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YOUNG MIGRANT ENTREPRENEURS

5.2. Step by Step United Kingdom

Introduction UK

When it comes to starting a business in UK, due to more laws, rules and regulations and all the countries that make up the UK (England, Northern Ireland, Scotland, Wales), the process is more complicated but there's always support, help, and compromise for anyone needing or seeking it. It may be a tedious task, but with the right mindset anything can be achieved. Her Majesty's Revenue and Customs is the main legal entity that everything has to go through before a business can be started, but since they are the main body, they will do everything in their power to help you solve any issues blocking your path to success, just like a smaller legal entity called "Companies House".

If you're wondering how to start a business, there are some key decisions you will need to make before starting up. As well as your product or service, you may want to choose your business' name, its structure and how you are going to run it. It is also important to think about how you are going to attract customers and where you will get the money for starting up. You may need to research and develop your basic business idea, work out what you are going to name your business and decide on what form it will take. It is important to think carefully about your product or service, audience and what makes you stand out from the crowd. At this point, it is worth thinking about how you are going to finance your start-up and what effect it will have on your personal finances while waiting for profits to show.

5.2.1. Step 1: Choose legal form

You should choose the right legal structure to suit your circumstances and register it with HM Revenue and Customs. HM Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support and the administration of other regulatory regimes including the national minimum wage.

Click on the Guide Legal Forms for Business

In the UK you have unincorporated and incorporated legal forms and these differ in England, Wales, Northern Ireland and Scotland. There is a multitude of companies that can be started in the UK such as: Public Limited Company (PLC), Private Company Limited by Shares (LTD), Company Limited by Guarantee, Unlimited Company (UNLTD), Limited Liability Partnership (LLP), Community Interest Company, Industrial and Provident Society (IPS), Royal Charter (RC)… and many more.

Unincorporated legal forms

The distinguishing feature of unincorporated forms is that they have no separate legal personality. There are three main forms:

Sole Trader

This is the simplest way to set up and run a business: ownership and control of the business rests with a single individual. Being a Sole Trader is inherently risky because the individual is not separate from the business and has sole unlimited personal liability for the business, its debts and contractual obligations, and any claims against it. They own all the assets of the business and can dispose of them as they wish, and may employ staff and trade under a business name. However it is unlikely that sole trader status will be suitable for businesses which need more than a small level of external investment – being unincorporated limits borrowing and prevents the business raising equity finance by issuing shares.

Regulation for the Sole Trader is minimal: there is no requirement for a formal constitution for the business, and no need to register or file accounts and returns with Companies House. Sole Traders are treated as self-employed by HMRC and must register and make an annual self assessment tax return – profits from the business are treated as personal income subject to income tax and national insurance contributions.

Unincorporated Association

Unincorporated Associations are groups that agree, or 'contract', to come together for specific purpose. They normally have a constitution setting out the purpose for which the association has been set up, and the rules for the association and its members. They are typically governed by a management committee. All members of the management committee will again have unlimited personal liability, unless they are specifically indemnified in the constitution. As for a Sole Trader, there is a limitation on raising finance, minimal regulation, and self-employed tax status for management committee members.

Partnership

A Partnership is a relatively simple way for two or more legal persons to set up and run a business together with a view to profit. A partnership can arise, without any formal agreement, when people carry on a business in common, but typically there is agreement to trade as a partnership. Partners will usually draw up a legally binding partnership agreement, setting out such matters as the amount of capital contributed by each partner and the way in which they will share the profits (and losses) of the business. Again the Partnership has no separate legal personality. Partners share the risks, costs and responsibilities of being in business. Because partners generally bear the consequences of each other's decisions, partners usually manage the business themselves, though they can hire employees. Partners usually raise money for the business out of their own assets, and / or with loans, although again being unincorporated limits borrowing in practice, and not being a company with a share capital prevents the business itself from raising equity finance by issuing shares.

Each partner is self-employed and pays tax on this basis on their share of the profits: The partnership itself and each individual partner must make annual self-assessment returns to HMRC, and the Partnership must keep records showing business income and expenses.

Legal persons other than individuals – such as Limited Companies or Limited Liability Partnerships – can also be partners in a partnership. They are treated like any other partner except that they have additional tax and reporting obligations – for example companies must pay corporation tax rather than income tax on their profits from the partnership.

Limited Partnership

Not to be confused with a Limited Liability Partnership (see below) – a Limited Partnership has two sorts of partner: general partners and limited partners. The form is similar to a Partnership, with the main differences being that the limited partners may not be involved in the management of the business and their liability is limited to the amount that they have invested in the partnership. Note that limited partners are different from 'sleeping' partners in a Partnership or Limited Partnership, who do not take part in running the business but remain fully liable for its debts. Limited partnerships must register at Companies House, and do not come into existence until they are registered. Changes to the partnership must also be registered.

Trust

Trusts are unincorporated and have no legal identity of their own. They are essentially legal devices for holding assets so as to separate legal ownership from economic interest. A trust holds assets on behalf of an individual or another organization and governs how they are to be used. A trust is run by a small group of people called trustees who are legally responsible for the administration of the trust and personally liable for any debts or claims against it that cannot be met out of the trust's own resources. Trusts make their own set of rules – enshrined in a trust deed – which sets the trust's objectives and may be used to ensure that assets and profits are used for a particular purpose. Trusts do not typically raise finance – they simply manage assets and do not distribute profits. Trusts are often used in conjunction with unincorporated associations, which cannot themselves own property.

Incorporated legal forms

Limited Company

The Limited Company is the most common legal form in use for running a business. Companies are 'incorporated' to form an entity with a separate legal personality. This means that the organization can do business and enter into contracts in its own name. On incorporation under the Companies Act 2006, a company is required to have two constitutional documents:

- a Memorandum, which records the fact that the initial members (the subscribers) wish to form a company and agree to become its members. The Memorandum cannot be amended; and
- Articles of Association – often just referred to as the Articles – which are essentially a contract between the company and its members, setting the legally binding rules for the company, including the framework for decisions, ownership and control.

The Companies Act 2006 provides significant flexibility to draw up articles to suit the specific needs of the company, provided it acts within the law.

A Limited Company is owned by its members – those who have invested in the business – and as the name suggests they enjoy limited liability – i.e. the company's finances are separate from the personal finances of their owners and as a general rule creditors of the business may only pursue the company's assets to settle a debt. The personal assets of the owners are not at risk.

There are two mechanisms for company membership: Company Limited by Shares and Company Limited by Guarantee.

Company Limited by Shares

Most companies fall into this category. Members each own one or more shares in the company and are therefore known as shareholders. Shareholders' limited liability means that they only stand to lose what they have already invested or committed to invest (amounts unpaid on shares).

Company Limited by Guarantee

Members of the company give a guarantee to pay a set sum if the company should go into liquidation. A company must have at least one member. In a Company Limited by Shares, each share usually has a voting right attached to it so the members are able to vote on important decisions affecting the company. The arrangement is normally one share one vote, although many companies will create different classes of share with different voting rights attached. In a Company Limited by Guarantee the arrangement is usually one member one vote (OMOV).

Day to day management of a company is nominally separate from its ownership and undertaken by a director or board of directors, with the core principle that they act in the interest of the company and its members. However, directors may also be members, thus the simplest form of Limited Company is a single member who owns the whole company and is also its sole director.

A company must have at least one director (public companies described below must have two) and at least one director must be a real person.

In a Company Limited by Guarantee, finance comes from the members, from loans or from profits retained in the business as working capital. A Company Limited by Shares can also raise capital from shareholders in return for a stake in the business – any profits from the business are usually distributed to shareholders in the form of dividends, apart from profits retained in the business as working capital. Limited Companies have a greater capacity to finance themselves with loans than unincorporated businesses, as they can use their assets as security for loans, creating a 'charge' over the company's assets. These charges are registered at Companies House, providing transparency about the extent of a company's secured credit. Lenders, including banks and building societies will therefore typically make incorporation a condition of providing a business loan.

The Limited Company form is subject to stricter regulatory requirements than unincorporated forms: greater accountability and transparency is the price to pay for the benefit of limited liability. Accountability is both to the company's shareholders and also to the public who may wish to deal with the business. Companies are registered at Companies House, and it is the directors' responsibility to maintain the company's public records – including annual accounts and an annual return about the company – and to file them at Companies House. They must notify Companies House of changes in the structure and management of the business. If a company has any taxable income or profits, it must tell HMRC that it exists and is liable to corporation tax. Companies liable to corporation tax must make annual returns to HMRC.

A Company Limited by Shares is either a Private Limited Company (Ltd) or a Public Limited Company (Plc). The key difference is that the Public Limited Company is permitted to offer shares for sale to the public. The Private Limited Company is the most common legal form used by the vast majority of businesses – ranging from a business with a single shareholder director to large companies which have attracted large investments of private equity capital.

Limited Liability Partnership (LLP)

A Limited Liability Partnership is a body corporate with a separate legal personality similar to a company. Unlike in a normal partnership, the members of an LLP enjoy limited liability as the name suggests – liability is limited to the amount of money they have invested in the business and to any personal guarantees they have given to raise finance. Each member takes an equal share of the profits, unless the members' agreement specifies otherwise.

Much like a Partnership, each non-corporate member of an LLP needs to register as self-employed with HMRC, and both the LLP itself and each individual member must make annual self-assessment returns HMRC. Non-corporate members of an LLP pay income tax and national insurance contributions on their share of the profits. Additionally, LLPs must register and file accounts and annual returns at Companies House. At least two members must be "designated members" who hold additional responsibilities – it is they who appoint auditors and sign off and file the accounts at Companies House.

Limited Liability Partnerships have much more freedom than companies over arranging their internal affairs, for example in the way in which decisions are made, and the way in which profits are distributed to members.

Community Interest Company (CIC)

A Community Interest Company (CIC) is a form of company (limited either by shares or by guarantee) created for so called 'social enterprises' that want to use their profits and assets for community benefit. CICs are easy to set up and have all the flexibility and certainty of the company form, but with several special features which ensure they serve a community interest:

- First, all companies applying to be registered as CICs must submit a community interest statement to provide the CIC Regulator with evidence that they will satisfy a community interest test defined in law. The company must continue to satisfy the test for as long as it remains a CIC, and must report annually to the Regulator
- Second, a CIC must have an "asset lock" which restricts the transfer of the company's assets (including any profits generated by its activities) to ensure that they are used for the benefit of the community
- Third, CICs are subject to caps on dividends and interest payable – to strike a balance between encouraging people to invest in CICs and the principle that the assets and profits of a CIC should be devoted to the benefit of the community.

Charitable Incorporated Organization (CIO)

The Charitable Incorporated Organization (CIO) is a new legal form which will be available to charities in England and Wales from 2012. Currently charities wanting to incorporate normally do so as a Company Limited by Guarantee – which means dual registration with Companies House and the Charity Commission and dual regulation under company law and charity law. CIO status will offer the benefits of incorporation, but the organization will only be registered with the Charity Commission and regulated under charity law. The new form is expected to be used primarily by small and medium charities. Like any charity the organization's profits and assets will be locked in for charitable purposes. Note that charity law and regulation are devolved: similar legislation has been passed in Scotland, but not yet in Northern Ireland.

Industrial and Provident Society

An Industrial and Provident Society (sometimes referred to as an I&P, or IPS) may take one of two forms:

Co-operative Society (Co-op)

A Co-operative Society is a membership organization run for the mutual benefit of its members – serving their interests primarily by trading with them or otherwise providing them with goods, services and facilities – with any surplus usually being ploughed back into the organization, although profits can be distributed to members. A Co-operative Society may or may not be a social enterprise, depending on its activities and how it distributes its profits.

A Co-operative Society is governed by rules, which must reflect the co-operative values and principles set out by the International Co-operative Alliance. The Alliance defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise.

A Co-operative Society is incorporated – and so has a separate legal personality – and must register and submit annual accounts to the Financial Services Authority (FSA) rather than Companies House. As with a company, the members' liability is limited to the amount unpaid on shares. They have a principle of open membership and can therefore raise funds by issuing shares to the public.

They are run and managed by their members, usually through a committee of officers, similar to a company's board, that manages on members' behalf. However, members always have democratic control on a "one member one vote" (OMOV) basis, regardless of size of respective shareholdings, under the co-operative values and principles.

Community Benefit Society (BenCom)

A Community Benefit Society (BenCom) is similar to a Co-operative Society except that it conducts business for the benefit of the community, rather than the members of the society. Indeed a BenCom must be run primarily for the benefit of people who are not members of the society and must also be in the interests of the community at large. Profits are not distributed among members, or external shareholders, but returned to the community. BenComs also often apply an asset lock, which protects their assets for the future benefit of the community. It is unusual for the BenCom to issue more than nominal share capital (eg one share valued at £1 per member. If more than nominal share capital is issued or if members make loans to the BenCom, dividends and interest paid are capped at a reasonable rate needed for the business to retain the capital it needs.

A BenCom can be established as a charity, providing it has exclusively charitable objects that are for the public benefit, allowing them to raise capital through public grants and charitable trusts. If approved, they're known as exempt charities – reporting only to the Financial Services Authority (FSA), not the Charity Commission. Charitable BenComs must have an asset lock.

Financial Mutuals

There are three other types of mutual form, not covered in detail here, that specifically exist to provide financial services. These are also registered with the FSA.

- Building Society Building Societies are mutual financial services institutions, primarily providing residential mortgage lending, but also other financial services such as other forms of lending and investment, money transmission services, banking and insurance services. They are funded substantially by their members
- Credit Union A credit union is a cooperative financial institution that is owned and controlled by its members and operated for the purpose of providing credit at reasonable rates, and providing other financial services to its members
- Friendly Society A friendly society is a voluntary mutual organization whose main purpose is to assist members financially during sickness, unemployment or retirement, and to provide life assurance

5.2.2. Step 2: Officially Register your Company with the Chamber of Commerce

It is important that you choose the structure that best fits your business and there is lots of help available to support you and you should seek advice before setting up any business structure .

HRMCustoms and Companies House

3 types of business: sole trader, limited companies and partnerships that are governed by HMRC and Companies House.

HRMCustoms and *Companies House*

Companies House is where you register your company and you will have to report at least once a year to both HMRC and Companies House. 3 types of business: sole trader, limited companies and partnerships that are governed by *HRMCustoms* and *Companies House*. You can follow Companies House on Twitter

If you want to set up as a Social Enterprise or a Charity then there are also different rules and regulations and these are governed by The Charities Commission in England and Wales and OSCR (The Office for Scottish Charities Regulation).

Sole Trader

Simpler way however responsible for your business's debts and some accounting responsibilities. You, therefore, are self-employed and you own it as an individual. You can keep all your business's profits after you've paid tax on them. You are responsible for any losses your business makes.

When you need to set up as a sole trader

You need to set up as a sole trader if any of the following apply:

- You earned more than £1,000 from self-employment between 6 April 2019 and 5 April 2020
- You need to prove you are self-employed, for example to claim Tax-Free Childcare
- You want to make voluntary Class 2 National Insurance payments to help you qualify for benefits

How to set up as a sole trader?

If you want to set up as a Social Enterprise or a Charity then there are also different rules and regulations and these are governed by The Charities Commission in England and Wales and OSCR (The Office for Scottish Charities Regulation)

Working in construction industry as a Sole Trader?

Register with HMRC for the Construction Industry Scheme (CIS) if you're working in the construction industry as a subcontractor or contractor.

Naming your business as a Sole Trader

You can trade under your own name, or you can choose another name for your business. You do not need to register your name. You must include your name and business name (if you have one) on official paperwork, for example invoices and letters.

Business names Sole trader

Sole trader names must not:

- include 'limited', 'Ltd', 'limited liability partnership', 'LLP', 'public limited company' or 'plc'
- be offensive or be the same as an existing trade mark
- Your name also cannot contain a 'sensitive' word or expression, or suggest a connection with government or local authorities, unless you get permission

Limited company

If you form a limited company, its finances are separate from your personal finances, but there are more reporting and management responsibilities:

- You must tell Companies House if you want to change your company's registered office address. If the change is approved, they will tell HM Revenue and Customs (HMRC)
- Your company's new registered office address must be in the same part of the UK that the company was registered (incorporated)
- Your address will not officially change until Companies House has registered it.

Other changes you must report, You must tell HMRC if:

- your business' contact details change – for example, your name, gender, business name or your personal or trading address

- you appoint an accountant or tax adviser You must tell Companies House within 14 days if you make changes to:

- the address where you keep your records, and which records you keep there

- directors or their personal details, like their address

- 'people with significant control' (PSC), or their personal details like a new address

- company secretaries (appointing a new one or ending an existing one's appointment)

You must tell Companies House within a month if you issue more shares in your company.

How to report changes to Companies House

- use the Companies House online service

- fill in and send paper forms

Changes that shareholders must approve

You may need to get shareholders to vote on the decision if you want to:

- change the company name

- remove a director

- change the company's articles of association

This is called 'passing a resolution'. Most resolutions will need a majority to agree (called an 'ordinary resolution'). Some might require a 75% majority (called a 'special resolution').

Your new company name will not take effect until it's registered by Companies House - they'll tell you when this happens.

Shareholder voting

- When you're working out whether you have a majority, count the number of shares that give the owner the right to vote, rather than the number of shareholders.

- You do not necessarily need to have a meeting of shareholders to pass a resolution. If the right amount of shareholders have told you they agree, you can confirm the resolution in writing. But you must write to all shareholders letting them know about the decision.

Check your company's details

You need to check the following:

- the details of your registered office, directors, secretary and the address where you keep your records
- your statement of capital and shareholder information if your company has shares
- your SIC code (the number that identifies what your company does)
- your register of 'people with significant control' (PSC)

Check the Companies House register and send your confirmation statement.

Send your confirmation statement online or by post. It costs £13 to file your confirmation statement online, and £40 by post.

If you need to report changes

You can report changes to your statement of capital, shareholder information and SIC codes at the same time.

You cannot use the confirmation statement to report changes to:

- your company's officers

- the registered office address

- the address where you keep your records

- people with significant control You must file those changes separately with Companies House. When it's due You'll get an email alert or a reminder letter to your company's registered office when your confirmation statement is due.

The due date is usually a year after either:

- the date your company incorporated

- the date you filed your last annual return or confirmation statement You can file your confirmation statement up to 14 days after the due date.

You can be fined up to £5,000 and your company may be struck off if you do not send your confirmation statement.

Signs, stationery and promotional material

You must display a sign showing your company name at your registered company address and wherever your business operates. If you're running your business from home, you do not need to display a sign there. Example: If you're running 3 shops and an office that's not at your home, you must display a sign at each of them. The sign must be easy to read and to see at any time, not just when you're open.

You must include your company's name on all company documents, publicity and letters.

On business letters, order forms and websites, you must show:

- the company's registered number

- its registered office address

- where the company is registered (England and Wales, Scotland or Northern Ireland)

- the fact that it's a limited company (usually by spelling out the company's full name including 'Limited' or 'Ltd')

If you want to include directors' names, you must list all of them.

If you want to show your company's share capital (how much the shares were worth when you issued them), you must say how much is 'paid up' (owned by shareholders).

Partnership

A partnership is the simplest way for 2 or more people to run a business together.

Setting up

In a partnership, you and your partner (or partners) personally share responsibility for your business. This includes:

- any losses your business makes

- bills for things you buy for your business, like stock or equipment Partners share the business's profits, and each partner pays tax on their share.

A partner does not have to be an actual person. For example, a limited company counts as a 'legal person' and can also be a partner.

What you need to do

When you set up a business partnership you need to:

- choose a name

- choose a 'nominated partner'

- register with HM Revenue and Customs (HMRC)

The 'nominated partner' is responsible for managing the partnership's tax returns and keeping business records. There are different rules for limited partnerships and limited liability partnerships (LLPs).

Naming your partnership

You can trade under your own names, or you can choose another name for your business. You do not need to register your name. You must include all the partners' names and the business name (if you have one) on official paperwork, for example invoices and letters.

Business names

Business partnership names must not:

- include 'limited', 'Ltd', 'limited liability partnership, 'LLP', 'public limited company' or 'plc'

- be offensive

- be the same as an existing trade mark

Your name also cannot contain a 'sensitive' word or expression, or suggest a connection with government or local authorities, unless you get permission. Example: To use 'Accredited' in your company's name, you need permission from the Department for Business, Energy and Industrial Strategy (BEIS).

Check which words you need permission to use, and who from.

5.2.3. Step 3: Fiscal regulation and Accountancy

In order to start a business legally in the UK, you have to meet certain conditions and follow strict and thorough laws, rules and regulations. If you wish to set up a new business in the UK, you must observe various laws set in a different part of the UK (England, Wales, Scotland and Northern Ireland) and other rules. Some of these laws might be specific to a certain part of the UK so you would need to check within the sector-specific information for your business to see what applies to you and your business.

The rules and regulations for setting up a business in the UK are governed by different bodies and these include: HMRC (Her Majesty's Revenue and Customs) HMRC are responsible for all taxation in the UK although if you live in Scotland the Scottish Government does have some additional powers. These taxes include personal taxation, business taxation and Value Added Tax (VAT). If you work business to business then prices are shown exclusive of VAT but in business to customer this is included and the standard rate of VAT is 20%. There are 3 types of business: sole trader, limited companies and partnerships that are governed by HMRC and Companies House.

Sole trader

How to set up as a sole trader? You need to tell HMRC that you pay tax through Self-Assessment and file a tax return every year.

Your responsibilities

Keep records of your business's sales and expenses.

Send a Self-Assessment tax return every year.

Pay Income Tax on your profits and Class 2 and Class 4 National Insurance

You'll need to apply for a National Insurance number if you're moving to the UK to set up a business.

Limited Company

Should you choose the limited company route, it is vital to keep accurate records and pay tax and National Insurance. In a limited company there are directors' responsibilities. As a director of a limited company, you must:

- Follow the company's rules, shown in its articles of association
- Keep company records and report changes
- File your accounts and your Company Tax Return
- Tell other shareholders if you might personally benefit from a transaction the company makes
- Pay Corporation Tax
- You can hire other people to manage some of these things day-to-day but you're still legally responsible for your company's records, accounts and performance.
- You may be fined, prosecuted or disqualified if you do not meet your responsibilities as a director.

Company and accounting records

You must keep:

- records about the company itself

- financial and accounting records

You can hire a professional (for example, an accountant) to help with your tax. HM Revenue and Customs (HMRC) may check your records to make sure you're paying the right amount of tax.

Records about the company

You must keep details of:

- directors, shareholders and company secretaries

- the results of any shareholder votes and resolutions

- promises for the company to repay loans at a specific date in the future ('debentures') and who they must be paid back to

- promises the company makes for payments if something goes wrong and it's the company's fault ('indemnities')

- transactions when someone buys shares in the company

- loans or mortgages secured against the company's assets

You must tell Companies House if you keep the records somewhere other than the company's registered office address.

Register of 'people with significant control'

You must also keep a register of 'people with significant control' (PSC). Your PSC register must include details of anyone who:

- has more than 25% shares or voting rights in your company

- can appoint or remove a majority of directors

- can influence or control your company or trust

You still need to keep a record if there are no people with significant control.

Read more guidance on keeping a PSC register if your company's ownership and control is not simple.

Accounting records

You must keep accounting records that include:

- all money received and spent by the company

- details of assets owned by the company

- debts the company owes or is owed

- stock the company owns at the end of the financial year

- the stocktaking you used to work out the stock figure

- all goods bought and sold

- who you bought and sold them to and from (unless you run a retail business)

You must also keep any other financial records, information and calculations you need to prepare and file your annual accounts and Company Tax Return. This

includes records of:

- all money spent by the company, for example receipts, petty cash books, orders and delivery notes

- all money received by the company, for example invoices, contracts, sales books and till rolls

- any other relevant documents, for example bank statements and correspondence

You can be fined £3,000 by HMRC or disqualified as a company director if you do not keep accounting records.

How long to keep records

You must keep records for 6 years from the end of the last company financial year they relate to, or longer if:

- they show a transaction that covers more than one of the company's accounting periods

- the company has bought something that it expects to last more than 6 years, like equipment or machinery

- you sent your Company Tax Return late

- HMRC has started a compliance check into your Company Tax Return

If your records are lost, stolen or destroyed

If you cannot replace your records after they were lost, stolen or destroyed you must:

- do your best to recreate them

- tell your Corporation Tax office straight away

- include this information in your Company Tax Return

Confirmation statement (annual return)

You need to check that the information Companies House has about your company is correct every year.

This is called a confirmation statement (previously an annual return).

Taking money out of a limited company

How you take money out of the company depends on what it's for and how much you take out:

- Salary
- Expenses, and
- Benefits

If you want the company to pay you or anyone else a salary, expenses, or benefits, you must register the company as an employer.

- The company must take Income Tax and National Insurance contributions from your salary payments and pay these to HM Revenue and Customs (HMRC), along with employers' National Insurance contributions
- If you or one of your employees make personal use of something that belongs to the business, you must report it as a benefit and pay any tax due.

Dividends

A dividend is a payment a company can make to shareholders if it has made a profit.

- You cannot count dividends as business costs when you work out your Corporation Tax
- Your company must not pay out more in dividends than its available profits from current and previous financial years.

  To pay a dividend, you must:
- Hold a directors' meeting to 'declare' the dividend
- Keep minutes of the meeting, even if you're the only director

Dividend paperwork

For each dividend payment the company makes, you must write up a dividend voucher showing the:

- date

- company name

- names of the shareholders being paid a dividend

- amount of the dividend

You must give a copy of the voucher to recipients of the dividend and keep a copy for your company's records.

Tax on dividends

Your company does not need to pay tax on dividend payments. But shareholders may have to pay Income Tax if they're over £2,000.

Directors' loans

- If you take more money out of a company than you've put in - and it's not salary or dividend - it's called a 'directors' loan'.

- If your company makes directors' loans, you must keep records of them.

Company changes you must report Changing your company's registered office address

Partnership

Rules for your type of business

You may have other responsibilities depending on what your business does.

Check if you need:

- licenses or permits, for example to play music, sell food or to trade in the street

- insurance

There are also rules you must follow if you:

- sell goods online

- buy goods from abroad or sell goods abroad

- store or use personal information

Where you work

Check what your responsibilities are if you:

- run your business from home

- rent somewhere to run your business from

I- you rent or buy a property, you may have to pay business rates. Small businesses can apply for a discount on business rates and some may pay nothing.

Check if you can claim office, property and equipment as expenses.

Taking on people to help

If you take on agency workers or freelancers you have some responsibilities, for example their health and safety.

Becoming an employer

There are things you'll need to do if you take on your own

employees. You'll have more responsibilities, including:

- running payroll

- paying for their National Insurance - but you can claim an allowance to reduce your bill

- providing workplace pensions to eligible staff

VAT

You must register for VAT if your turnover of your business is over £85,000. You can register voluntarily if it suits your business, for example if you sell to other VAT-registered businesses and want to reclaim the VAT.

5.2.4. Step 4: Write a business plan

It's advisable to write a business plan. To map your business opportunities and get a good picture of your risks. To know who your potential customers are… The first step when it comes to starting a business in the UK is to download a business template (business planning) aside from having an idea and the drive. This is a good device, to ensure applicants are in the best possible position to receive funding. The business template is not necessary but with the odds presented which are that you're two and a half times more likely to get into business if you write a business plan, (according to outside sources) having a solid business plan on a template should be considered a necessity.

A business plan template is useful to you if:

- You want to start a business

- You own an established firm and are seeking help

- You need to determine your objectives

- You want to use it to raise funds to start your business.

Using a business plan template is the best and quickest way to collate all the information you need to start a business. The process of completing a business plan template can help ensure the viability of your business proposition from the off, eliminates worries and questions such as: Does it work? Does the market already exist? Is there an appetite for the product or service you are proposing?

See also Chapter 4 and Chapter 6 of our YME Guide.

5.2.5. Step 5: Opening a Business Account

Opening a business account is often the next logical step. Business banking is a good way to keep an overview of your income and expenditure. This also prevents your business and private administration from getting mixed up hopelessly.

In the United Kingdom the government and several banks have entrepreneurial schemes and grants for young entrepreneurs. With the government pledging to help small and medium-sized businesses (SMEs) through the stages of startup and growth, there is a range of funding for small businesses to take advantage of. Follow our guide to government grants.

Regional Growth Fund (RGF)

Businesses looking for funding of less than £1 million, can apply for support through Regional Growth Fund programmes.

These are schemes run by national or local organizations that have been awarded RGF cash to offer grants and/or loans to eligible businesses.

Since 2011, £1.7 billion has been allocated to RGF programmes, supporting more than 9,400 small and medium-sized businesses.

To be eligible, your business must be based in England, have a growth plan, create or protect jobs, and be investing private capital. See a list of 'live' RGF programmes and funding opportunities. See a list of 'live' RGF programmes and funding opportunities.

Startup loans

This government-funded initiative provides loans, mentoring and support for startups or very small, early stage businesses with potentially viable propositions but who are unable to attract investment from high-street banks.

To be eligible, businesses must be yet to launch or have been trading for less than 12 months. You can easily keep these records with accounting software.

The scheme provides free business planning to ensure applicants are in the best possible position to receive funding.

Every loan application is considered according to the needs of your business, with an average loan size of around £6,000.

The final loan size will be determined by your business plan. Find out more about Start-Up Loans. Find out more about Start-Up Loans.

Government grants

Small businesses grants are available from the UK government, the Scottish Parliament, the Welsh Assembly and the Northern Ireland Assembly.

Each grant provider has its own application process and criteria for applying.

For a full list of providers, use the government's business finance support finder. This tool allows you to search for funding opportunities based on the location, size and type of business you run.

Read more about finding funding for your business

Venture capital trusts: How to find alternative finance solutions

Crowdfunding tips: Alternative finance to support your business

Trim-It on winning the challenge of dealing with investors

Venture capital trusts vs Enterprise Investment Scheme

This means it takes on the risk of the loan from the bank, so that the bank is more likely to offer it.

UK Export

It can also help UK exporters to raise tender and contract bonds and access working capital finance. To be eligible for export insurance, your business must be based in the UK and the buyer must be overseas. Find out more about UK Export Finance (UKEF).

Business Finance Partnerships

With government investment of £1.2 billion, the Business Finance Partnership is designed to diversify the sources of funding available to small and medium-sized businesses via non-bank lenders. Loan terms will vary, but businesses can directly apply for finance with a number of non-traditional fund managers and lenders. Find out more about Business Finance Partnerships.

5.2.6. Step 6: Environmental Protection Laws and Rules and Applying for Permits (e.g. building permit, etc.)

Environmental Protection

Check if you need an environmental permit

Permits for installations, medium combustion plant, specified generator, waste or mining waste operations, water discharge or groundwater activities, or work on or near a main river or sea defense.

England

Wales

Scotland

Northern Ireland

Local environmental permits

Local authority environmental permits (England and Wales)

List with UK Permits

5.2.7. Step 7: Privacy / Personal Data Protection (Making a business website)

The Data Protection Act 1998 (c 29) was a United Kingdom Act of Parliament designed to protect personal data stored on computers or in an organized paper filing system. It enacted the EU Data Protection Directive 1995's provisions on the protection, processing and movement of data.

Under the DPA 1998, individuals had legal rights to control information about themselves. Most of the Act did not apply to domestic use,[1] for example keeping a personal address book. Anyone holding personal data for other purposes was legally obliged to comply with this Act, subject to some exemptions. The Act defined eight data protection principles to ensure that information was processed lawfully.

It was superseded by the Data Protection Act 2018 (DPA 2018) on 23 May 2018. The DPA 2018 supplements the EU General Data Protection Regulation (GDPR), which came into effect on 25 May 2018. The GDPR regulates the collection, storage, and use of personal data significantly more strictly.

5.2.8. Step 8: Insurance

Business insurance policies

You are legally required to have Employers' liability insurance

Once you take on your first employee, you are required by law to take out employers' liability insurance. This will protect your employees if they fall ill or are injured in the course of their work. Your insurance certificate must be displayed where your staff can see it.

You don't need employer's liability insurance if your limited company has just one employee, who owns 50% or more of the share capital (i.e. you). If you are a sole trader and do not employ anyone, or you only employ close family members, you should also be exempt.

Even if you don't have any full-time employees, and just occasionally hire staff or use temps or seasonal workers, you must take out cover.

You can be fined up to £2,500 per day if your business doesn't have a suitable employers' liability policy. The size of the potential fine dwarfs the cost of cover so it's not something you should delay.

Public liability insurance

Public liability insurance is not required by law, but if members of the public come to your premises, or could be hurt in any way by something your business does it's probably a good idea to have cover.

Depending on the type of business you are in, you might find that some organizations will require you to have public liability cover before giving you a contract or allowing you to operate on their premises. For example, if you have a stand at a market, or attend a fair to sell your wares, the organizers may demand you have public liability insurance before they will allow you to attend.

A public liability insurance policy will cover you for any damages claimed, plus legal representation. You'll find more details in our dedicated guide; What is public liability insurance? – A guide for businesses.

Buildings insurance for your premises

If you own your own commercial premises, you must protect them, just as you do your home. At the most basic level, this means a business buildings insurance policy which will cover any damage to your premises in the event of a fire, flood or some other catastrophe. Although, it's not obligatory, it makes sense to take out cover for fixtures and fittings and any stock you might have on your premises. Most commercial property insurance policies will allow you to include these options along with the basic buildings insurance.

Motor vehicle insurance

If you operate company vehicles, you must have at least third party insurance, and preferably fully comprehensive. Remember employees are less likely to look after their company vehicle, so you may find yourself claiming on your policy more often than you would expect to with a private car.

Industry-specific insurance policies

If you are part of a recognized profession, check with your industry body what insurance policies they insist, or recommend you hold. For example, solicitors are required to carry an insurance policy in order to practice law.

Business insurance policies you should have

Professional Indemnity (PI) insurance

Professional indemnity, or PI insurance, gives professional businesses protection against claims made by their clients, for any damage caused by professional negligence.

Many firms, particularly larger organizations, now require you to have PI cover before they will hire you. With this being common practice in many industries, professional indemnity insurance is effectively a must-have insurance for the majority of contractors, consultants and freelancers. Even if you're not required to have it by your clients, it is advisable to have professional indemnity insurance if you offer any kind of service to businesses or the public.

Director's & Officers insurance

Director's & Officers insurance covers the legal liabilities you have as a director of a limited company and any legal costs if you get something wrong. This type of cover is also frequently referred to as D&O insurance.

Employee travel insurance

If you require your employees to travel abroad, you should get them well insured with a reputable company that will look after them in an emergency. Remember to check their luggage, money and any laptop will be covered.

Product liability cover

If you make, repair or sell products, you could be held liable for any injury or damage caused by defects.

Pollution risk insurance

If you manufacture anything and there's any risk you might pollute the environment, this will cover the costs of any clean up operation, plus claims against your business.

A selection of more specific business insurance policies you could buy:

Key person insurance

If your business would grind to a halt if you, or another employee, was badly injured or killed, key person insurance will protect the business against loss of revenue while a replacement is found.

Business continuity insurance

Also called business interruption insurance, this will protect you against any disruption that could lead to loss of revenue, such as a major catastrophe. You should aim to cover events not already included in your other insurance policies, or where there will be a longer-term disruption (such as total loss of premises).

Trade credit insurance

Will pay out if you have a bad debt. Definitely worth looking at if you sell a small number of high value items.

Glass & sign cover

If you have a shop with a large window or expensive signage, it may not be covered by other policies if it's destroyed by vandals.

Plant and business equipment cover

If you rely on key expensive machinery, get it insured in case it's damaged or stolen.

Goods in transit insurance

If you shift large amounts of stock around, this will give you extra protection from accidents or theft.

Money insurance

If you hold large amounts of cash or other valuable documents, this may offer you some protection against loss or theft.

Fidelity guarantee

This cover protects your business against loss of money or stock if one of your employees is dishonest. It's unlikely to be cost effective until you have a significant number of employees.

Engineering insurance

Provides cover against electrical or mechanical breakdown of essential equipment.

5.2.9. Step 9: Management of human resources

Taking on people to help

If you take on agency workers or freelancers you have some responsibilities, for example their health and safety.

Becoming an employer

There are things you'll need to do if you take on your own

employees. You'll have more responsibilities, including:

• running payroll

• paying for their National Insurance - but you can claim an allowance to reduce your bill

• providing workplace pensions to eligible staff

5.2.10. Step 10: Patents and Brands

You'll need to register your name as a trade mark if you want to stop people from trading under your business name.

Should you choose the limited company route you are required to register with Companies House and You may need to seek specialist advice on intellectual property protection to cover copyright, trademarking, design registration or patenting.

Intellectual Property (IP) Insurance

Much of the value of many modern businesses is made up of intangible assets such as Intellectual Property. If your business is innovative and relies on any patents, trademarks or designs, you might want to consider protecting yourself with Intellectual Property insurance.