

# Starting in business

We take a look at what to do, and what to avoid, when starting-up a new business.

Around 400,000 businesses start up every year. It is estimated that around one third of these cease trading within the first three years. But new business owners do not set out to fail. So what steps can you take to ensure you don't fall into the failure category?

Starting up a new business can seem like a minefield. Should you trade as a sole trader or as a partnership or company? Start-up costs also require funding, which has to be found and secured. Then there are administrative responsibilities such as bookkeeping and invoice processing. When you register your new business with HM Revenue & Customs you must also decide if you need to register for VAT and PAYE (Pay As You Earn). The VAT registration threshold is currently £79,000 and there are a range of schemes which may be appropriate for your new business. As for PAYE, you may have heard about the new system that requires employers to report payments to staff in real time. This has added another layer of responsibility for business owners.

But, when you start up, what you really want to do is take your entrepreneurial talents into the marketplace, make a profit and enjoy your new found freedom.

Some may have thought it was that easy and maybe many of them are the ones that do not make it past the three year mile post. Here are some important tips to help your start-up get off, and stay off, the ground.

## **Consider the franchise model**

While there is an upfront cost when buying into a franchise, you have the advantage of buying into the expertise of the franchisor. You will need to research which franchises might be appropriate for you but there are always a wide range available. Franchisors offer varying services and so research, particularly talking to those who are experienced in franchising, is important. Maybe you could arrange to talk with those who are operating a franchise in which you have an interest.

There are more than 900 franchises available in the UK, which together turn over more than £13 billion and employ more than half a million people. The British Franchise Association reports that 91 per cent of franchises are profitable, which means that nine per cent are not. Careful planning is essential as your investment is at risk if the business fails.

## **Business structure is important**

There are advantages and disadvantages for each trading structure - be it a limited company or an unincorporated business - with respect to control, perception, support and costs.



The choice of business structure can also be relevant in how you extract money from the business. A limited company is a useful tax shelter but only until you take the money out for personal use. There are different ways of doing this, for example with salaries, dividends, loans or rent.

*We can discuss your options and the implications of each of these with you, to help you determine which is most suitable.*

## **Fail to plan and you plan to fail**

The more forethought you can give to the task of running your business, the more likely you are to succeed.

We can help you plan but here are just a few questions you might like to consider before you start:

- What are your prospects given that the economic climate remains a difficult one?
- Have you any funds you can put into the business?
- Do you need help raising finance for your business?
- Are you familiar with the legal requirements that will be placed on you as a business proprietor?
- Have you considered how much you will earn during your first year?
- After business expenses, including taxation and national insurance, have you estimated what your salary and profit are likely to be?
- What are your income requirements?
- Have you considered how you can minimise your tax liability so that you keep more of what you earn?
- Have you considered how technology can benefit your business?
- Have you decided how the internet can be used to your advantage?
- Does social media have a role to play in promoting you and your business?
- When do you envisage retiring? Some business owners have failed to make enough money to save for their future aspirations.

Always keep your medium and long-term goals in mind. Running your business more cost-effectively can be achieved only if you have the vision to project your goals into the future.

## **Where do start-ups incur costs?**

- Advertising, marketing and promotion
- Communications and infrastructure
- Cost of finance
- Equipment
- Insurance
- Office supplies
- Professional fees
- Product development
- Transport
- Website and technology

## How we can help

We aim to make sure you are as successful as possible and, with careful planning and the right advice, we can help you earn more and pay less tax.

Viewing us as your business adviser, as well as professionals trained in traditional accountancy and tax compliance, could boost your company's bottom line. We are experienced at guiding businesses through the start-up period and, as well as advising you on what to do, we can give you some tips about what not to do.

As well as taking care of your routine accountancy duties, we can also give advice on budgets, profitability improvement and operational procedures.

Other services we can offer:

- Developing your business plan
- Helping you identify sources of start-up funding
- Preparing budgets and making projections
- Acting as a referral source to help you find a solicitor, banker or insurance agent
- Devising the best structure for your business and advising you on when to incorporate
- Advising you on the acquisition and implementation of a computer system and software.

*Contact us with any questions you may have about starting out in business.*