



SETTING UP A NEW BUSINESS

THINGS TO CONSIDER

Starting a new business can be a daunting prospect.

Before making any decisions, it is important to consider the following:

Business Structure

Sole trade, partnership, or limited company are the usual structures of choice for a new business.

The expected returns, number of initial owners/investors, and long term objectives all play a part in determining which structure is best suited to your business.

There are tax implications of changing structure once trading, so it is important to make the right choice from the start.

Consideration should be given as to how funds will be withdrawn from your business. It is important to note that funds held within a company, belong to the company, not the directors/shareholders.

Registering your new business

Once you have decided on a business structure, you must comply with the relevant registration requirements with HMRC and Companies House (if a company).



Making Tax Digital (MTD)

Tied into VAT registration is the need for businesses to be aware of MTD.

MTD is a government initiative aimed at improving tax administration.

Currently VAT registered businesses are required to submit VAT returns using HMRC-recognised software.

From April 2024, individuals with business and rental income over £10,000 per annum will be required to make quarterly reports under MTD for income tax.

Bank account

Having a separate business bank account is advisable.

Whilst it is possible to use a personal account, it becomes more difficult to track business transactions and bookkeeping becomes more complex and time consuming with having to split what is personal and what is business.

Consider whether your business account links with your bookkeeping software and how easy it is to use. Some of the newer banks have very good banking apps which allow a more user friendly experience.



MAINTAINING BUSINESS RECORDS

As highlighted above, keeping on top of your businesses transactions is becoming more and more important.

Not only does it allow better decision-making and peace of mind, but VAT and MTD compliance is making it mandatory to keep your records updated in a timely manner.

Which software is right for me?

There has been an influx of new accounting software in recent years. The move to 'the cloud' has allowed business owners the option to use more user friendly and accessible software.

Ultimately, the right software is the software that you understand, that you are comfortable with using, and that will allow you to keep track of your business.

If you are interested in how cloud software can help your business, why not check out our free Xero brochure to find out more.



TAX AND LEGAL OBLIGATIONS

Submitting a tax return (post 5th April)

Sole trade - paper return 31st October, or 31st January for electronic return

Partnership - as above for the partners, plus a partnership return by 31st January

Limited company - 12 months after financial year end

Paying tax

Sole trade and partners - by 31st January, with payments on account due by 31st July

Limited company - 9 months after financial year end

VAT returns

If you pay monthly or quarterly, the deadline for submitting a return and paying any tax owed is 1 month and 7 days after the period end.

It is important to consider which VAT scheme would best suit your business in advance of registration, preferably on the set-up of the business. Different schemes can provide benefits depending on business type and activities.

*** this list is not exhaustive and is based on deadlines for the 2022/23 year.



EMPLOYING STAFF

When employing staff, there is a list of statutory responsibilities that you must adhere to as an employer:

- Pay at least the National Minimum Wage
- Check their legal right to work in the UK
- Apply for a DBS check if necessary
- Obtain employers' liability insurance
- Issue a written statement or contract of employment
- Register as an employer with HMRC
- Check if auto enrolment in a workplace pension scheme is required

TESTIMONIAL

"As a new business owner, I knew how I wanted to operate, but was unsure of the tax and legal obligations that would be relevant to my business.

Having discussed my business plan with Martin, we talked about the pros and cons of a partnership and limited company, and decided on the structure which suited my business, lifestyle, and long-term plans.

The use of Xero makes it easy to keep on top of how the business is performing.

We have already discussed VAT schemes and which will be most suitable, and the implications of the rise in Corporation Tax and changes such as the super-deduction, and how they can be utilised, are made clear to me.

Having clarity over the financial performance of my business, and knowing tax and accounting obligations are being dealt with, really has reduced stress levels and saved my time to focus on my business."

**Alex, eCommerce business owner,
Kent**



HOW CAN I FIND OUT MORE?

Visit our social media pages on LinkedIn and Facebook for more on how Xero is used in practice.

Sign up to our monthly newsletter (see the banner on our homepage) for regular accounting tips and news.

Contact us at admin@roakeandcook.co.uk or call us on 01227 788086 to discuss how we can help your business.

