



*“Many areas of specialism. One focus.
Your Business.”*

Starting up: things to think about

You’ve had an idea, researched the market and are now ready to start your own business. What’s next? If you are thinking of starting up in business, how do you decide whether to form a company or set up as a sole trader?

Here are some pros and cons:

Sole trader	Limited Company
<ul style="list-style-type: none"> • You are personally liable for claims against the business because there is unlimited liability. • Losses incurred in the early years can be offset against prior years’ taxable income before self-employment to generate a tax refund. • You are taxed on all the profits generated in the year regardless of what you draw out personally • Professional fees should be lower as a sole trader does not need to complete many of the forms and accounting information that limited companies do. 	<ul style="list-style-type: none"> • Your liability is limited, in most cases a shareholder/director does not risk their personal assets in a claim against their company. • You cannot carry first year losses back as the company didn’t either exist or trade before that. • More flexibility to control tax payments because a significant part of the tax liability can be linked to what is physically extracted from the company by the owner. • Professional fees should be higher to administer the strict format of the accounts, the additional corporate tax compliance and meet obligations laid down by Companies House.

You can always start out unincorporated and incorporate later. This is generally a better route to take than vice versa because of the availability of certain tax reliefs.

Starting up: things to think about



Whichever route you decide to take here are some things you should do:

- **Prepare a business plan**

Start-up funding for most businesses is usually sourced from the founder, borrowing from friends and family, a bank or applying for a loan or grant from a development fund. Whichever route is taken, it is highly likely that a business plan will be needed to convince backers to support your initiative.

Monitoring a business plan and budgeting is important particularly in the early days as working capital/cashflow will be tight. It is prudent to have start-up funding in place to cover at least four to five months of working capital to give your business chance to become self-financing.

- **Open a business bank account**

It is important to establish a business bank account from the outset, as either a limited company or a sole trader. The taxman and your accountant will usually insist on this because it is important to keep personal transactions separate from business. The high street banks will not usually permit a business to be operated through a personal bank account because of the nature of the charges. There are many different deals offering free business banking for an initial period and your accountant can help you make an informed choice.

- **Register with HM Revenue & Customs**

If operating as a sole trader then you must register with HMRC within three months of starting up by completing a simple registration form. A new company formation will automatically be picked up by HMRC through its links with Companies House and the registration form will be sent to the company's registered office for completion.

- **Keep good records**

Think about good record keeping, be it a written cash analysis book from a local stationers, an excel spreadsheet, a desktop accounts package such as Sage or even an online accounts package such as QuickBooksOnline or Xero which will enable you to view your accounting records from anywhere in the world from any web enabled device.

- **VAT registration**

If your business is selling goods/services to the general public then not registering for VAT will result in the cost to the customer being lower and will let you compete with other 'non VAT' registered traders. VAT registration is compulsory when taxable turnover reaches a certain threshold.

However, if you are selling mainly to VAT registered businesses then it is usually advantageous to register. VAT charged will be reclaimable by the customer and you can claim back on purchases under the scheme. Various VAT schemes are available, in particular, the Flat Rate Scheme which can simplify bookkeeping and maximise profits.

Any business that registers for VAT from 1 April 2019 will have to register under the "Making Tax Digital" (MTD) regime. There are specific requirements for record keeping and VAT Return submissions under MTD and advice should be sought ahead of registration.

"Early business planning and budgeting are vital for any start up business as cash flow will be tight. It's prudent to have start-up funding in place to cover at least the first 5-6 months to give a business a chance to become self-financing. If external funding is required a sound business plan will be essential."

Beever and Struthers

Our Services



Sole traders

From £90 + vat a month, includes the following:

- Registration of the sole trader with HMRC.
- VAT registration, if required.
- Recommendation of a business bank account.
- Advice on an appropriate bookkeeping and record keeping system for your business.
- Preparation of annual accounts.
- Preparation and submission of personal income tax return.
- Ad hoc routine advice.

Limited companies

From £120 + vat a month, includes the following:

- New company formation at Companies House.
- Registration of the Company and also the director at HMRC.
- VAT registration, if required.
- Set up and running of payroll, including provision of payslips and HMRC compliance.
- Recommendation of a company bank account.
- Advice on an appropriate bookkeeping and record keeping system for your business.
- Preparation and submission of the Annual Return to Companies House.
- Preparation and submission of the Annual Abbreviated Accounts to Companies House.
- Preparation of full Statutory Accounts.
- Preparation and submission of the Corporation Tax Computations and the Corporation Tax Return.
- Preparation and submission of form P11d for benefits in kinds, if required.
- Preparation and submission of personal income tax return.
- Ad hoc routine advice.

About us

"Our mission is to provide sound, solid and structured advice to our clients to enable them to maximise their potential. We are proud to work with quality and integrity to drive our growth and that our clients"

Beever and Struthers

At Beever and Struthers, we specialise in helping SMEs to achieve bigger and better things. We have the resources to successfully advise over 3000 clients, with services tailored to your needs. Whatever your business, whatever issues you face, whatever level of input you need, we will give you the business advice and award-winning accountancy services you need.

We have a proven track record of supporting young entrepreneurs and new and growing businesses. Starting with an initial free meeting we can help you with:

- Start-up advice including the pros and cons of a sole trader or partnership versus a limited company.
- Company formation and sole trader/partnership versus a limited company.
- Business planning and cash flow advice.
- Accountancy services including advice on record keeping and bookkeeping systems.
- Full VAT and payroll services; and
- Full business and personal tax services.

We pride ourselves on the close relationships we build with our clients and the contribution we feel we can make to enable such individuals to realise the potential of their business. We can help maximise the amount you can take from your business whilst minimising the tax you need to pay so you can spend more time earning rather than worrying about paperwork.

Other services we offer include:

- Corporate Services.
- Audit and Assurance.
- Independent Financial Advisors Services through B&S Financial Management Ltd.

Contact us

For expert advice tailored to meet your specific requirements as a "start-up" or "growing business", please call us on **0161 838 4901** quoting 'Curricula' or email shelim.rahman@beeverstruthers.co.uk

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