



ICAEW Business Advice Service

Prepare for success

Starting up your business:
Practical Issues





Prepare for business

Decisions you take in the early years of your business can be the most difficult as well as the most important, particularly if you are a first-time entrepreneur.

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The **ICAEW Business Advice Service** experts will help you make those crucial first steps and then grow your business with confidence.



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businessadviceservice.com

Starting up your business: Practical issues

You're ready to start your new business; you've done your research, tested your product and obtained the best advice you can. There are a few more things you need to consider before you start trading.

1. Who do i need to notify?

If you have chosen to be a sole trader you must notify HM Revenue and Customs (HMRC). You can register your business using HMRC online services.

Businesses which reach the threshold for compulsory VAT registration (this threshold is revised every tax year) must notify HMRC. However, it can be advantageous to register even if you are below the threshold. To register for VAT you must notify HMRC. Depending upon the nature of your business and whether you are operating from a business premises, there may be other bodies you should notify, such as your local authority.

If you create a limited company, you must notify Companies House, who will then notify HMRC. HMRC will send you a form that you must complete and return within three months of issue.

2. What accounting records are required?

Every business is required by HMRC to keep adequate records. HMRC does 'Records Checks' to ensure businesses comply with their requirements. Similarly, businesses registered for VAT must maintain financial records according to the guidelines given by HMRC.

If your business is a limited company, it is a requirement of the Companies Act that you should keep proper accounting records of money received and paid, of all sales and purchases, and of assets and liabilities.

HMRC requires every business which employs staff to keep proper records for Pay As You Earn (PAYE) and for the calculation of tax liabilities. All employers' payrolls are linked to HMRC using Real Time Information. In some types of business, there are additional records that have to be kept to satisfy government requirements.

If your records are inadequate in any of these areas, you could be breaking the law.

3. Should I use accounting software?

Almost certainly. If you already have a computer, using accounting software to run the accounting and management information systems can make such a big difference to your business. They provide fast and detailed information. They save you time and time is your money.

There is now a wide selection of small computers and standard accounting software which do not cost too much. It is important, however, to obtain independent professional advice on the suitability of a system for your particular business and to ensure that proper controls are provided.

4. Can I start my business by working from home?

Working from home requires considerable self-discipline and will not suit everybody. However, it is an excellent way of starting a new venture when the business proposition allows, particularly because you will incur lower overheads during the critical stage of establishing the business.

It will also allow you to claim a percentage of your property's running costs as an office. However, there is a danger that, if HMRC considers the claim excessive, it might launch an inquiry that could result in disallowed costs and an increased tax bill. There is also the possibility of a capital gains tax liability when you eventually sell the property.

If you do decide to work from home, consider notifying the following organisations.

- **Your local authority:** there may be a case for paying business rates but it is unlikely if the local authority decides that there has been no material change in the use of your house (from residential use).
- **Your insurance companies:** your contents insurance will probably need to specify any business assets such as computing equipment etc, to ensure they are covered.
- **The bank/building society** (if you have a mortgage): this is usually a formality but it is advisable in case there is a potential breach of the mortgage agreement.

5. What happens if I use my own vehicle?

That all depends on the business format you have chosen. As a sole trader or in a partnership you can bring a private vehicle into the business right from the start. But if you do, it is important to keep all your receipts for petrol, repairs, insurance etc. For tax purposes you must also keep a record of business mileage to calculate the allowable business share of the running costs.

For limited companies, it is less advisable to bring a private vehicle into the company because of the HMRC's 'benefit in kind' regulations which assess the benefit derived from the personal use of a company car together with the fuel benefit.

Business-specific vehicles such as delivery vans can be included in the business's assets and all costs recovered against the business.

Other issues will crop up as your business becomes established and grows. Make sure you're aware of everything; keep in touch with your advisers who are there to guide you.

If you need further help with starting up your business, a free initial discussion with an ICAEW Chartered Accountant is a good place to start. Visit [businessadviceservice.com](https://www.businessadviceservice.com)

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>> **Other useful websites**

HMRC Online Services
online.hmrc.gov.uk

VAT registration
gov.uk/vat-registration/when-to-register

Register a private limited company online
gov.uk/register-a-company-online

Business Tax – PAYE
gov.uk/business-tax/payee

Business rates
gov.uk/introduction-to-business-rates/overview

Prepare for business, prepare for success.

ICAEW Business Advice Service

The ICAEW Business Advice Service (BAS) provides professional advice for start-ups and owner-run businesses.

As well as practical help online in the form of white papers, short PDFs and blog articles, we enable businesses to receive an initial consultation at no charge from an ICAEW Chartered Accountant.

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 144,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

ICAEW Chartered Accountants are the biggest source of business advice, reaching over 1.5m businesses from more than 20,000 offices across the UK.



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