

STARTING A BUSINESS

CHECKLIST

Prevention is better than cure



Don't leave it to chance....

Starting a Business Checklist

As a Sole Trader

First Step

- You do not have to register your business before you start trading unless your business requires a trading licence (public houses, restaurants, taxi drivers and childminders).
- Check that your business complies with the local authority regulations. Contact the planning department to find out whether the premises you hope to use are suitable for your business.
- Working from home – you may require planning permission, if for example, your business might create a nuisance to your neighbours, or your premises need modification to make them suitable for business use.
- Inform HM Revenue and Custom (HMRC) within 3 months – if not, you will be liable for a penalty of £100.

Naming your business

- You can trade under your own name or you can choose a different name for your business. If you choose the latter make sure it is not too similar to another business.
- If the name is different from your own you must ensure that your letterheads, business cards & other business stationery displays both your name and the trading name of the business.

Income Tax

- You are responsible for paying your own income tax and National Insurance contributions (NIC).
- HMRC will give you the information you need about how and when to pay tax and National Insurance.
- All profit, even if it is reinvested in the business, is classed as personal income and is taxable.

When to register for VAT

- Only if the annual turnover reaches £67,000 for 2008/9.

Debts

- Sole traders have unlimited liability for all business debts.

As a Partnership

First Step

- No registration at Companies House.
- **Deed of Partnership** must be drawn up (with a solicitor) to set out the terms and conditions of the partnership.
- Each partner must inform HM Revenue & Customs (HMRC) that they are starting a business, this must be done within **3 months**, so you are registered as self-employed, otherwise you will incur a fine of £100.

Naming your company

- A partnership can trade under the names of the partners – “Smith and Jones” or use a different name – “Hungry Café” as long as it is not too similar to another business. If you choose the latter make sure that all business stationery displays the trading name as well as the partners’ names.
- Letterheads, business cards & other business stationery disclose the trading name of the business (and the names of each of the partners, if these differ from the business’ name)

Necessary licences and local authority permission

- Businesses such as public houses, restaurants, private hire drivers and childminders require licences before they can start trading.

Income Tax

- Partners are regarded as self-employed and will be taxed accordingly. You are responsible for paying your own income tax and National Insurance contributions (NIC).
- HMRC will give you the information you need about how and when to pay tax and National Insurance.
- All profit, even if it is reinvested in the business, is classed as personal income and is taxable.

When to register for VAT

- Only if the annual turnover reaches £67,000 for 2008/9.

Debts

- Partners have unlimited liability for all business debts and are regarded as being liable, both jointly and severally.

As a Private Limited Company

- A company has a separate legal identity to that of the owners. This means that a company can own property and other assets, as well as sue and be sued.
- A Private Limited Company is normally a company limited by shares.
- Owners are known as 'Shareholders' or 'Members'.
- Can be set up with one shareholder (a single member company) but no more than 50 shareholders.
- A **Director or Directors** must be appointed (not necessarily shareholders).
- A **Company Secretary** is no longer required.

First Step

- Complete and send a number of documents to the Registrar of Companies (at Companies House) before a certificate of incorporation can be issued. Fee = £20 (allow 8-10 days). Same-day incorporation = £50.

Documents

- **Memorandum of Association** - describes the purpose of the company and what it will do.
- **Articles of Association** - details the rights of the shareholders and the powers of the company's directors as well as how the company will be run.

Naming your company

- You cannot register the same name as another company, certain words are restricted and names that may cause offence are not permitted.
- Company name must be displayed outside all premises.
- Company name must appear on all company publications, business letters, websites, cheques, invoices and notices. Details of the registered number of the company, its registered office and country where it is registered must appear on company stationery and company website/s.
- The word 'ltd' or 'limited' must be displayed after the company name.

Income Tax and National Insurance

- Directors are treated as employees for tax purposes and must pay income tax and Class 1 National Insurance Contributions (NIC). The company must also pay employer's NICs for each of its employees at a rate of 12.8% of salary.
- **Dividends** – shareholders may be paid dividends which are payments made out of accumulated company profits after payment of corporation tax.

Accounts

- **Corporation Tax** – main rate is 28% - sliding scale for companies with taxable profits of less than £1.5 million. Companies are required to carry out self assessment for Corporation tax. Corporation tax must be payable within 9 months and 1 day from the end of the financial year. (This is known as The Normal Due Date.)
- **VAT** – If annual turnover reaches the taxable threshold (£67,000 – 2008/9) you must register for VAT.

Please note the figures contained in this checklist are accurate at the date of publication but may be subject to changes thereafter.

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Following start-up

- **New directors or change of details** – must keep Companies House informed if you appoint any new directors and also changes to names and addresses (strictly within 14 days).
- **Annual return** – supply basic information to Companies House once a year (information on directors, secretary (if there is one), registered office address, shareholders and share capital. Online fee = £15, by post = £35).
- **Accounts** – Directors must prepare, maintain and submit accounts to Companies House once a year (including profit and loss account and a balance sheet).
- The company's accounts must start on the day of incorporation. It's first financial year will end on the last day of the month of the anniversary of formation, unless you choose a different period.
- **Debts** – owners of a company will not normally have liability for the debts of the business unless personal guarantees have been made.

These checklists are intended as a general guide only. You should take specialist advice if you are thinking of starting your own business.

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