

THE ENTREPRENEURS
**BUSINESS
START-UP
GUIDE**

A USEFUL GUIDE
FOR THOSE
THINKING OF
STARTING A
BUSINESS

Written by

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BUSINESS START UP GUIDE

A useful guide for those thinking of starting a business

About the Author

The Entrepreneurs Mentor, Mike Foster, is a mentor, speaker, author and business growth adviser helping business owners to consider, start up, develop and grow their own business and achieve success as by their own definition.

Having worked in the start-up market for nearly 20 years, Mike has been studying the start up market, the types of business and the different business owners. He truly understands what contributes to success and how so many fail despite their hard work.

In the late 1990's, Mike was an area manager for Barclays in Oxfordshire with a team of business start-up managers. He later joined a leisure company start-up that was breaking away from the local district council, before starting many of his own successful start-up businesses in 1999. In 2007, his company were asked to run the 'Be Your Own Boss Club' on behalf of Business Link (MKOB) for new business start-ups or those thinking of running their own business.



Then in 2013, Mike sold his businesses and in 2014 was working with the Institute of Certified Bookkeepers to develop a programme for their members in business.

Mike is a respected mentor and a motivational character to inspire your action. He is committed to 'making it work' for you, your team and your customers. He is also an accredited Growth Voucher Adviser and Growth Coach with GrowthAccelerator.

Mike is an active speaker on a range of topics including marketing, finance, business development and business start-up. He is also the Co-Producer of the DVD, www.startyourownbusinessdvd.co.uk

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Business Start Up guide

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Are you ready to start up?

Starting a new business is both exciting and rewarding, but it is also full of challenges. The level of commitment that you will need should not be underestimated.

The success of your business will partly depend on your attitude and skills. This means being honest about a range of issues - your knowledge, your financial status and the personal qualities that you can bring to your new business.

Dedication, drive, perseverance and support from family and friends will go a long way towards transforming your business idea into reality and will be especially important during the early days.

This guide will help you decide whether you have what it takes to set up a new business. It also provides a look at the day-to-day reality of starting a business and outlines the skills and qualities that you will need.

KEY CONSIDERATIONS

The day-to-day reality check

- Personal sacrifice
- Financial insecurity
- Loss of company perks
- Pressure on close relationships
- Isolation

The entrepreneurial quality check

- Self-confidence
- Self-determination
- Being a self-starter
- Judgement
- Commitment
- Perseverance
- Initiative

Business skills check

- Financial management
- Product development
- People management
- Business planning
- Marketing skills
- Customer/supplier relationship management
- Sales skills

Setting up your own business requires your full commitment. The physical and emotional demands of starting up in business should not be underestimated. Starting a business is a life-changing event and will require hard work and long hours, especially in the early stages. There can be times of financial uncertainty and this may have a knock-on effect for both you and your family. Setting up your own business means that you will no longer be able to take advantage of the usual benefits associated with a permanent job. Your family and friends should be aware from the outset of the effect starting up a business will have on your life and it is crucial that they are right behind you.

Research has shown that there are certain qualities commonly found amongst successful business people. A typical entrepreneur will have many of the qualities mentioned in the check list on the left.

As a business owner you need core skills to execute your ideas to ensure that your new business survives in the long term. You should start by assessing your own skills and knowledge. This will help you decide whether you need to learn new skills or draw on outside help by delegating, recruiting or outsourcing.

What is your motivation?

What has made you decide to work for yourself?
What are your motives?

KEY CONSIDERATIONS

Thinking about your motivations can help you think about the goals you are setting yourself and provides a measurement for success as defined by you and not others looking in to your business.

Success means different things to different people.

You need to define it for you to help find the ways to achieve it.

Knowing your true motivation can also help you make key business decisions in the future.

Some motives that may help your thoughts:
I want / need to:

- earn enough money to pay a mortgage
- earn enough money to support my lifestyle
- provide for a family
- have a healthier lifestyle
- earn enough to save money as a nest egg
- have job security
- have a job that allows me to develop new skills
- a sense of achievement
- exploit a gap in the market
- have freedom and flexibility during my working day
- work different hours
- be my own boss
- achieve something in my community
- produce an excellent product
- deliver exceptional service
- be respected by my family and friends
- be seen as successful and respected in the business community
- influence the environment
- employ others

What form of business should you choose?

The legal form your business takes can have significant implication on your personal risk in the business as well as your potential for financial returns. Your choice of structure will largely determine how your business income will be taxed.

Sole trader - If you operate as a sole trader, you and your business are legally inseparable.

- Advantages: - Sole control therefore straightforward decision making, fewer restrictions over withdrawal of monies.
- Disadvantages: - Personally bear risks and liabilities of the business.

For taxation purposes, as a sole trader business profits will be taxed alongside any other personal income. You will be required to pay a flat rate of Class 2 National Insurance and will pay income tax, as well as Class 4 National Insurance, at a percentage on the taxable profits of the business.

In terms of accounting, you will need to submit an annual self assessment return to HM Revenue and Customs and will need to keep accurate and up-to-date records of all business transactions and accounts.

Partnership – This is where two or more persons act as co-owners of the business. Similar to a sole trader, there is no legal separation between the business and the partners.

- Advantages: - Share the risks and liabilities with the other partners, diversity in terms of individual's attributes and what can be brought into the business.
- Disadvantages: - Share the business profits with the other partners, often disputes between partners, can be held personally responsible for another partner's negligence or carelessness.

For taxation purposes, business profits are shared in accordance with the partnership agreement and each partner is taxed on their proportion similar to that of a sole trader.

Limited company – is a legal entity in its own right. Individuals own shares in the company by which they can exercise control. As a separate entity, the company is taxed separately.

- Advantages: - Indefinite existence as the company can continue beyond the lifetime of any one member, the company bears its own liabilities therefore protecting the owners, bringing people into the business through the medium of a limited company can be much easier.
- Disadvantages: - Additional requirements in terms of administration and deadlines, company information publicly available on Companies House.

The company is liable to Corporation tax on its profits at a published percentage. Potentially monies may be withdrawn by the company owners through salary and/or dividends which will be subject to tax and National Insurance on the individual. There is potentially tax planning opportunities available to individuals in terms of how they structure the withdrawal of funds.

Whom to inform at start up

Self employed/Partnerships

When setting up as a sole trader or partnership you must register with HM Revenue and Customs.

You will need to ensure that a separate business bank account is opened. Further information on this is available later in this guide.

If your turnover exceeds the annual VAT turnover threshold (see current) over any twelve month period then a VAT registration form will need to be completed. You may also wish to become VAT registered on a voluntary basis.

Should you have employees, HM Revenue and Customs will need to be notified and a PAYE starter pack will be issued.

KEY CONSIDERATIONS

Checklist

1. Taxation office
2. National Insurance
3. Bank account
4. PAYE scheme required?
5. VAT registration

Limited company

- Companies House registration
- Annual Return

This is not an exhaustive list, as there may be other registrations that your specific business may need to consider such as:

- Health & Hygiene
- Health & Safety
- Property related (rates, licences, fire etc)
- Data protection

Many of the forms can be downloaded from our web site

Limited companies

Once the Limited company is set up, this automatically informs Companies House and HM Revenue and Customs of the company's existence. A form will be sent by HM Revenue and Customs requesting details of the company such as dates of when the company intends to commence trading.

A company bank account will need to be opened. Further information on this is available later in this guide.

If your turnover exceeds the annual VAT turnover threshold (see current) over any twelve month period then a VAT registration form will need to be completed. You may also wish to become VAT registered on a voluntary basis.

Should the company have employees, HM Revenue and Customs will need to be notified and a PAYE starter pack will be issued.

As a Limited company, Companies House require an Annual Return form to be completed each year, in addition to your annual accounts.

Writing a business plan

Fail to plan then plan to fail? Your business plan is your blueprint for success. It is not a document that is only written when requested by a third party like your bank manager. It should be a live document, capturing your business idea, vision and plans that you should then revisit on a regular basis.

A good business plan will bring together all those ideas buzzing around inside your head in a logical way whilst committing your ideas to paper. In preparation, it will fuel your idea, take you through a thought provoking process and help you identify the areas that you need to consider more carefully.

To help you complete your business plan, you will find many templates available.

THE STRUCTURE OF YOUR BUSINESS PLAN

In preparation, always note your initial thoughts on paper before drawing all the information together covering the following key areas

- Business summary
- Business description
- Market analysis
- Products & services
- Market strategy
- Management plan
- Financial data

Prepare your plan and review this on a regular basis as a live working document.

One key element of effective business planning is to seek a third party opinion. This should not be a friend or family member, as they always see the good and will not always be prepared to challenge an area they should.

The level of detail in your business plan will depend on the nature and size of your business plus the time and effort you are willing to put into drawing it up. The most effective business plans make it clear what the business will focus on, identifies the financial implications of the business and helps overcome problems before they arise.

Remember to be realistic rather than optimistic when making assumptions, particularly financial projections. When you make such assumptions, remember to make a note of these so you recall at a later date how you had forecasted such information.

The review of your business plan is a critical stage. Are you achieving the financial forecasts that you set yourself? Does your product or service look like you initially visualised or have you forgotten a key element? This review enables you to be aware and take action.

A good, well considered plan is one of the cornerstones of a successful business.

Have you completed a SWOT analysis?

A SWOT Analysis is a powerful tool for understanding your **S**trengths and **W**eaknesses, and for looking at the **O**pportunities and **T**hreats you face. The areas you will consider provide an excellent basis for reviewing your business strategy and the future direction of an established business or a new proposition

By undertaking a SWOT analysis you REALLY get to know your own business.

What makes SWOT particularly useful is that the process can be undertaken by an individual or by a group. With focused thinking you will identify your main strengths and form your strongest 'unique selling points'. It will also uncover opportunities that you can look to take advantage of now and not later. You will also better understand the true, revealed, weaknesses of your business, so you can manage these and eliminate threats before they are harmful.

KEY CONSIDERATIONS

Internal

- **Strengths:** attributes of the organization that are helpful to achieving the objective.
- **Weaknesses:** attributes of the organization that are harmful to achieving the objective.

External

- **Opportunities:** *external* conditions that are helpful to achieving the objective.
- **Threats:** *external* conditions that are harmful to achieving the objective.

1. How can we **U**se each Strength?
2. How can we **S**top each Weakness?
3. How can we **E**xploit each Opportunity?
4. How can we **D**efend against each Threat?

When reviewing each area, consider all elements of the business from finance and management to production and marketing.

Strengths:

- What advantages do you have or what do you do better than anyone else?
- What do people in your market see as your strengths?
- What factors mean that you "get the sale"?

Weaknesses:

- What could you improve?
- Are there areas you should avoid?
- What are people in your market likely to see as weaknesses?
- What factors lose you sales?

Opportunities:

- Where are good opportunities for you?
- What are the interesting trends you can maximise?

Threats:

- What obstacles do you face?
- What is your competition doing that you should be worried about?
- Is changing technology threatening your position?
- Are political or environmental decisions likely to impact your business?
- Could any of your weaknesses seriously threaten your business?

Is there really a market for you?

Good market research reduces your risk with key decisions that you will need to make about your business. It will save you many hours of worry and pain, whilst you effectively plan the direction of your business based on factual information.

All successful businesses have a close understanding of potential and existing customers and the marketplace they work in.

This knowledge allows you to target customers, identify new opportunities, effectively sell and importantly compete with other suppliers. Performing market research on potential customers and your competitors will help you understand how to make a difference.

KEY CONSIDERATIONS

Primary research

Your own specifically designed research – test & refine

- Questionnaires
- Interviews
- Focus groups
- Product tests
- Test marketing

Secondary research

Information that exists

- Published information and statistics
- Observation
- Mystery shopping

Business

- Size
- Sector
- Buying patterns
- Decision maker

Personal

- Gender
- Age
- Occupation & income
- Lifestyle
- Attitude
- Social class

The research should cover a number of key questions for your business but, as a minimum, to establish that there is a market for your type of product / service and that the market would buy from you based on your unique selling points.

When asked, many business start ups will say they have undertaken Market research. However, when this is explored further it is usually with family and friends who repeat what a great idea it is and of course they will buy from you! Some have also established numbers from the local census that the population is X,000's, however they have no idea if they will actually buy from them.

As an example, try to establish:

- ❑ who are your potential customers – define the type that will buy
- ❑ how many potential customers are there are in your catchment area
- ❑ how much are they prepared to pay
- ❑ Do they already buy your kind of product or service from your competitors – if yes, why?
- ❑ How best to let them know what you have for sale. What competitors do?
- ❑ what do they want from your product or service or what would encourage them to buy from you – benefits, value to them?
- ❑ Which competitor has the largest market share and why?
- ❑ Is our offer clear to the buyer?

Pricing your product or service

Pricing decisions are critical for your business. What you charge will affect how many sales you make, determine the profit achieved and usually whether your business can survive.

Many new businesses price their business by calculating their costs and adding a margin that provides for their desired lifestyle. Others price their business lower than their competitors in the belief it will open doors. Neither of these take into account the customer or the market gap, whilst limiting profit potential.

KEY CONSIDERATIONS

Your price should cover:

- Forecasted volume
- Production cost – fixed and variable
- Delivery cost
- A perception of value or unique offering
- Payment terms
- Profit margin - reward

Pricing tactics

- Discounting
- Special offers / promotions
- Odd value pricing such as £x.99
- Loss leader
- Skimming – unique, high
- Penetration – low, for market share, high volume

Pricing level?

What your customers are prepared to pay!

Consider impact on:

- Volume
- Profit per sale

As a good guide, you must be aware of what your competitors are charging, but this should not be the sole basis of your chosen level.

Pricing is also a marketing issue.

Your pricing level will impact on the potential customers' perception. Simply setting a low price is not the answer. If you are too cheap, they may believe quality is poor or you are desperate for business.

In addition the incorrect pricing at start up, especially if too low, is more difficult to amend in the future.

However, if you charge too much, then they may choose your competitor. If you plan to charge a higher price than your competitors then you need to answer the possible questions:

- Does the product have a genuine advantage?
- Do you offer a real unique benefit that customers will pay for?
- Are your customers motivated to pay a premium price?
- Is the added value you provide clear to the potential customer (eg after sales care)?

Service businesses that charge an hourly rate will usually calculate a minimum price based on the number of hours the fee earners can work (allowing for holiday / sick pay) and the desired return for that period.

We suggest that you use your market research to identify what your product or service is worth to the customer and the price level they are prepared to pay.

Considering how to promote your business

You will have heard the saying 'people buy people' so you should always be aware that you are selling yourself as much as the product or service when promoting your business.

Effective promotion of your business is planning and taking action with a range of marketing activities which sell you and your product or service.

Every business has 4 key planning steps:

1. Analyse your market, the competition and your own business.
2. Plan your strategy (long term – need to achieve, timeline, goals) and tactics (short term – who, what, where, when, how, why).
3. Take action and make a difference – meet & interest people, raise awareness, mix up your marketing activity and sell, sell, sell to solve the buyers problem.
4. Test and measure – what's working? Are you selling to the planned market? Are you achieving the financial results? Additional research required?

KEY CONSIDERATIONS

Marketing strategy

- What's your vision?
- Know your market.
- What is unique about you?
- What is your position in the market?
- Target your market.
- Put customers first.

The 4 P's or the '**marketing mix**' is made up of:

- Product
- Price
- Place
- Promotion

Sales success

- Know the true benefits of your product / service.
- Plan, plan, plan.
- Listen and ask questions.
- Show empathy.
- Expect, even invite objections.
- Ask for the business.
- Close the sale.

Some activities for your possible actions:

Networking

Word of mouth is most powerful and good relationships lead to referrals. Identify who can 'influence' sales and focus on networking with them and their sphere of contacts.

Web site

Decide what presence you want, brochure or e-commerce sites, but consider maximising this growing area. eg links, pay per click

Further online marketing

It is no longer just about having a web site, but how do you drive visitors to your pages. Newsletters, emails, promotions, social media. Can you offer something for free in return?

PR

Good press relations are critical and is much more than just writing a good press release.

Advertising

There are many types of media including press, radio, TV and internet. Always measure the return by coding your adverts and consider cost vs expected return. Can be effective for creating brand awareness.

Direct marketing

Target with a more personal message. More of a blanket approach such as mailshots, leaflet drops, publication inserts, telemarketing.

Business cards and stationery, Direct personal selling, Exhibitions / seminars, Point of sale material, Branded gifts.

Growing your business

As you develop your business, you will find the urge to grow the business further. This will be either because the market is growing fast or as you need to generate some growth to stop your business stagnating because, as a business you are always moving, it is either forward or backwards!

Everyone likes the sound of business growth, but make sure the profit growth is going in the same direction as the sales turnover growth.

At the start up stage it is important that you have systems and controls in place to maximise the growth of your business or there is a danger that profits may be eroded as quickly as the sales growth. How will you manage the increased business? Will you need more staff? Will you need different premises?

KEY CONSIDERATIONS
Leads X
Conversion X
Transactions X
Value X
Margin X
Referrals X
Lifetime
= Growth

7 steps for business growth

Increase the number of leads. How effective is your marketing? Can you change or improve the number of enquiries received?

Improve your sales conversion rate. How clear is your unique selling point when you are in a sales meeting? Test different approaches to maximise the conversion of those leads generated to actual sales.

Increase the average number of transactions (sales) a customer makes in a year. Can you make additional cross sales to your client base?

Raise the average value of each transaction Review your pricing and look at opportunities to increase your prices.

Improve the profit margin Review your resourcing and look at cost savings.

Increase the average number of referrals Do you have a referral strategy that proactively seeks referrals of new clients? If so, how effective is it?

Extend the average number of years that a customer buys from you. What is your retention policy to increase the buying lifetime of a client?

Financial records

Maintaining proper accounting records is vital in terms of monitoring how well your business is doing. Ensuring you are paying the correct amount of tax is a legal requirement when trading as a limited company or some other legal entities.

A good financial accounts system will include receipts, payments, invoices, bank statements, till receipts (where applicable) all of which should be kept in a tidy manner with a cashbook and daybooks maintained.

Many software packages are available to help maintain the company's financial records. The system you choose does not have to be a software package and many business owners use excel spreadsheets or even manual records. Your choice will depend how much information you want to obtain from your records and we are happy to help you make the right choice.

KEY CONSIDERATIONS

To include:

- Day book (ins & outs)
- Sales invoice template
- Sale invoice file
- Purchase invoice file
- Bank statement file
- Petty cash book
- Credit card management
- Asset register
- VAT returns
- Other records personal to your business

Software packages are available to help maintain the company's financial records.

A good financial system will be able to tell you how profitable your business is and easily track monies owed to you or the liabilities you are due to pay.

For VAT purposes, accounting records should be prepared in order that VAT returns may be completed.

A good practice is to complete a regular bank reconciliation, so you are aware of cheques issued or credits received that have not yet been banked, resulting in a true bank balance.

A good financial system with accurate accounts will always save you money, as there is then less corrective work by your accountant.

After your financial year end, returns will be required and accurate tax calculations made. You should seek the support of an accountant if you are not qualified in this area.

Records should be maintained for a period of 6 years after the year end has passed.

Choosing a bank account

This is not a decision to take lightly. The need to make a change of bank accounts is time consuming and can be disruptive for a business once it is established. Getting it right first time is important.

Do your research, as with any supplier of services – ask business acquaintances, friends, accountant contacts, business and finance advisors for their recommendations.

KEY CONSIDERATIONS

- ❑ What do I really want from my business bank?
- ❑ Number of local branches available and their opening hours
- ❑ Convenience – on-line banking
- ❑ Range of services on offer
- ❑ Price of those services
- ❑ Accessibility and availability of manager and support team
- ❑ Quality and speed of service
- ❑ Speed of decision making and consistency
- ❑ Confidentiality
- ❑ Confidence in the people who are handling my business affairs

Visit different banks to test the quality and level of service offered at the time of your visit. Prepare a list of questions that cover the main business banking issues you will have with your business.

The first point of call for a start-up business is often the proprietor's personal bankers. It is usually sensible to split these two banking needs – ie "not put all eggs in one basket". On the other hand, if you have a good track record with your existing personal bank this may assist you with securing finance, if required.

Business customers pay bank charges. Ask for a copy of the bank's current tariff. Most banks will offer small start-up businesses commission free banking for a period. If it is not offered, ask for it. We all know that price is not everything, but it is key issue.

The accessibility and availability of a dedicated and trained business manager could be more important for growth businesses. Will the manager responsible for your account be locally based or in a different county? Can you meet the manager who will be responsible for your account? A good close working relationship with a supportive bank manager is vital to the success of any business. Make sure you work and develop this relationship. Take time to ensure the manager understands your business and your aspirations – it will pay dividends in the long run.

The business banking sector in this country is highly competitive and there is no need to settle for a level of service and price that you are not totally satisfied with.

Keeping track of your finances

- Budgets, forecasts, breakeven

If you do not have a plan to achieve, how will you know when you have done so?

As well as preparing your annual accounts you may also want to prepare budgets and forecasts in order to monitor the business financially and for analytical or comparability purposes.

Annual accounts are prepared after the year end and are therefore not always useful for planning purposes. Some business owners choose to have regular management accounts produced in order to keep on top of profitability and for planning purposes. Then they also have no surprises at the year end!

KEY CONSIDERATIONS

Phrases used in planning

Opening Balance - This figure is the ending balance of the previous month

Total Income - This is the total income figure for the month, both sales & other income.

Total Outgoings - This is the combined total of the outgoings. Usually split between direct costs and overhead expenses.

Net Cashflow - This is the difference between the total income and the total outgoings.

Ending Balance - This is the balance at the end of the month. This figure is obtained by adding (or subtracting if it is a negative) the net cashflow to the opening balance of the month.

Budgets and forecast plans are not just for the bank! They should be 'live' documents that you are working with on a regular basis.

Profit forecasts are used to plan the performance of your business. From start up to growth or survival, the forecast tells the business owner what has to be delivered to achieve the overall performance. This may be a sales target or perhaps a cost budget?

Cashflows are a useful tool to monitor the availability of cash within the business. Cash is the lifeblood of any business and it is therefore vital to know that your business will have enough cash to pay its creditors and expenses when they fall due. Cash is king!! It is like the oil in a car engine, no matter how powerful your engine is, if the oil runs dry the engine seizes up. Cash in a business is exactly the same, no matter how profitable it is, you cannot run dry! A cashflow forecast is usually projected over a period of 6 or 12 months, although you can look at shorter periods if necessary.

The cashflow budgets for when the expected actual cash spend or cash receipt is expected. For example, a telephone bill is received and paid quarterly but is for a service that is used monthly.

We recommend you calculate your Breakeven point. This is the minimum sales required over a period of time to meet all your fixed and variable costs.

Tax explained

Self employed/Partnerships

A self assessment tax return is required by HM Revenue and Customs for each tax year ending 5th April. The return must be submitted by the end of the following January. Income, profits and other investment information is included. Income tax is calculated and is paid to HM Revenue and Customs by the deadline of the 31st January following the tax year.

- *Class 2 National Insurance* – This is a flat rate payable by self employed persons. This is paid directly to HM Revenue and Customs.
- *Class 4 National Insurance* – Where profits are over a certain limit, self employed persons are liable to Class 4 NI. This is calculated on completion of the individual's self-assessment tax return and is paid across to HM Revenue and Customs for each tax year in the subsequent January.

Limited companies

Corporation tax – A limited company must complete an annual company tax return form CT600. The company is taxed on its profits with Corporation Tax payable 9 months and 1 day after the end of the company's accounting period. Where shareholders receive dividends from the company, they will be taxed on this as part of their self-assessment.

VAT

VAT is a tax on turnover, consumption and on imports of goods from inside and outside the EU. When registered for VAT, this must be charged on all taxable sales at the applicable rate. Depending on the scheme, VAT returns will need to be completed on a regular basis which in most cases is quarterly. The return includes all VAT that has been charged to customers less VAT on purchases during the period. The net amount will then need to be paid to / from HM Revenue and Customs. Cash accounting and annual accounting methods may be applicable.

PAYE

PAYE (or pay-as-you-earn) is a payroll deduction system in which tax is deducted from a person's income when paid by the employer. The amount withheld is determined by a tax code which applies the taxpayer's individual tax liabilities.

The employer is responsible for calculating the employees' PAYE and National Insurance at the appropriate percentage and must pay this across to HM Revenue and Customs by the 19th of the following month. The employer is also liable to Class 1 National Insurance on amounts over the earnings threshold. Real Time Information (RTI) processing produces the information that is required by HM Revenue and Customs whom reconcile PAYE/National Insurance deductions to amounts that have been paid.

Employee Benefits

Where an employee or director is provided with benefits from the business e.g. a company car, this must be disclosed on an annual form P9D/P11D. The benefit will be taxed on the individual as employment income and the employer is liable to Class 1A National Insurance. The P11D's and covering P11D(b) must be submitted to HM Revenue and Customs and the relevant amount of Class 1A paid across by the 19th July following the tax year.

Major types of Business Finance

- Conventional bank finance – overdrafts, commercial mortgages, business loans, commercial investment mortgages
- Asset finance – hire/lease purchase, finance lease, operating lease, contract hire, sale and leaseback
- Invoice discounting and factoring
- Equity finance
- Private investors – business angels
- Grants and rural support schemes

KEY CONSIDERATIONS

- ❑ Speed of decision
- ❑ Price – interest rate and fees
- ❑ Security required
- ❑ Convenience
- ❑ Flexibility
- ❑ Quality of service
- ❑ Knowing who to speak to
- ❑ The right type of finance for the transaction
- ❑ Business gearing
- ❑ Interest cover
- ❑ Credit history
- ❑ Getting professional advice

There are numerous types of business finance available from a whole variety of lenders, but as a start-up business the normal means to raising finance involves a bank.

Preparation is part of the key to success in raising bank finance and securing the right price for the transaction. A well prepared and structured business plan with professional input is invaluable.

Independent assistance in raising finance will ensure banks/lenders offer their best price for a transaction as they will know that they are in competition with other providers.

Asset finance can play an important part in the funding of any business. By borrowing on loan from your bank for say the purchase of a vehicle, which could be financed on lease purchase, this could potentially impinge on your ability to increase overdraft facilities to support your business's growing working capital requirements.

Invoice discounting and factoring play an important part in funding the working capital needs of many businesses by immediately advancing monies up to 85% of an invoice value. You do not have to wait 60+ days to get paid and therefore your business cashflow is under control, which is vital in the early growth stage.

Variable rates, fixed rates, caps and collars; there are numerous interest rate products to consider. With expert advice the terms and funding types need not be confusing. Getting the finance structure of your business right needs thought and care.

Other considerations

This guide has been designed to give you an overview of the considerations you need to make at start up.

Other areas that require more specific consideration are detailed below:

Business insurances

Employers' liability, motor insurance, public liability, buildings & contents, product liability, professional indemnity, key person cover, legal expenses, business interruption, portable equipment, business money, goods in transit, loss of stock.

Legal considerations

Partnership or company legal documents (eg partnership agreement), Premises requirements, Trading terms & conditions you can rely on, employment law, protecting your ideas with patents and trademarks, dealing with regulations specific to your sector, checking a franchise agreement, bad debt recovery.

Hiring people

The job description, person specification, effective interview technique, contract of employment, staff induction, staff handbook, appraisal system, training & development, your employees' rights, disciplinary & grievance procedures, identifying and protecting key people.

IT matters

What software do you need to do your job and deliver customer promise, record your accounts information and manage customer relationships? Consider your hardware set up for your full requirements now & also planning for the future. Review your IT security and system integration potential. Keep your data safe with regular back ups on disk or online. Consider your risk management and the need for IT support. Data protection registration?

Premises

Use of home, rent or buy, responsibilities, planning consent, building regulations, fire protection, disabled access, smoking laws, environmental concerns, security and crime prevention, flood planning.

Health & Safety

Minimum standards, risk assessment of hazards, communicating your policy to staff, first aid box, provision & accident reporting, signs & notices, day to day management and records, registrations.

Exit strategy

Plan your exit from day one – if you do not know what you want to achieve how will you achieve it? Get the timing right.

Consider the need to groom successors and how to exit at your chosen time.

Options include: Family succession, selling the business, flotation of the business, merger, close down the business.

Useful resources for your business

Chamber of Commerce

020 7654 5800

www.chamberonline.co.uk

Companies House

0870 33 33 636

www.companieshouse.gov.uk

DirectGov

www.direct.gov.uk

Federation of Small Business (FSB)

01253 336000

www.fsb.org.uk

HM Revenue & Customs (HMRC)

0845 915 4515 Newly self employed

0845 010 9000 VAT, customs, excise

0845 607 0143 New employer helpline

www.hmrc.gov.uk

Health & Safety Executive (HSE)

0845 345 0055

www.hse.gov.uk

Finance South East

01344 758 540

www.financesoutheast.com

Telephone Preference service

www.tpsonlione.org.uk

Fax Preference Service

www.fpsonlione.org.uk

Mailing preference service

www.mpsonlione.org.uk

Data Protection registration

www.ico.org.uk

ACAS (Advisory, Conciliation and Arbitration service)

08457 47 47 47

www.acas.org.uk

We hope that you find our
business start-up guide useful.

**We wish you every success
with your business.**

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YOU TO START
AND GROW
YOUR OWN
BUSINESS**

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