coming in and what is going out and when is critical for the survival of your business. We can help provide your business with constant cashflow alerts so you are aware of what is coming up ahead.



## - Credit Control

Ensuring you are getting paid is a massive part of cashflow, many people might try and push their luck and get away with not paying you when due but this is where having a strong credit control procedure in place will give you a higher likelihood of receiving your money. If you need help implementing or would like to outsource your credit function get in touch



## NOW YOU ARE READY

Starting a business can be a scary thought but having the systems and processes in place beforehand and understanding the market you are going into will make everything easier. If you need help outsourcing certain functions of your business such as the Accountancy, Website Creation, Social Media Management, Business Plans, Cashflow Forecasting or even if you just need a helping hand with some of your admin tasks, get in touch with us today to see how we can make the difference to your business.



See what other business tips and tricks you  
can find on our blog



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