



Starting a Business



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There are many reasons why someone might set up a business – for example, to fill a gap in the market with a product or service.

Whatever the reason, there are a certain number of essential steps that need to be taken in order to ensure the financial security and longevity of a business. At Warrener Stewart, we can guide you every step of the way.



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We offer a free initial consultation to help you assess your business' viability and can support you there on in – from registering with Companies House to advising on and dealing with your tax obligations.

We have put together this helpful guide to the key points you need to consider before you begin trading.

Have you done your homework?

In order for a business to be successful, you should be certain your idea will work or sell. One of the first questions we will ask you is: have you done your homework?

Your product or service should have a proven market. It is recommended that you complete thorough market testing, as well as conduct competitor intelligence. To be assured that it won't conflict with the patent or rights of an existing business, run a search of your proposed name and any associated trademarks, which we can do on your behalf. Warrener Stewart can also act as a sounding board for the research you undertake.

Once you have completed your research, you should be in a position to write a business plan. This will form the blueprint of your business and is an indispensable tool when seeking external investment. It is advisable to have an astute business advisor like us involved in its development to build a financial portrait of your company. For step-by-step support, take a look at our guide to creating a business plan.

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How should I structure my business?

At Warrener Stewart, we advise owners of many small to medium-sized enterprises on how to structure their business and the associated tax implications.

There are three common types of business structure:

- **Sole trader**

This is the simplest business structure. There is no legal or tax barrier between the individual and the business. The business owner has personal liability if things don't work out as planned.

- **Partnership**

A partnership is as above, but with multiple people involved. It is a good idea to commission a partnership agreement that stipulates the terms of the partnership.

A limited liability structure can be implemented to restrict the exposure of each partner if things go wrong (Limited Liability Partnership or LLP).



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- **Limited company**

A limited company creates a barrier between business activity and the personal affairs of the individual. This structure requires shareholders and directors and has several compliance obligations.

Getting the structure of your business right from day one is important, not least for tax reasons, as there is a significant correlation between a business' structure and an individual's tax position. Often the choice is driven by how quickly you expect your venture to become profitable.

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Do I need a budget?

Starting a business is a big financial commitment.

Before you start trading, you will want to know how much funding your business will need and how soon it will make a profit. You can estimate this with budgets and forecasts.

- A budget shows how much money goes in or out of your business annually. It is a quantified expectation of what you want your business to achieve each year.
- A business plan shows what your business should achieve over the medium term based on parameters such as what has happened financially so far and expectations for growth in the business and the market in general.

We can support you in drawing up a financial model that shows expectation of financing and growth in the first and subsequent years, which will drive your funding requirements.



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How do I fund my business?

As experienced advisors, Warrener Stewart can help you decide the best option for your business – whether that’s introducing you to a suitable bank or assisting you in identifying tax-efficient opportunities for your investors, such as the Seed Enterprise Investment Scheme.

There are several ways you can raise money to fund your business:

- **Loans**

Banks offer loans that must be repaid within a certain amount of time. Many loans are secured against your assets.

- **Equity**

You can sell part of your business (an equity stake) to a shareholder.

- **Savings**

One of the easiest ways to finance your business is with your own money.

- **Friends and family**

Friends and family that are unconnected to your business can invest – either by investing in your company or giving you a business loan.

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- **Government schemes**

There are some start-up loans and grants available from the government for small businesses, which we can help you apply for. There are also tax-efficient investment incentives that can help make early-stage investment attractive.

- **Venture capital**

This is a type of financing offered by firms or funds to early-stage businesses with high growth potential and can be looked at once an initial trading record has been established.

At some point, be it to cover start-up costs or finance expenses further down the road, your business will need cash.



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How do I manage my accounts?

Equally important is keeping accurate and up-to-date records of your business' payments, purchases, sales and costs.

You can use spreadsheets or online software such as Xero, QuickBooks or Sage to keep these records yourself, or hire a bookkeeper.

To ensure everything is recorded correctly and is prepared in accordance with HMRC's requirements, we can assist you with your accounts. We will register and set up your payroll or can add your business to our in-house payroll, offer regular reporting and deal with year-end matters on your behalf. We can also offer advice on pensions and auto-enrollment for your employees.

Do I need a business bank account?

Your business will require a separate bank account. The type of account you choose will depend on the structure of your business and the type of goods or services you're dealing in, as well as the industry in which you're operating. You may also need to use an online payment system.

We can advise you on the right sort of bank account for your business, as well as recommend software and systems, like WorldPay or iZettle, which you can use to make and receive payments.

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What sort of tax do I have to pay?

There are several aspects to consider, including payroll, income tax, corporation tax and VAT. Working with tax specialists like Warrener Stewart can provide relevant advice and services to ensure you comply with your tax requirements.

Our expert tax advisors can discuss payroll taxes, including your income tax obligations, with you, as well as advise you on profit extraction and how to pay yourself tax efficiently. We can prepare your annual tax returns, both business and personal.

As registered auditors, we offer statutory or voluntary audits to provide an independent review of your accounts. If your business will be trading internationally, we can additionally advise you on customs and duties on imports and exports.

Types of tax associated with a business:

- **Payroll taxes**

Whether you are a sole trader, have employees or are operating a limited company as the owner and director, if you employ people, you will be responsible for paying regular income tax and national insurance.



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- **Business taxes**

You may need to register as self-employed with HMRC and maintain records of your income and expenses. As suggested previously, a separate business bank account is essential to keep your business and personal affairs separate. You will almost certainly be required to prepare a Self-Assessment Tax Return at the end of the tax year.

- **Corporation tax**

If you have a limited company, your business' profits and chargeable gains are all taxable. You must keep company records of business income and expenses and file a Company Tax Return before the relevant deadline.

- **VAT**

If your business has a turnover greater than the current VAT threshold, you must register for VAT and complete a quarterly return. Once you are VAT registered, you must charge VAT on the goods and services you sell and pay it on those you buy.

We offer a cost-effective VAT compliance and planning service to help you make the correct payments and file on time.

As a business owner, you cannot escape tax.

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Company formalities and compliance

We can offer a registered office service, which will guarantee important documents aren't overlooked and ensure all statutory deadlines are met. We offer company secretarial support, which may include issuing shares and making regular returns to Companies House.

Why do I need business insurance?

We can suggest where to look for policies. There are a variety of different types of insurance, including:

- Employer's liability
- Public liability
- Professional indemnity
- Protection for stock, equipment and buildings

Business insurance protects against any losses incurred as a result of your business activities. Without it, you may have to pay out of your own pocket for damages or claims against you.



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Should I consider legal support?

That might mean getting licenses or permissions for your activity, or adhering to health and safety requirements. It is advisable to contact a solicitor for professional advice. Whichever element of legal support is applicable to your business, Warrener Stewart can put you in touch with a solicitor that is right for the job.

- If you hire employees, you will need to be familiar with employment law and draft contracts that stipulate terms of employment.
- If there's more than one person involved in your business, you will need legal support to establish the inter-relationships between parties. It is important to get that right on day one, rather than unravel it following a difference of opinion.
- If you operate in an industry that has legislation or requirements that relate to your business, you will need to be compliant.

As a business owner, you'll need to do things by the book

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To discuss how we can help you get your business up and running, contact one of our team:

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