

Starting and Running Your Business

Four Simple Steps to Business Success: Workshop 3



Who's this workshop for?

- **You're new to business:**
 - You're about to start your business.
 - You're wondering about starting a business and would like to find out what's involved in setting it up.
 - You've recently started your business and want an early check on what else you might have done.

What this workshop is about

- Taking a step back
 - Research and planning
- Understanding what is needed to start a business
 - Types of business and legal structures
 - Income tax and VAT
 - Branding, naming and ‘intellectual property’
 - Ways of working and organising yourself
 - Complying with the law
- Giving you the tools to develop an action plan to get your business started
- Finding out about further support

Your Action Plan

Simple Steps to Business Success Action Plan

Date: _____ My Name: _____

Course Name	What I will START doing	What I will STOP doing	What I will CONTINUE doing
Being Your Own Boss			
Business Plan Bootcamp			
Starting and Running Your Business			
Marketing and Selling			

Introduce yourself

- You
- Your business or job
- One thing that's great about what you do
- What you hope to learn from this workshop



New Enterprise Allowance

- Free Workshops (Four Simple Steps to Business Success)
- Initial meeting with 'Enterprise Facilitator'
- Personal Business Mentor (one to one or group format)
- Support with business planning
- New Enterprise Allowance payments
- Optional business loan up to £2,500
- Sign posting to further sources of support



New Enterprise Allowance Process

1. Attend the Workshops

2. Initial meeting with 'Enterprise Facilitator':

- Offer to match you with a mentor (individual or group) OR
- Further research, development and support

3. Business Planning

- Mandatory business plan within 8 weeks of meeting your mentor
- Financials: Personal Survival Budget, Cash flow forecast (1 year cash flow without loan or 2 years cash-flow if applying for the loan), Profit and loss forecast
- Submit to WYEA for review and approval

4. Start Trading

- Max.13 weeks after business plan acceptance to start business, sign off JSA and onto NEA
- Talk with Mentor as required e.g. every month
- After 26 weeks NEA finishes (and possibly other benefits as well)





Do yourself a favour. Do proper market research and business planning.

LOOK BEFORE YOU LEAP

Taking a Step Back

- Working on your business instead of in it:
 - Do you know what you want to achieve for yourself?
 - Do you have clear goals?
 - WS1 Be Your Own Boss: Goal Setting



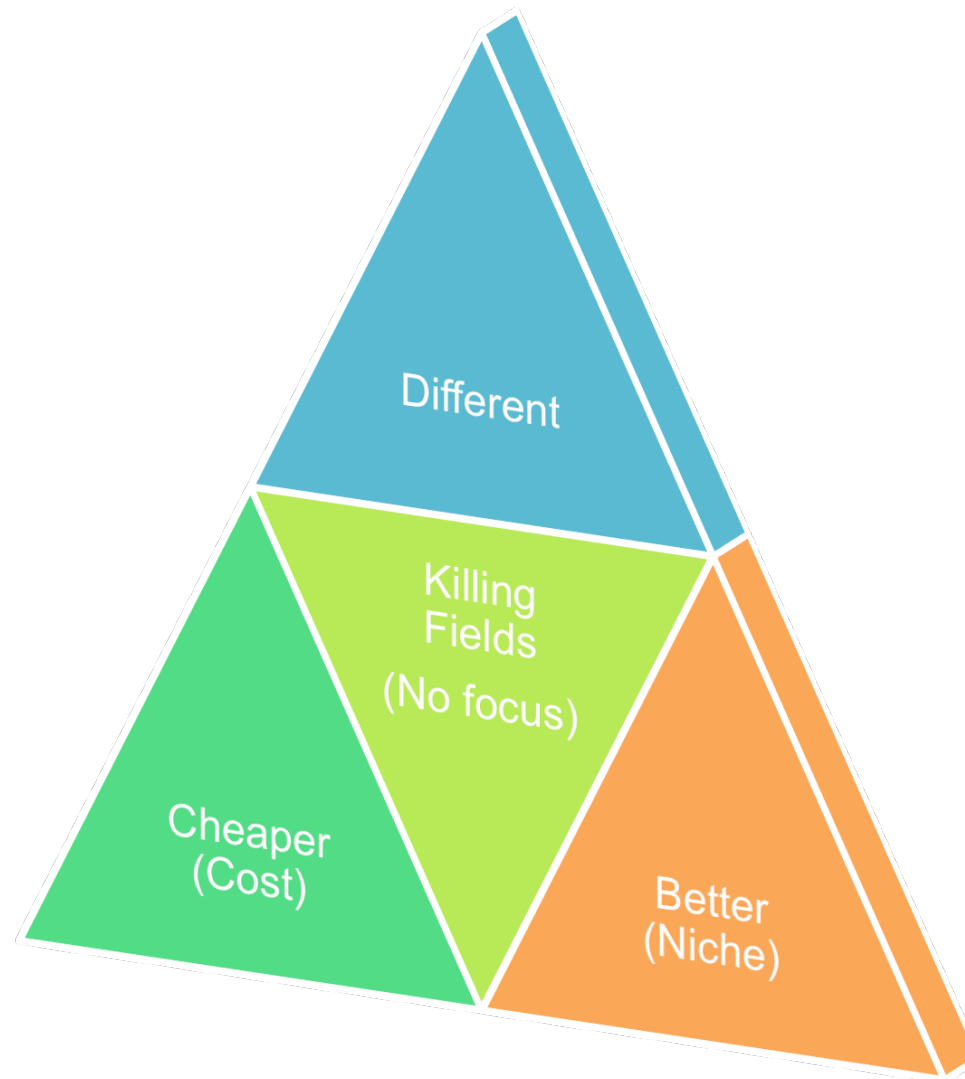
Researching Your Idea

What do you need to know about:

- The market place?
- Customers?
- Competition?
- Prices?



It's a competitive market



S.W.O.T. Analysis

Internal

Strengths

- Niche product
- Excellent location
- Low overheads

Weaknesses

- Low profit margins initially
- Problems recruiting skilled staff

Opportunities

- Biggest competitor gone out of business
- Target a new and growing market

Threats

- Biggest competitor just moved into town
- Economic pressures to keep prices low

External

Your Business Plan

- Why is a business plan important?
- Your business plan should reflect your business as you envisage it.
- It will change and evolve with knowledge and experience and should be reviewed regularly



Business Plan Contents

- **Overview**
 - Description of your business idea
 - Outline of your business and personal aims and objectives
- **People and Premises**
- **SWOT analysis**
 - you and competitors
- **Marketing**
 - Research, products and services, pricing, promotion / advertising
- **Financials**
 - personal budget, start up cash ('capital'), profit & loss, cash flow forecasts

Can you foresee any
issues with your
business plan?





Do yourself a favour. Do proper market research and business planning.

STARTING UP YOUR BUSINESS

Common Business & Legal Structures

- Which legal structure to choose?
 - Sole Trader
 - Partnership
 - Limited Liability
- Social Enterprise



Income Tax and N.I.

Income Tax and National Insurance (NI) are based on net profit

- **Sole Trader**
 - Your allowable expenses deducted from your income
 - Class 2 and Class 4 National Insurance Contributions (NICs)
- **Partnership**
 - Assessed for Income Tax to your personal circumstances
 - All Partners must pay NI in the same way as Sole Traders
- **Limited Company**
 - The Owner/Director takes wages and pays Tax and NI through PAYE
 - The Company pays Corporation tax on its profits

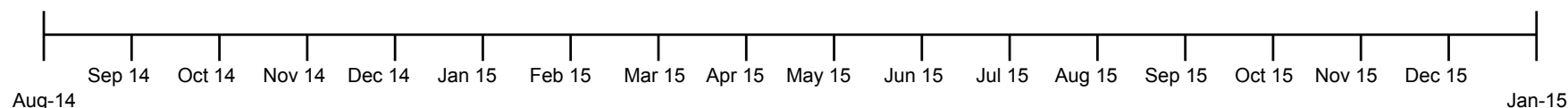
Value Added Tax (V.A.T.)

VAT is based on business income (turnover), i.e. sales

- You are obliged to register for VAT if your turnover exceeds the threshold in any 12 month period
- You may register voluntarily at any time
 - Registration can give you credibility and status
 - Registration can be a requirement by some suppliers
- You may reclaim VAT on expenses if registered

Income Tax Timings

Example:



- Start the business
- Receive a Unique Tax Reference (UTR) number and notice to pay class 2 NICs
- Notice issued to complete a tax return

Electronic return completed and filed with HMRC ●

Beware: fines and interest are charged on all late filing and late payments!

All Tax and NI payments due ●

October deadline for a paper return (if you are going to do your tax return in written format rather than online) ●

Better late than never?

Mrs A's tax return is due on 31 January 2014 but HMRC doesn't receive it until 5 August 2014.

It is over 6 months late so she will have to pay all of the following:

- £100 fixed penalty
- £900 penalty - this is £10 each day from 1 May to 29 July, when the maximum 90 day penalty is reached.
- £300 or 5% of the tax due (whichever is the higher)



West Yorkshire
Enterprise Agency

Tax & NI Payment Calculation

TAX

Turnover	£ 20,000
Expenses	£ 7,000
Net Profit	£ 13,000

Allowance £10,000

Taxable sum £ 3,000

Income Tax £ 600
@ 20%

NI Class 4

Turnover	£ 20,000
Expenses	£ 7,000
Net Profit	£ 13,000

Allowance £ 7,755

Taxable sum £ 5,245

Class 4 NI @9% £ 472

Tax & NI due £600 + £472 = £1,072; by 31 Jan;
On Account (Catch up) PLUS another ½ (£536) by 31 Jan
PLUS another ½ (£536) by 31 July

Tax: Sole Traders & Partners

- You must register with HMRC as soon as you start trading.
 - Trading is when you start advertising for business and not when you receive your first payment for trading.
 - NI Class 2 – paid from month one of trading, usually by Direct Debit
 - NI Class 4 – paid along with tax after first year of trading
- Self assessment web site:
 - www.hmrc.gov.uk/sa/

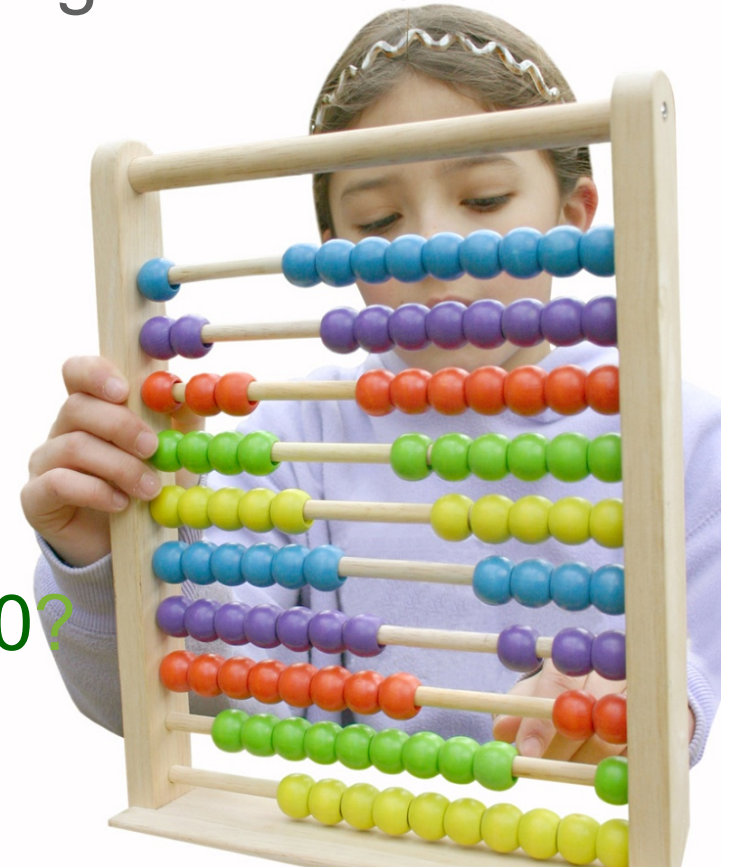
Tax: Limited Companies

- You must prepare accounts including Profit & Loss Account, Balance Sheet and Director's Report
- The Company produces a company tax return ('Corporation Tax Return')
- Both sets of documents are submitted: one to HMRC and one to Companies House
- The director takes wages and pays tax and NICs through PAYE. The director completes a self-assessment tax return
- The company pays Corporation Tax on its profits

Tax & NI Exercise

Sally she has a Sales turnover of £15,000. Her Overheads are 2,500. She is a sole trader and has reckoned on £10,000 in drawings in her Cash Flow Forecast.

- > What is her net profit?
- > What is the tax payable?
- > What is the NI payable?
- > What is the total tax bill?
- > Can she afford to draw £10,000?



Sally's Tax & NI Payment Calculation

Income Tax

Turnover	£ 15,000
Expenses	£ 2,500
Net Profit	£ 12,500

Allowance	£10,000
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Taxable sum	£ 2,500
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Income Tax	£ 500
@ 20%	

NI Class 4

Turnover	£ 15,000
Expenses	£ 2,500
Net Profit	£ 12,500

Allowance	£ 7,755
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Taxable sum	£ 4,745
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Class 4 NI @ 9%	£ 427
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Sally's tax bill is £927 which leaves her a profit after tax of £11,573.

You tube webinars and On-line information

Record Keeping for the Self-Employed

<http://www.youtube.com/watch?v=b64-WFmUHRw>

Starting Your Own Business

<http://www.hmrc.gov.uk/courses/syob/syob/index.html>

E-Learning Packages

Tax Advice for the Institute of Certified Bookkeepers	http://hmrc.gov.uk/courses/syob2/book_keeping/index.htm
Exporting Goods (UKTI)	http://www.hmrc.gov.uk/courses/syob2/ukti_exp/index.htm
Trading with other EU Countries (UKTI)	http://www.hmrc.gov.uk/courses/syob2/ukti_tr/index.htm
Tax & your Agriculture Business	http://www.hmrc.gov.uk/courses/syob2/a_b/index.htm
Tax Advice for the Construction Industry	http://www.hmrc.gov.uk/courses/syob/ci/index.html
Tax Advice for Driving Instructors (DIA)	http://www.hmrc.gov.uk/courses/syob/d_i/index.html
Tax for Sports Businesses	http://www.hmrc.gov.uk/courses/syob2/ris_sport/index.htm
Tax Advice for Music Tutors and Coaches	http://www.hmrc.gov.uk/courses/syob2/ris_musicians/index.htm
Tax Advice for Hair & Beauty	http://www.hmrc.gov.uk/courses/syob/hair/index.html

You Tube

If you are looking for 'bite-sized- chunks of information on a range of tax matters, why not access HMRC's YouTube channel. There are numerous YouTube clips to help you, some lasting for less than one minute!

<http://www.youtube.com/user/HMRCgovuk>

Record keeping and mobile applications

There are a range of Smart phone Record Keeping Apps supplied by third parties to help you run your business

<http://www.hmrc.gov.uk/softwaredevelopers/mobile-apps/record-keeping.htm>

Budgeting for payment of Tax & National Insurance Contributions

A new tool is available on HMRC website to provide guidance as to how much money to set aside for Tax/National Insurance. The Ready Reckoner calculator tool can be found at: -

www.hmrc.gov.uk/tools/sa-ready-reckoner/index.htm



Naming Your Business, Branding and 'Intellectual Property'

WHAT'S IN A NAME?

Naming Your Business

- Sole Traders and Partners:
 - Can always use their own name or names.
 - Always check with www.companieshouse.gov.uk to see if a name has already been registered as a Limited Company.
- Limited Companies
 - Limited Companies are registered at Companies House.
 - Companies House will not permit registration of a name which is exactly the same as one which is already registered.

‘Passing Off’

- You must not pretend to be another company.
 - Avoid any aspect of your name or image that is similar to, or reminds anyone of another company.
 - Especially avoid a large company with a legal budget!
 - 85% of Coca Cola’s marketing budget is spent on protecting its brand
- Beware of the risk of ‘passing off’ complaints:
 - National Business Register
www.start.biz/business_names/protection_information.php

Internet Domain Names

- Check availability of any domain names you want to use.
- There are several sites where you can do this including:
 - www.netnames.co.uk
 - www.123-reg.co.uk
 - www.1and1.co.uk
 - www.fasthosts.co.uk

‘Intellectual Property’

- Intellectual Property is ‘knowledge that is believed to be owned’ and its use is therefore restricted.
- In the UK, the Intellectual Property Office deals with all registrations (www.ipo.gov.uk), including:
 - Patents
 - Registered Designs
 - Trade Marks
 - Copyright



How to balance the demands of your business.
Naming Your Business, Branding and 'Intellectual Property'

GETTING ORGANISED & STAYING LEGAL

Which hat am I wearing today?

- Who:
 - Is the business owner?
 - Manages the business?
 - Does all of the technical work?
- Do you have all the skills for the different roles required?
 - In one day you could be the credit controller, technician, manager, marketing and sales expert
- Can you balance them all?
- What will you do if you can't?
- What if you don't have all the skills?
 - WS1 Be Your Own Boss (Personal SWOT, Action Planning)



Reviewing Your Progress

You're in the thick of things. Your customers are screaming for deliveries. You need to get your invoices done. The credit card bill needs paying. You've worked hard on your business plan.

- > Will you ever look at it again?
- > How do you know you are doing OK?
- > What will you measure?
- > Where will you get the information from?



Only So Many Hours in a Day

	Urgent	Not Urgent
Important	1. Do it now Do these tasks now. Prioritise according to their relative urgency.	2. Plan to do it Tasks that are critical to success: planning, strategic thinking, deciding direction and aims, etc. Plan time-slots and personal space for these tasks.
Not important	3. Reject and explain / delegate Ask whether it's really urgent or important? If it's not, delegate it where possible.	4. Ignore it 'Comfort' tasks you like doing. They're not productive and can sap your energy. Minimise or cease altogether. Plan to avoid them.

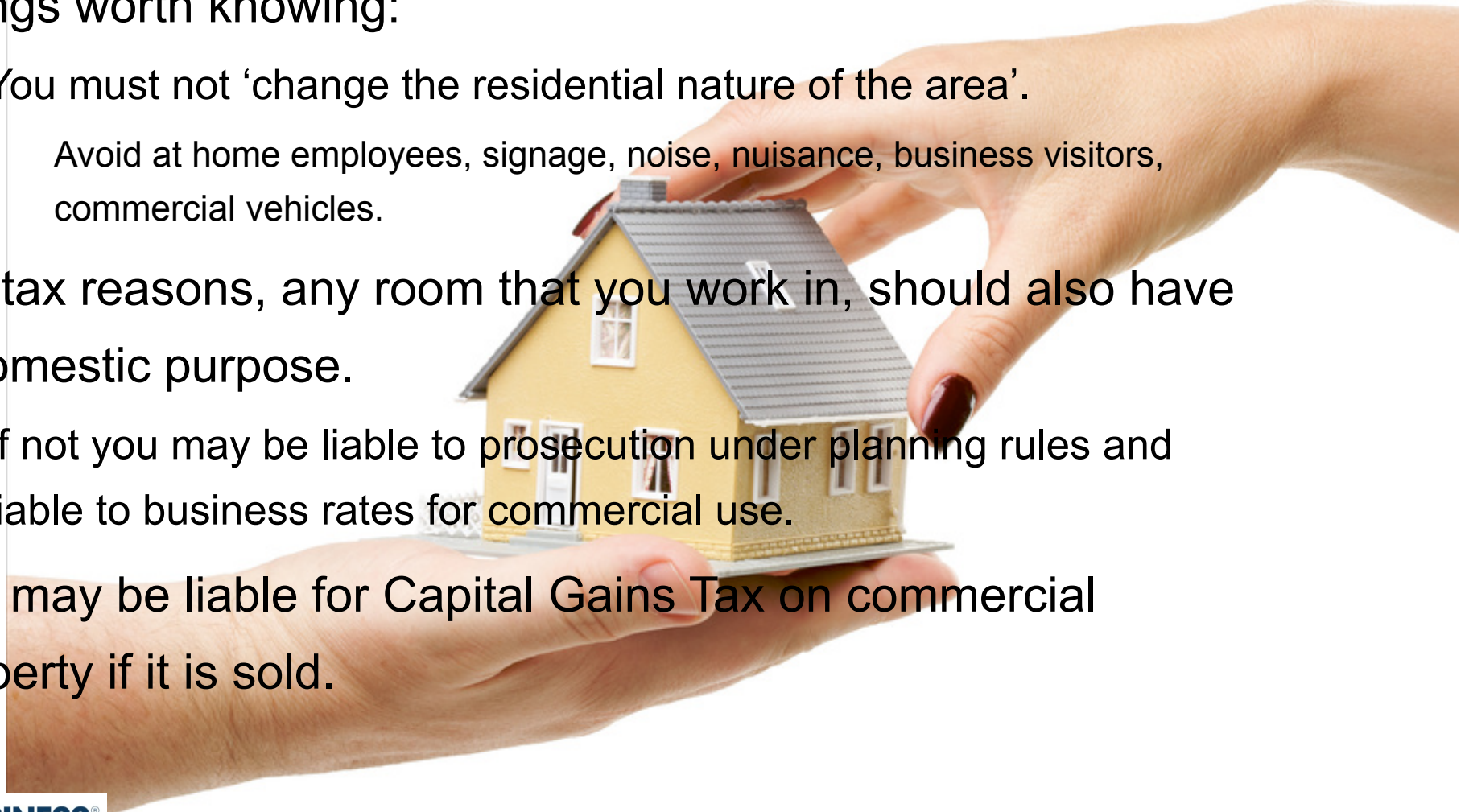
Working From Home?

- Advantages of working from home:
 - Time, money, flexibility,
- Disadvantages too!
 - Too comfortable
 - Distractions
 - Restrictive
 - Little room for expansion
 - Lose part of your home
 - Difficult to leave work
 - Business Tax implications
 - Not a serious business to customers or family



Working From Home

- Things worth knowing:
 - You must not ‘change the residential nature of the area’.
 - Avoid at home employees, signage, noise, nuisance, business visitors, commercial vehicles.
- For tax reasons, any room that you work in, should also have a domestic purpose.
 - If not you may be liable to prosecution under planning rules and liable to business rates for commercial use.
- You may be liable for Capital Gains Tax on commercial property if it is sold.



Do You Need Permission?

- Local Authority
 - Theatre, child-minding, taxi service, nightclubs, pet kennels, etc.
- Environmental Health Department
 - Hotels, restaurants, tattooing, massage, acupuncture, food handling etc.
- Police
 - Possession or sale of firearms or working with children
- Local Authority Planning Department
 - Change of use of property
- Local Authority Building Control
 - Building regulations, structural changes
- Landlord, insurance company, mortgage provider

Business Premises

- Leasehold period
- Break clause
- Full repair lease
- Sub-letting
- Legal fees
- Rent reviews
- Service/ground rents
- Insurance
- Business Rates
- Personal Guarantees
- Security
- Key holders

Premises Alternatives

- 'Virtual' Addresses
 - Virtual office: someone answers your calls and does your admin.
 - Using an accountant's address rather than your personal address
- Hot desk or incubator units
 - Renting space, usually with easy terms
 - Hiring desks by the hour/day
- Meetings
 - Video or conference calls e.g. Skype
 - Meeting at customers' premises
 - Free facilities with Wi-Fi (e.g. coffee shops) and meeting centres



Insurance

- Required by law:
 - Employers' Liability
 - Motor Insurance
- Not compulsory:
 - Public Liability
 - Professional Indemnity
 - Fire and special perils
 - Loss of money
 - Goods in transit
 - Product liability
 - Legal expenses
 - Accident/injury
 - Property damage



Employing People

- Written statement of employment
- Minimum Wage
- Working hours / days
- Breaks
- Collection of Income Tax and National Insurance
- Holiday pay
- Maternity pay
- Paternity pay
- Sick pay
- Redundancy pay
- Pensions
- Working conditions
- Equal opportunities
- Health and Safety
- Grievance and Disciplinary procedures
- HR consultants can advise you (e.g. Chamber of Commerce)

Health & Safety

- If you have 4 or more employees you are required to have a Health and Safety policy in a prominent position in your business
- Your obligations under the Health and Safety at Work etc Act 1974
 - To secure the safety and welfare of persons at work;
 - To protect persons other than persons at work against the risks arising from the activities of that work;
 - To control the keeping and use of explosive, highly flammable or otherwise dangerous substances;
 - To control the emission into the atmosphere of noxious or offensive substances.



Health & Safety

- Management of Health and Safety at Work Regulations 1992
 - To assess the risks to Health and Safety of all employees and others
 - To plan, organise, control, monitor and review
 - To establish procedures for serious and/or imminent danger
 - To train and inform, co-operate and co-ordinate
 - To provide Health and Safety surveillance and appoint a competent person
- Health & Safety Executive
 - www.hse.gov.uk

Data Protection Act 1998

- Covers personal information about individuals (including customers and suppliers)
- You must ensure data are:
 - Fairly and lawfully processed;
 - Processed for limited purposes;
 - Accurate, adequate, relevant and not excessive;
 - Not kept longer than necessary;
 - Processed in accordance with data subject's rights;
 - Secure.
- Data cannot be transferred to countries outside the European Economic Area without adequate protection
- Information Commissioner's Office:
 - http://www.ico.org.uk/for_organisations/sector_guides/business

Next Steps

Simple Steps to Business Success Action Plan

Date: _____ My Name: _____

Course Name	What I will START doing	What I will STOP doing	What I will CONTINUE doing
Being Your Own Boss			
Business Plan Bootcamp			
Starting and Running Your Business			
Marketing and Selling			

Downloads

- Business Doctors
 - Downloads
 - <http://bit.ly/1mbK7CN>
 - Action Plan
 - <http://bit.ly/1xX1qvd>
 - Business Plan
 - <http://bit.ly/1mbKFIU>
 - Cash flow Forecast
 - <http://bit.ly/1jbcL7s>

Sources of Support

- **Mid Yorkshire Chamber of Commerce**
 - www.mycci.co.uk
 - Networking and membership benefits
- **West Yorkshire Enterprise Agency**
 - www.wyea.co.uk
 - Funding and support
 - Training Courses weya.eventbrite.co.uk
- **Business Doctors**
 - Free business seminars
 - Fully funded and subsidised mentoring
 - www.businessdoctors.co.uk
- **Businessballs**
 - www.businessballs.com
 - business models, tips and stories
- **Groundwork**
 - www.groundwork.org.uk
 - Free training in the event of redundancy
- **HM Revenue & Customs**
 - www.hmrc.gov.uk
 - Tax, VAT, expenses, mileage, help
- **Your Local Council**
- **UK Government**
 - www.direct.gov.uk
- **Federation of Small Business**
 - www.fsb.org.uk
 - Representation and membership benefits