

The start up Book

Startup or **start-up** may refer to:

- [Bootling](#), an initialization period that computers and electronics go through when first turned on;
- [Project commissioning](#), the act of starting for the first time a technical installation;
- [Startup company](#), a recently formed company;
 - [Startup.com](#), a 2001 documentary film about the dot-com start-up phenomenon;
 - *startup*, the title given in some countries to [Antitrust \(film\)](#);
- [Startup, Washington](#), a census-designated place in Snohomish County, Washington;
- [Sign-on](#), when broadcasters start transmissions on a day. [[Source- Wikipedia Encyclopedia]]

Hey! We mean only business and our definition of starting up are simply “initiate a business” or “inaugurate a business set up.” No rocket science or technical complications in it. Read on to learn all you want to know about start ups.

Need of a start up

There is a reason behind everything we do in life. Whether we eat, work or do something else, it is always backed by some reason. Similarly, starting up a business for you must have reasons as well. We consider the most common reason, to earn a good livelihood. However, some initial measures are bound to be taken if you planning to start up a business.

1) Why are you starting up a business?

We know that setting up and running a business takes lot of time and energy. One should be dedicated and focused and proficient in time management as well. The ultimate output of starting up your own business can be awesome and beneficial for you. An analytical and well researched approach will accomplish this task handsomely.

2) What is your business Structure?

The carrying on with the first step is a foundation or business structure. It is you who will decide the model and business structure for trade under (sole trader, limited company,

LLP or partnership) Moreover, all the particular characteristics, challenges and responsibilities you will face as a new business owner, are also important.

3) Your skills

Know yourself! You should analyze your plus points and weaknesses. It is always better to hire professional people in a certain category/skill where you have no competency. Some people chose the opposite thing by exploiting their weaknesses in business and thus suffer a loss. You should be critical and honest at the same times. Hiring new people, asking for professional assistance are some remedies for areas where you have least expertise.

4) Funds/Money for your business

Money is the basic unit on which your whole business idea's structure will be built. In other words, without proper and enough funds, you stand no chance to do a serious business anywhere anyway.

For example, if you have the best idea in the world, that brilliant idea needs time and proper execution to bring fruitful results. The time factor asks for good supply of funds to be injected into your business. There will be expenditures, and you cannot cope with them by empty pockets. Adequate Funding and budgeted start up business are vital for your.

Try to be conservative with your funding limits by saving enough money to keep you going \ through initial period of your business or asking for sufficient start up funds by convincing investors/banks of your solid business plan.

5) Competition

Know your counterparts or competitors to excel in your wide business range. You should thoroughly research the competitors in your selected industry. Look for their weaknesses and make sure you do not follow or repeat it in your service /products. Smart thinking is so important here. Make sure that you benefit from your Competition by learning as much as you can about your industry, all updates, how your competitors work and what they lack and lastly what their plus points are. A well executed business tactic hardly fails.

6) Marketplace

Locate a market for your product or service first. Do not just launch a product/service without proper research and especially tagging a market place. "Shell" wouldn't build a petrol station next door to two others, a startup business, good one, will be targeting such market where potential buyers, customers and clients are compatible with the product. Also, the feasibility is stronger and suitable between the market place and your product.

7) Business Plan

Having a well constructed and well thought business plan is always a great edge for your new born business. The thought process, ideas, discussions, reality based facts and figures, assistance all go well in forming a good business plan and you stand a great chance of applying it with success and getting desired results in return,

It is not obligatory for you to work on a plan again; still the amazing part is generation of ideas that can lead you to think diversely and out of the box. The structured format of your business plan is awesome for your start up business. The plan is easy to follow and your focus will not astray from the objectives. Imagine running in all directions, and zero credibility in case of no business plan or tactic. Kindly make sure that you are always open to ideas, thoughts and once you stick to a plan, simple execute it to perfection.

8) Staff

Staff or new people should be hired as your business expands. The addition of more work and demands are met by this step. However, hire those people who are skillful, adept and suit to your business plan, operation and other value added priorities.

There must be a harmonious and professional business relation among all staff members and you should monitor it. Without attaining this it is almost impossible to bring any good results. A easy going team should always be your first choice.

9) Asking for assistance

There are dedicated, experienced and professionals who can help you by sharing with you all their knowledge about your business plan and working. This assistance can be of great help, if you utilize the information in a proper way.

10) A failure business- what are the reasons?

The mighty strong reasoning can be the non professional approach. The biggest causes of failure for start ups are dependant on setting your sights too high, almost no search to the market place. Poor funds, bad hiring, without a business plan are some important reasons for failure business.

Set Up A Company

How to set up a limited company?

You can set up a limited company for two statuses,

- Sole trader status, most small businesses set up as limited companies. The finances are supplied solely by the owners.
- Limited status. The term 'limited' means that the company's finances are separated from the personal finances of their owners (opposite of the sole trader arrangement).
- Forming a partnership. When you join forces with person(s) to form a company.

Shareholders of such limited liability companies are independent of debits of the company. Moreover, loans and credits can be allowed by the directors of the company.

Highlights of a limited liability company are as under:

- You must register your company at Companies House. This is the first step.
- The Annual accounts are entered (filed) at the Companies House.
- The Companies House will receive your annual returns every year. This will update the basics of your company. A fee is charged for this purpose.
- The HMRC are updated of any taxable income/amount and profits for a company year.
- The annual HMRC corporation tax to be paid as well. All related dues are cleared in company year and so on.
- Employers have to pay income tax and national insurance on regular basis(as per rules)

Set up a Limited Company – Incorporation Process

In Britain Companies house is an authority for company registration as well as a source of information about all British companies. For any limited company (vice versa "incorporated") it should be registered at Companies House.

Following documents are required for completion of the process.

- 1) Memorandum of Association – Which Includes Company Name, Location and nature of Business etc.
- 2) Articles of Association – Defines directors' authority/powers, address shareholder rights, etc.
- 3) Form IN01 – It has Company's registered office synopsis/details, the details of the consenting Secretary and Director(s), details of the subscribers and necessary details of the share capital(when shareholders are included) This form replaces the old one from 2009.

Private sector/agents can be utilized to prepare such documents. There is no legal restriction in doing so. You are free to choose the source for proper documentation.

Visit the Companies House website for comprehensive guidance and FAQ's on registration process.

Set up a Limited Company – the Legal Structure

Private Limited Companies, the most typical set up for small UK businesses cannot offer shares to the public, but may have any number of shareholders. Each Private Limited Company must have at least one director to make management decisions and a company secretary (Note - The [Companies Act 2006](#) means that appointing a company secretary is no longer a legal requirement).

PLC's (public limited companies) differ from Private Limited Companies in that they are allowed to offer shares to the public to raise funds (with shares issued to a minimum value of £50,000). Each PLC must have at least two directors to make management decisions and a company secretary.

- **A Limited Liability Partnership (LLP) Profile**

- An LLP is like a standard Partnership with a difference that in this form of company lower debts are involved regarding members.

- Administrative responsibilities are increased in LLP. It is almost as if operating a limited company.

- Since, the Limited Liability Partnership is itself liable for debts run up in running the business, and not the individual members of the LLP. Consequently, they are recommended for profit running businesses.

- - The persons/ already existing business have the privilege to be members of LLP. The minimum number of such members is 2. All the rights and job descriptions of all members is given in "Deed of Partnership".

- A "Designated Member" (or members) will be chosen by the LLP. This member will be in charge of communication and correspondence with other sources, such as Companies House etc.

How to Form a Limited Liability Partnership?

- Contact companies house and fill in an incorporation application form or you always have an option of hiring an agent who will do all the documentation for you. Companies House charge some amount to set up an LLP (Obviously an agent will naturally charge extra).

Setting up a partnership

When two or more people intend to go into business together instead of a limited company than a partnership is carried out. It exhibits a simple way to get started. It can also be underlined as sole trading for an individual.

It is important to note that partnerships do not have a legal ground/status and is actually just a setup or structure of more than one person running a business together.

The accounting aspect in a partnership is simple as each person's share/income is counted. This avoids any complication in accounts. Unlike limited company, partnership is much smooth business process. You are not bound to involve Companies house or meet some peculiar requirements. However, informing about self employment to HMRC is needed.

You have to submit an annual self assessment form to HMRC with up to dated and accurate of your business transactions, accounts and other matters. The income tax, other national insurances etc will be paid on the profits of your business. In case of resignation, death or bankruptcy of a partner, the partnership will be immediately dissolved.

What is a dormant limited company?

What is a dormant limited company?

In simple words, such company without any trade or accounting transactions can be termed as “Dormant Company”. In order to protect your name, safety of business, future proofing etc many companies buy a dormant limited company name. This ensures a fool proof route to their business goals.

Sometimes a trading company chooses to become a dormant, for temporary hold in trading, and then resumes trading in future, when they would want to.

Why you need a dormant company?

Following are some reasons that small business people tend to use a dormant company.

1. Protection Of a trademark – In order to protect a trademark/brand name, one can register a dormant with that particular name. This will secure the business name/brand etc. The dormant can be very useful here
2. Future Proofing – Sometimes, small business people and companies tend to have a feel of the market before they fully initiate a business. However, by saving a dormant company, you can have all the time to work research and preserve your future. When you are ready, you can start immediately.

Time span of a dormant company

There is no time limit for a dormant company status, and it can function for any arbitrary period of time. Some administrative issues need to be address, as mentioned below.

Administration of a dormant company

- In case of even a company that is dormant, annual return is a necessity. It is the fee to be paid to the respective registered source.
- All dormant companies have to file the annual accounts. This serves as a balance sheet and some related material of dormant companies.
- In case of appointment of a Company Secretary, Director, or other alterations, you will have to inform the companies house via the related Form.
- A registered address, however in case of even a dormant company, is a must.

What is Companies House?

Companies House is a regulatory body, which serves as a vital one for registration of companies and other information.

Companies House - Key Functions

Companies House is the regulatory body for the registration of companies, and the maintenance of company records.

According to the organization itself, the main functions of Companies House are to:

- It incorporates and dissolves limited companies;
- It inspects and store company information delivered under the Companies Act and related legislation
- Lastly, confirms all information is available to the public.

What are limited company dividends?

The post-tax profits of a limited company can be distributed to its shareholders in the form of dividends.

Dividend Calculations

To work out the total amount of dividends that can be distributed to company shareholders, you need to subtract the value of all company expenses from your turnover.

You then apply the current corporation tax rate to this post-expenses amount (the small companies' tax rate is currently 21%). The remaining sum can be distributed as dividends to shareholders. You must distribute the funds in line with the percentage shareholding each shareholder owns.

If you have retained profits brought forward from previous accounting periods, these can also be distributed as dividends.

Correct Paperwork

In order to comply with the rules which govern limited companies, you are required to prepare company board meeting minutes each time you declare a dividend.

For each dividend declaration, each shareholder must receive a dividend voucher which states the total net dividend paid, and the amount of the 10% tax credit which is applied to all company dividends.

Dividend Timing

There are no rules governing how frequently you can distribute dividends, although many larger companies do so on a quarterly basis. It may suit you to distribute dividends to coincide with your VAT, (if you are registered) or you may prefer monthly dividends for cashflow reasons.

However, you can only distribute dividends if you have made allowances for your tax liabilities. You must never distribute funds if you have not allowed for tax.

You may well have further income tax to pay on any dividends you receive as a company shareholder.

Choosing a name for your small business

When starting up a new business, one of the first things you need to do is choose a suitable name for your enterprise. It is worth spending time considering the name, since not only will this be the first thing potential customers see, but it will also be with you for the duration of your venture.

You will also need to abide by the various rules and restrictions imposed by company law when making your choice.

For example, your new company may initially be involved in software resale, but further down the line you may expand your product range beyond software, so try not to restrict your name to something which may either date or which may not reflect the nature of your business in the future.

Depending on the nature of your new business, you may want to present potential customers with a traditional sounding name (for example if you are providing professional services), or a technology or modern focused name if you are in the high-tech sector.

Also be careful if your business is selling overseas since your business name may not go down so well in translation if you're not careful!

If you are going down the Limited Company route, you will need to register your new name with Companies House (or use an agent to do this for you).

The Companies House website contains detailed information on naming conventions to ensure your name passes various tests for suitability. For example, all Ltd company names must end in 'limited', 'plc' or 'ltd'. The name must not be offensive or too similar to an existing name.

For certain industries, such as banking, there are also further limitations. You may also consider doing some trademark research in case your proposed company name has already been registered as a trademark.

Top 10 tips for choosing an accountant

Tips for choosing an accountant

- 1) Investigate and, if possible, choose an accountant before you start your business.
- 2) Make sure your accountant is fully qualified, for example as a certified or chartered accountant. Most likely, these qualifications will be displayed on any promotional material or the company's website, otherwise make sure you ask.
- 3) It is essential that your accountant works with small business clients. If your business generates a large number of transactions (for example, an online shopping service), make sure the accountant has experience with dealing with companies in your sector if possible.
- 4) How much does the accountant charge? Is there a fixed annual or monthly fee to complete all business tax requirements, or do hourly fees apply? Compare the fees of several firms.
- 5) When you first meet a prospective accountant, you will know soon enough if you see eye-to-eye. It is important to develop a good relationship and know that your finances are being handled by someone you trust. You should contact at least 3 accountants and find out which one best meets your requirements.
- 6) What other services does the accountant provide - can they complete your self assessment returns?, do they provide business advice or further information to help grown your business?
- 7) As a small business, we find that the best accountants are also likely to be smaller in size. They will understand what it's like running a small operation and will have the resources and time you require to fun your finances properly.
- 8) Ask to speak to existing clients before signing up. A decent accountancy firm should be happy to arrange this.
- 9) Make sure your accountant keeps in touch with your business - not just at year end! If you feel your current accountant no longer meets your requirements for whatever reason, get a new one!

10) If at some stage you decide to sell your business, you will need a good accountant more than ever to minimise any tax liabilities payable on the sale.

Setting up as a sole trader

Being a sole trader is the simplest way to get started in business. Once you have informed the government agencies of your intentions to go self-employed, you can start trading right away (subject to any specific licences you might require in your line of work).

As a sole trader, you can quickly adapt to changes in your business with minimal bureaucratic changes required and you have complete control over your business and accounting affairs. However, a sole trader is also ultimately responsible for any liabilities should anything go wrong. It is worth spending time considering which set-up company format is best for you.

Setting Up

As a sole trader, you will not need to notify Companies House, nor deal with any administrative or accounting requirements which are required of limited companies.

If you start working for yourself, you must register with HMRC as self-employed, even if you already send in a tax return. There are some exceptions and special rules for particular industries, like the construction industry.

If you're thinking about becoming self-employed, call the HMRC Helpline for the newly self-employed on 08459 15 45 15, and read the official HMRC advice pages [here](#).

You should register the moment you start out as a sole trader, otherwise you could incur a financial penalty.

To register, you need to fill out and complete [Form CWF1](#) from the HMRC site (PDF format).

Tax & National Insurance

Essentially, your business income is counted alongside your existing personal income, so the accounting side of your business will be very straightforward. As the name suggests, you will be personally liable for any debts you incur in the running of your business which you wouldn't be under the limited company route.

In terms of accounting, you will need to submit an annual self assessment form to HMRC and keep accurate and up-to-date records of all business transactions and

accounts. You will also pay income tax on all profits and pay national insurance contributions on those profits. Losses can be offset against tax on other income.

In the April after your business starts, HMRC will send you a self assessment tax return to fill in. HMRC will also use the return to assess any profit-related (Class 4) [NI contributions](#) you may need to pay.

Self employed people are also liable for Class 2 NI contributions (currently £2.40 per week: 2009/10 Tax Year).

If your income from self employment is low, you may be able to apply for the Small Earnings Exception.

Also, if you're already paying NI contributions in another job, you may be able to defer paying your Class 2 contributions until the end of the tax year. There is a dedicated Class 2 NICs Helpline on 0845 915 4655 where more advice is available.

For more on sole trader taxation, try our popular [Sole Trader Tax Guide](#).

For general taxation guides, which cover everything from income tax rates to self assessment, click [here](#).

Value Added Tax (VAT)

Even though you will have registered as 'self employed' when setting up, you won't automatically be VAT registered. You don't usually need to register for VAT until your turnover reaches a certain limit in any 12 months, or you expect it to do so. This limit – the 'VAT threshold' – is currently £70,000 (from 1/4/2010. Previously it was £68,000).

The standard rate of VAT is currently 17.5% (from 1st January 2010 following the temporary reduction to 15%).

Your annual turnover is normally the total amount of money coming into your business from the goods or services you sell.

Insurance and Banking

Once you've decided to become a sole trader, and have informed the authorities, you should think about taking out the appropriate [business insurance](#) cover for your new venture. You may need to take out [public liability insurance](#) and [employers liability cover](#) as well as insurances specific to your trade or industry.

You will probably also want to open a [business bank account](#). As a sole trader, you can open an account such as "John Smith Trading As BLT Construction", which will enable you to keep a separate account to your personal one. The choice is up to you.

Other Considerations

Being a sole trader will suit a large number of small business people, however it is not always the best route which is why we suggest discussing your choices with an [accountant](#) or other adviser.

The limited company route limits the personal liability of its directors if something goes wrong, whereas the sole trader is ultimately personally liable for any losses the business makes, or if you are forced into bankruptcy. Also, in some areas of business, having a limited company will enhance prestige and provide a more professional appearance in certain industries.

Of course, you can always start out as a sole trader, and then incorporate at a later date, if you choose to. A professional adviser (such as an accountant) can help with this transition.

Useful Sole Trader Products

Our partner, Duport, has launched a new [Sole Trader Package](#) which will help you get up and running as a sole trader in a matter of hours (including the forms you need to register with HMRC). The package will also protect your company name in case you want to use a limited company at some time in the future. You can find out more [here](#).

We also recommend the [FreeAgent](#) online accounting package, which we use here at Bytestart. It makes accounting and invoicing very simple, and costs just £15 per month if you're a sole trader. You can get a 30 day free trial, and a further 10% off as a Bytestart reader. Find out more [here](#).

Sole trader self assessment tax guide

One of the first and most important decisions to be made when you start your business is the [legal structure](#).

There are two main options open you – either to set up a [limited liability company](#) and become a director and employee of that, or to be a self-employed [sole trader](#).

Financially, the biggest difference between the two is how you are assessed for tax by Her Majesty's Revenue & Customs ([HMRC](#)). Limited companies are legal entities in their own rights, and are assessed on their turnover and profit with a company tax return.

Sole traders are self-employed and must complete a self assessment tax return every year. Unlike being an employee, you won't be taxed on your income. Instead you will be allowed to deduct business expenses and be taxed on the profit you have made.

Here are the basics you'll need to stay on top of:

Check you are truly self-employed

An employee would have extra tax benefits if they claimed self-employed status, so it's vital to be able to demonstrate that you are truly self-employed. This is particularly important if you are running a small business in your spare time and are employed in a day job (it is possible to do both in the taxman's eyes).

Your accountant will be able to give specific advice.

Register as self employed

This is quick and easy – but you must remember to do it by the end of your third month of self-employment, otherwise you could be fined.

You can find out how to register as self employed on the [HMRC site](#), or call the Newly Self-employed Helpline on 0845 915 4515

Get a business bank account

Even as a sole trader you should have a separate [business bank account](#). This will make it easier for you to do your tax return, and keep track of how much money your business actually has.

Keep accurate records from day one

To be able to fill out a self-assessment tax return correctly, you need to keep a clear record of all your sales and purchases. This includes all invoices you have issued and received, plus any receipts.

You will also need to keep a record of money you have personally taken out of the business, such as when you withdraw profits, and of course business bank statements.

All of this paperwork will help you work out what profit your business is making. It can be as simple as revenue in, minus expenses out... although some purchases may not be counted as genuine business expenses. Whatever is left is your profit and what you will be taxed on.

There are some allowances you can use to reduce the tax impact such as capital allowances on any equipment you buy. There is a list of these [allowances](#) on the HMRC website, and your [accountant](#) will help you work out which apply to you.

What else you'll have to pay tax on

When you come to fill out your tax return you will also be taxed on any other income you have, such as any salary from paid jobs you have, interest from any savings and investments, rental income from property you own and gains by disposing of assets.

If you are going to turnover £70,000 or more per year (from 1st April 2010), you must also [register for Value Added Tax](#) (VAT).

How much tax will you have to pay?

If you are calculating your tax for the 2009-10 tax year, you have £6,475 as a personal allowance: you can earn this without paying any tax. After that you pay either 20% or 40% tax on your earnings depending on how much they are. You will also have to pay [national insurance contributions](#) on your earnings.

The rates can be changed in the budget, so check out the latest rates on the HMRC [website](#), or Bytestart's own [tax rate](#) section.

What forms do you need?

Once you've registered as self-employed you will be automatically sent a tax return soon after the end of the tax year on 5th April. You will need the basic tax return document SA100 and the self-employment pages SA103. These will be sent to you, but you can also download them from HMRC. You may also need additional pages if you have other employment to declare, or specific kinds of investments or earnings. You can find a list of all the forms available [here](#).

Making the tax return process easy

Don't leave it till the last minute. The deadlines for filing are generous, but the worst thing you can do is put it to one side and forget about it. Deal with your tax return as soon as you can – it's then a horrible job out of the way.

Tax returns are fairly easy to understand. You just work your way through the questions, giving the information requested. As there is a single tax return for everyone, a lot of the questions will be irrelevant to you. Don't forget to fill out the extra self-employment pages and any other pages you need.

If you have kept proper records through the year you will find this process fairly easy. By far the simplest way to complete the return is using [Self Assessment Online](#), as it will help you with the calculations. Alternatively, and perhaps more sensibly, get an accountant to do it for you. They will be used to trudging through these kinds of figures, and will help you to ensure mistakes don't happen.

Your deadlines

The tax year runs from 6th April to 5th April.

Despite it being called self-assessment, you can still get HMRC to crunch the figures for you and work out what tax is due. If you want to send in a paper return, you must do this by [31st October](#), otherwise you have until 31st January if you are submitting your return online.

If you do your return online the system will work out the figures for you and how much tax is owed.

Self-employed people must pay tax in three instalments. The first payment is “on account” by 31st January, and is usually half of your previous year’s tax bill. You then have to make a second payment by 31st July, usually the same amount you paid in January. Finally on 31st January the following year you must pay a final balancing payment, calculated from your actual profits for the year. Of course if you have overpaid tax you will get a refund.

This seems complicated but your accountant will be able to show you what it actually means in your situation.

There are automatic penalties for paying tax late, despite the unfairness of payments so near Christmas! Use our handy [tax accounting dates](#) article to ensure you don’t get caught out.

Remember to get professional advice from a qualified person before taking any action. Don’t rely purely on information contained in this article.

Business structures: sole trader, limited company, partnership or LLP?

There is not one business structure that suits every business and each structure has advantages and disadvantages. You should not make a decision lightly about the business medium that you will use and seeking advice from a solicitor and an accountant at this early stage might save you money in the long term.

This guide will provide an overview of the different business structures that are available to small businesses.

Sole Trader

The simplest way to start up a business is as a [sole trader](#).

You will have complete control over your business and all profits after tax will go to you. On the other hand this business structure comes without a security net. You will be personal accountable for any liabilities that your business incurs, i.e. any business debts will be your personal debts. This means that you could lose your house if your business fails.

As far as administrative burdens go you will simply have to file an annual self-assessment tax return and keep records of your business income and expenses.

The only way to raise money as a sole trader is by obtaining loans from banks or other lenders.

Partnership

A [partnership](#) allows two or more people to join forces and set up a business together.

The partners will share the risks and liabilities, the management and also the profits of the business.

Again, as a partner you will be personally liable for any debt of the partnership so you stand to lose not only what you have invested in the business but also any other property that you own.

You should only form a partnership with people that you trust, you will be able to work with and who will add something to your business venture. If you look for a partner merely as a source of finance, you might be better off with paying interest to a bank.

Although statutory provisions can provide you with a basic set of internal rules it is strongly recommend that you sign a partnership agreement before you start business. Some of the statutory default rules are frankly inadequate or impractical.

Limited Liability Company

Using a [limited liability company](#) as your business medium will allow you to keep your business distinct from your personal affairs and a corporate structure might appear more professional to customers and suppliers. However, running a company will also increase your administrative burdens as you will, for example, have to file your personal tax returns as well as those for the company.

There are a number of mandatory statutory provisions that you will have to comply with. This, for example, prevents you from adopting a more flexible decision-making process as in a partnership and it also requires you to file certain company decision and the company accounts at [Companies House](#).

The company is a separate legal entity and only the company itself is liable for its debts. As a shareholder in the company you can only lose the money that you have invested.

At first sight limited liability will seem like an enormous advantage. However, this perception can be illusory if you are required to give personal guarantees, for example as security for a loan or for a lease of business premises.

Generally, the running costs of a company can be significantly more than those of a partnership or a sole trader but the initial costs of setting up a company are now often similar or even less than those of setting up a partnership as shelf-companies and company precedents are widely available.

Limited Liability Partnership

A [limited liability partnership](#) is a cross between a partnership and a limited liability company but, unfortunately, falls short of simply cherry picking all the advantages of each structure.

Like a company a LLP has a distinct legal personality and the liability of individual partners is limited. However, limited liability comes with similar filing and disclosure requirements as for companies.

A LLP retains the flexibility of a partnership as opposed to the more rigid structure of a company but while the regime for companies is relatively clear and well-understood, LLPs are still a relatively recent medium and unforeseen problems might be thrown up as it matures.

As with partnerships the members of the LLP are taxed direct.

Conclusion

It is not possible to lay down any hard and fast rule as to which business medium is the most beneficial as there are too many variables.

Sometimes the desirability of limited liability will make a company structure the only real possibility. If that is not required other factors might be more significant.

Although this will seem typical coming from a lawyer the only sound advice is that each case must be determined according to its particular circumstances.

Limited company or sole trader - which is best for me?

How are Sole Traders taxed?

For [sole traders](#) all income is assessable for tax and so they are taxed on their business profits, in addition to any other sources of income. There is little or no flexibility for deferring some of those profits to another year if you happen to have a particularly good year and are taxed at the higher rate.

How are Limited Company Profits Taxed?

[Limited Companies](#) are taxed on their trading profits also, in addition to other sources of income such as interest and rent. [Corporation tax](#) is assessed after any owner's salary and dividends have been deducted. It is possible therefore to adjust the amount taken from the company in any one tax year, as well as the way in which it is taken out. Some profits can be retained in the company if the owner would otherwise be likely to pay higher rate tax personally.

Why should I think of Incorporating?

Generally there are three reasons for doing this:

- In some sectors (such as IT), it is hard to obtain contracts unless you trade through a [limited company](#). There is not always an obvious reason for this; it is just the way things are.
- If you are taking risks such as ordering a large amount of stock for an order that could be cancelled, then there can be a real benefit in the limited liability offered by trading as a company. Your own personal possessions are generally protected from any claim against the company. However, in some circumstances, taking out a good insurance policy is all you need.
- There is more flexibility in handling the owner's remuneration in such a way as to minimise the tax liability. In recent budgets, this has become more apparent, making incorporation an increasingly attractive option.

What are the disadvantages?

Your accountancy costs will increase, so you will need to be convinced that there are sufficient savings to justify the cost. The company will be regulated by [Companies House](#), which has strict rules for reporting trading accounts (hence the price increase) and for the conduct of directors and other company officials. You will need to be happy that you can handle these regulations.

Can I change from one to another?

Yes. You can start as a [sole trader](#) and later incorporate. In fact, this is a common route when a new business is unsure of how large it will grow and whether the saving will outweigh the costs. You will need to consult a professional to ensure that any transition is done properly.

How to register as self employed

The fastest way to get into business is to become a self-employed [sole trader](#). There's very little paperwork involved and no fees or other charges to pay.

But you can't simply declare yourself as self-employed. You do need to formally register, and take responsibility for paying your own [tax](#) and [National Insurance](#).

Here are the steps you must take to get started properly.

Pick a name

What are you going to call your business? For many new entrepreneurs, this is the most exciting start-up task and one that lots of time is spent on!

Some people simply trade under their own name, or say they are Your Name trading as Business Name. Don't forget to check that no-one else is using the name – a quick [Google](#) search will help you. There's no register of business names used by self-employed people, but you can check the [Companies House](#) register of [limited companies](#).

Tell Her Majesty's Revenue and Customs

HMRC requires that you notify them within three months of becoming [self-employed](#). This is easy to do, either by filling out the [online form](#) or phoning the Newly Self-employed Helpline on 0845 915 4515.

Don't forget though, or you will be fined £100.

Once you become self-employed you will pay tax each year by filling out a [tax return](#) and self-assessing how much you owe. A smart move is to keep tax money aside in a separate account from day one – then you will never find yourself scrabbling to meet a payment. Your accountant will advise how much you can expect to pay.

You will also be responsible for paying your own Class 2 National Insurance contributions, currently [£2.40 a week](#) (2009/10 tax year). You will pay extra Class 4 contributions on profits you make over £5,715 (2009/10 tax year). Again, consult your accountant for advice specific to you.

Register for VAT

If you turnover more than £70,000 (from 1/4/2010) in a rolling 12 month period you will be liable to pay [VAT](#), even as a self-employed person. So keep an eye on how well your new business is doing. As soon as you do pass the limit, you have 30 days to [register](#) with HMRC.

Other licences

With some types of business, you need to get a licence before you can start working. For example if you want to set up as a taxi driver you will need to apply for a licence from your local authority.

It's the same for many other types of work, including being a child minder running a restaurant or pub, or being a market trader. And to get a licence, you will typically have to do some specific training and gain relevant qualifications. You may also have to go through an inspection to ensure your business is shipshape and legal.

Further Resources

For more information, try HMRC's [first steps to register as self-employed](#), and our [tips to consider before becoming self-employed](#).

Our partner, Duport, has launched a new [Sole Trader Package](#) which will help you get up and running as a sole trader in a matter of hours (including the forms you need to register with HMRC). The package will also protect your company name in case you want to use a limited company at some time in the future

5 things you must do when you go self-employed

The beauty of being self-employed is how quickly you can get set up and in business.

Even if you are currently employed by someone else, you can also become a [sole trader](#) to run your own business in your spare time. This makes it a safe way to test a business idea and see if you like [being your own boss](#).

There are five essential things you must do when you first start working for yourself.

Register as self-employed

As a self-employed person it is your responsibility to pay your own tax and National Insurance contributions on your earnings. [Her Majesty's Revenue and Customs](#) (HMRC) requires that you register as self-employed within [three months of starting up](#). You have to do this even if you already fill in an annual [tax return](#) - otherwise you may be fined £100.

Registering is easy. There is [an online form](#) or you can call HMRC on 0845 915 4515.

You must also start paying Class 2 National Insurance contributions on your income. These are set at a flat rate - currently [£2.40 a week](#) (2009/10 tax year). You will pay extra Class 4 contributions on profits you make over £5,715 (2009/10 tax year).

If you earn less than £5,075 (2009/10 tax year) a year, you don't have to pay these contributions. Just apply for a [certificate of small earnings exception](#) (PDF). Some people continue to pay contributions to keep their entitlement to a state pension and other benefits up-to-date.

If you're just starting out and aren't sure whether or not to register, it's pretty simple to work out whether you are [employed or self-employed](#).

Register for VAT

If you expect your business to turn over more than £70,000 (from 1/4/2010) in a 12 month period, you will also need to register for [VAT](#). This is a rolling 12 month period, so you need to be constantly looking backwards over the last year of trading to check you are not over the threshold.

Once you hit the threshold you must [tell HMRC](#) within 30 days. You may be fined if you don't.

Some businesses choose to register early, known as voluntary registration. This can bring huge benefits. Collecting VAT can help your marketing and give your business more credibility. You'll also be able to claim back VAT on relevant purchases you make. You might also benefit from using the [flat rate VAT scheme](#) which can make life simpler for small businesses.

But on the downside, you will have to keep detailed records and submit a quarterly VAT return to strict deadlines.

You can find out exactly what to do in our [VAT registration](#) article.

Get a bank account

Even though you are a sole trader working for yourself, it's vital to keep your business's financial affairs separate from your personal affairs.

So open a [business bank account](#). You can do this with your existing personal bank, or pick another bank that has a business account offering. Your new account should reflect the name of the business, for example cheques should say "your name trading as Business Name". This will ensure you come across professionally.

It makes sense to shop around before signing up for a new account. Compare charges and rates of interest between different business bank accounts, and how easy it is to speak to a human, not just an automated call centre.

Don't forget to get a [deposit account](#) as well if you think you will have amounts of money sat around that could earn interest (even if rates are currently at historical lows - they won't always be that way!)

Keep accurate records

One of the keys to running a successful business as a self-employed person is [keeping on top of the paperwork](#).

From day one keep clear and accurate records of everything that happens to your business, especially financial transactions. Try to be as organised as possible and put time aside each week to keep paperwork up-to-date.

You will appreciate this when it's time to fill out your tax or VAT return. There's nothing more demotivating than having a large box with months worth of paperwork to dredge through. Whereas filed organised paperwork will make it a quick and easy process. You will also find it easier to make sensible decisions and perform accurate [business planning](#) as key information will be at your fingertips.

Get insurance

Smart business people reduce the risk factors that could damage their business. One of the easiest ways to do this is with relevant [business insurance](#).

Even as a self-employed person working on your own you should look at [professional indemnity](#) and [public liability](#) insurance.

There are of course compulsory insurances you must get, such as [employers liability](#) when you first take on staff.

What is a limited company?

Aside from using an [umbrella company](#), most IT contractors set up as limited companies.

The term 'limited' derives from the fact that the company's finances are distinct from the personal finances of their owners (unlike the [sole trader](#) arrangement).

It is very unusual for contractors to set up as sole traders.

Shareholders in limited liability companies are not responsible for company debts, although if required, directors may be required to guarantee loans or credit granted to the company.

Limited companies - legal requirements

The higher level requirements for limited liability companies are as follows:

- The company must be registered at [Companies House](#).

- Annual accounts must be filed at Companies House.
- [Annual Return](#) (Form AR01) must be completed each year to update Companies House with basic details relating to the company. Must be completed within 28 days of your company 'made up date' each year. You can file this online for a small fee.
- HMRC must be informed if the company has any profits or taxable income in a company year.
- Company must complete an annual HMRC [corporation tax](#) return and pay the due taxes within nine months and one day of the company year end each year.
- Anyone employed by the company must pay income tax and national insurance on their income.
- A limited company no longer has to have a [company secretary](#) following changes contained in Companies Act 2006.

Set up a limited company - incorporation process

[Companies House](#) is responsible for company registration in Great Britain. It also has a key role in providing information about British companies.

The following documents must be completed by you (or quite commonly, an intermediary) and returned to Companies House to complete the incorporation process:

- 1) Memorandum of Association - Includes company name, location, and business type.
- 2) Articles of Association - outlines directors' powers, shareholder rights, etc.

3) Form IN01 - Contains details of the Company's registered office, the details of the consenting Secretary and Director(s), details of the subscribers and details of the share capital (if applicable). This form replaced the old Form 10 and Form 12 on 1st Oct 2009.

These documents are often prepared by a [company formation agent](#), or your [accountant](#). There is no legal requirement to use an agent, but it's typically a hassle-free process compared to doing it yourself.

The [Companies House website](#) provides detailed guidance and FAQ's which describe all aspects and requirements of the registration process, including what you can call your limited company, and the documentation required to complete the registration process.

Types of limited company

Private Limited Companies, the most typical setup for IT Contractors cannot offer shares to the public, but may have any number of shareholders. Each limited company must have at least one director to make management decisions, although the [company secretary is now an optional appointment](#).

PLC's (public limited companies) differ from Private Limited Companies in that they are allowed to offer shares to the public to raise funds (with shares issued to a minimum value of £50,000). Each PLC must have at least two directors to make management decisions.

For obvious reasons, IT contractors are highly unlikely to need to set up a PLC.

1) Starting a new business - an introduction

From choosing the right name for your company and drawing up your first business plan, through to up-to-date taxation advice, banking and insurance tips, each subject is addressed in the guide.

We also look at the vital character traits you'll need to survive in business. Determination and originality are key. Equally, so is the ability to organise your time and to put the requisite effort in during the early days.

As with any new commercial venture, success can never be guaranteed, but our aim is to minimise the trickier elements involved in setting up on your own. We'll forewarn you of the most common pitfalls, including failure to research your market in sufficient detail and not setting aside enough funds for tougher financial times.

Starting up even the smallest business can be a daunting prospect. But take comfort in the fact that you are not alone. In fact, of the four million businesses currently in operation in the UK, more than 99.3 per cent are categorised as "small," with fewer than 50 employees.

In order to keep this guide as compact as possible, where we've not had enough room to include every last detail, you'll find a link taking you to the most relevant Bytestart articles and external websites.

Good luck with your business idea!

Click on the links at the bottom of each page to navigate through our guide.

2) Before you start-up in business

Setting up on your own is one of life's ultimate learning curves.

Not just about making sure you succeed and earn a living, but also in terms of what it will teach you about yourself. We guarantee that by the end of the first year, your self-awareness will be considerably more acute.

But it's not just awareness of yourself that is vital to survival in the cut-throat world of commerce – what do you know about your competitors? More to the point – do you know who your competitors are in the first place? What are their weaknesses? What do they charge? Remember that research into your competitors is an ongoing process, as too many failed businesses have discovered to their cost.

Time management is another string you'll need to add your bow. You need to be prepared for the fact that the usual nine-to-five existence you've probably enjoyed so far in your working life may have to become a 12 hour day or longer, at least for the first few months or so.

You'll have to be prepared to put personal arrangements on hold and maybe even to change social arrangements at short notice. Your closest friends will want you to succeed and will hopefully cut you the slack you need. It's one of the few downsides to starting your own business, but you know what they say about broken eggs and omelettes.

Money is likely to be your greatest sticking point. Even with a solid business idea, with all the costs of setting up a new business – from computer hardware and equipment to crafting your own website – you’re going to need a little financial back-up to keep you going in the early days.

Set a start-up date and save up with this in mind. Alternatively, you could present a well-structured business plan to your bank manager with a start-up loan in mind. And whenever you are working out costings for your business, always formulate these with the worst case scenario in mind. It’s far better to have a little money left over than find yourself in debt before you’ve even started to generate a profit.

But even though funds are likely to be tight in the beginning, it’s not advisable to try to do everything yourself. Think hard about yourself and write down your strengths and weaknesses. If marketing isn’t your forte, call in someone to help. Likewise, call in a few favours from friends who may have the necessary expertise you’re lacking in those areas.

Similarly, book yourself an appointment with the two professionals you will perhaps need the most during your first few years of business – an accountant and a business advisor. These people really can mean the difference between make and break.

Good ones will have already played an active role in the setting up of hundreds of businesses and will be able to tell you if there is any aspect you’ve overlooked. It’s not difficult to seek out free business advice at the start-up stage. You’re best advised to shop around for an accountant. Try not to pick one on price – select the one who you feel will work best with you and your type of business. Relationship and trust is more important than anything.

You’ll also need to shop around to find the right bank to handle your new small business affairs. Consider factors such as whether you will have an individual available to answer any queries as they arise, as well as what the bank charges for borrowing money and general transactions.

And if, after all of this, you’ve decided that starting a business is the thing for you, you’ll need to think about the business structure you will be trading under – are you going to be a sole trader, set up a limited company or form a partnership?

3) Trading Structures - Sole Trader, Limited Company, Partnership or LLP?

The two most common small business types in the UK are sole traders and limited companies.

Sole Trader

To operate as a sole trader you are essentially self-employed. Your business income will be counted alongside any existing personal income you may have, which makes the accounting side of your business about as straightforward as it can be. This proves a proposition too good to pass up for many business starters – and when you've got a dozen things to worry about at any one time, the last thing you'll need on top of this in the early days is a complex accounting and administrative structure. Getting behind on your accounting is not to be recommended!

If you want to make changes to your business, the sole trader route offers much less paperwork, as well as giving you complete control over your own accounting.

The major downside is that should your venture run into financial trouble, you and you alone are responsible for sorting it out. People you owe money too can claim your personal assets such as your house. Equally, you are restricted in certain ways in terms of the name you can choose for your business.

Limited Company

In contrast, many go for the limited company option. "Limited" means that the company's finances are separate from your own personal money, unlike with the sole trader option. If everything goes wrong, you will only lose the money you have put in – no-one can claim against your personal assets. However, as the director of a limited company, you may be required to act as a guarantor for loans or credit granted for your company.

To get money out, you must become an employee of the company and be paid either with a salary, or by taking the profits out (known as dividends). Many people starting businesses prefer to go limited. It looks more professional and has a lot less risk if you need to buy a lot of equipment or take on expensive premises, such as a shop unit.

Partnership

The Partnership structure offers yet another option for those who want to go into business with a partner or two, but without any of the legal confines of the limited company route. Unlike a limited company set-up, a partnership has no legal standing, but is just a non-complex way of linking two or more people together in a business structure.

LLP

Lastly, a Limited Liability Partnership is similar to a normal partnership, but with each participant having less liability for business-generated debt. This option involves more administrative work, along similar lines to being a limited company and is usually used by solicitors and accountants.

All in all, you are best advised to talk through the options with an accountant or business advisor. Depending on the nature of your business and projected turnover, they will know which option is best for you in the long-term, both to balance out the risk and ensure you can maximise your profits. You can also read our article on choosing between the various business structures.

4) How to choose a name for your small business

What's in a name? Well, quite a lot, actually. No matter who you are dealing with in business, your chosen business name will be the first thing people will notice about you. In line with this, it needs to sum up what you do, be catchy, and it make you memorable from the outset.

You'll need to do some forward thinking. You may only be offering one or two services to start off with, but if you expand your repertoire, your name will need to be sufficiently flexible to accommodate this. This applies equally to website names.

And if having to plummet to the depths of your inner creativity for a suitable moniker isn't hard enough, you'll also need to bear in mind that there are certain rules and restrictions linked with this process.

For example, if you decide to go down the limited company route you will need to register your new name with Companies House, which holds a record on every single limited company in the UK.

Companies House will ensure your chosen name passes all the various suitability tests. For example, the name must end in "limited", and it must not be too similar to one already in existence.

For certain sectors, there are further restrictions still. Log onto Companies House ([LINK](#)) to find out more about your particular sector.

It may also be worth registering your name as a trademark, in order to protect it further from imitation. And likewise, researching trademarks will ensure you don't use any that are already spoken for. "microsoftwebdesign.co.uk" would perhaps not be the best option to go for! Be aware that trade marking is a slow expensive process, and not to be undertaken lightly.

Lastly on the subject of trading names, a word to the wise: make sure you enter your company name into a language translation site such as babelfish.yahoo.com to make sure your company's name doesn't translate into an insult or something equally inappropriate in another language. For example, Nova, when translated into Spanish, means "Doesn't go". Hardly a desirable label for a motor car!

In fact since the internet revolution of the 1990s, it's hard to imagine running a business without a little online help. How much you want to rely on your website as a marketing tool will depend on the nature of your trade, but before committing yourself to a company name, make sure you can use it as a website name too.

You can do this by logging on to any web hosting site and entering your chosen name, either as a .co.uk, a .com, or some other top level domain. The site will tell you if your desired name is available.

At this stage, it's also sensible to seek out a reputable domain name supplier. There are hundreds around, but they are very different in terms of their reliability. Ask friends for recommendations.

It's not a bad idea to buy up as many of these different domain types as you can – they are relatively inexpensive and this is a simple yet effective way of preventing someone from potentially cashing in on your hard-earned reputation one day. Particular ones to go for include .co.uk, com, .net and .org And remember, if possible, try and buy them all from the same domain name supplier, as it will save you time and prevent confusion in the long-run.

Equally, when it comes to your domain name supplier reminding you to renew your domain name, it's vital that you keep the contact details that they hold on file up to date. Otherwise, you may find your website has suddenly disappeared into the depths of cyberspace.

If only one of the top level domains is available for you to buy, it may be worth considering a different name – you're best off choosing a name which has all the main domain types available to you.

Don't waste your energy trying to outwit the search engines. Some web anoraks will tell you that the best domain names have major keywords inserted into their titles, e.g. the-best-web-designers.co.uk, but at Bytestart, we disagree. The main thing is that like your company name, your domain name should be memorable and catchy – there's plenty of time to put the effort into web promotion at a later stage.

5) Business Planning - Why you need a business plan

If ever there was a key skill you'll need in your business – it's planning.

You can still be your own boss if you're not the most organised of people, but you'll find it a very tough slog.

No matter how good or bad you are at forward planning, a solid business plan is arguably the most important business-related document you will ever create. It's highly

recommended for anyone starting a venture, as a way of ensuring you plan the kind of business you want to create.

If you're going to need financial support from a bank, a private investor or you need to attract a business partner, it's an absolute essential.

The business plan needs only be a few pages long, containing key information about the business. Don't worry too much about the format; focus more on getting the information right and the correct message communicated.

Here's a suggested list of contents:

- 1. Objectives:** What do you want to achieve from your business? List key goals including a financial overview
- 2. Executive review:** An overview of what the business will do and how. Include the legal structure, who will work in the business and what roles they will fulfill. Potential investors will use the information in this section to decide if the rest of the plan is worth looking at
- 3. Market analysis:** How many businesses already offer this product or service, and where does your new venture sit in the marketplace?
- 4. Demand analysis:** Who are your potential customers and how likely is it they will buy from you? Are you at the premium end, the budget end or somewhere in-between?
- 5. Environmental analysis:** What impact will your venture have on the environment, and how can you minimise that?
- 7. Analysis of the competition:** To launch a successful venture you need to offer something different. So work out what's already out there and identify the gap that's open to you.
- 8. Marketing strategy:** Once you know the message you want to give out, show how you will do that. Don't get into too much detail but give an overview of strategy
- 9. Success factors:** What things must happen to make the business a success? Listing them in the business plan keeps them top of your awareness
- 11. Finances:** List your likely costs and predicted revenue. This is normally done for three years. Remember most people underestimate costs and overestimate revenue
- 12. Conclusion:** Sum up your business plan in a few sentences.

Remember that a business plan should be a living document. It's no good to you if you complete it and stick it on a shelf. Even when you are running your business, get in the habit of reviewing your plan at least once a quarter.

6) What taxes do small businesses have to pay?

This is, quite obviously, the most annoying part of any business venture: handing over a share of your hard-earned cash to the Inland Revenue. But it's certainly a classic case of better the devil you know.

Depending on whether you are a sole trader or a limited company and whether you employ any staff, the taxes you will be liable to pay will vary - as will the allowances you can claim.

Due to the complexity of business taxation, we would advise anyone starting out in business to hire an accountant. They will be able to explain how you will be taxed according to the business structure you choose, and any other circumstances unique to your business.

Perhaps the single most important tip we can provide is to ensure you keep up with your paperwork - it will save you a lot of stress further on down the road.

Types of Business Tax

If you run a limited company, you will be liable for Corporation Tax. It's calculated on your profits, and determined at the end of your company's financial year. You must then pay it to the Inland Revenue within nine months. Currently, the small companies' tax rate is 21% of profits (2008/9 tax year).

(VAT) is the tax added to most goods and services within the UK, and is collected at every stage of production and distribution. The standard rate is currently 15% (from 1/12/2008 until 31/12/2009 - previously it was 17.5%), but there are other rates depending on what you sell. We cover VAT in more detail in the next section.

If you are a limited company director, or have employees, you will also need to be aware of the Pay As You Earn (scheme). As the term suggests, the scheme ensures that tax is deducted from employee's pay each week or month rather than via self assessment (which applies to sole traders).

One area in which your tax rates will vary according to your trading structure is with National Insurance. Equally, if you employ staff, you will be liable to pay their national insurance as well. Self-employed people, legally known as sole traders, pay Class 2 and Class 4 National Insurance Contributions (NICs), whereas directors of limited

companies will pay Class 1 contributions on their salaries. This is the same as the NI you pay if you are currently an employee for someone else.

The political nature of tax means that it's a fluid set-up, and changes are made all the time. We highly recommend you read up regularly on developments and use an accountant to stay in touch. Remember: ignorance of the law is never an excuse.

7) An overview of Value Added Tax (VAT)

Valued added tax (VAT) is a charge on most goods and services sold in the UK.

Ultimately the person who consumes the goods pays the tax. But to administrate it, it is charged and reclaimed by every supplier down the chain

The standard rate is currently 17.5%. There are other rates, depending on the product or service concerned. (The temporary 15% standard rate of VAT reverted back to 17.5% on 1st January 2010).

To simplify, any business will pay VAT on all purchases (known as input tax) and will charge VAT on sales it makes (output tax). Any business receiving more output than input tax has to pay the difference at least once a quarter. Likewise, if the situation is in reverse, Her Majesty's Revenue and Customs (HMRC) will refund the difference.

You **must** register for VAT if the value of your taxable turnover has exceeded the VAT registration threshold (currently £70,000 from 1st April 2010. Previously it was £68,000) in a 12-month period, or in the next 30 days alone. That means keeping a close eye on your sales; always looking back over the last 12 months rolling,

This threshold usually increases by £1,000 or so each year, but check this on sites such as Bytestart.

It's important to note the threshold is measured on turnover, not just the profit of your business. HMRC doesn't care whether you make a profit or not where VAT is concerned. When you start up, it's worth looking ahead at the cost implication to your customers when you have to begin adding VAT to the prices.

You can actually apply to become VAT registered even if your turnover is below this threshold. There are often business benefits for doing this, especially if you have to buy a lot of supplies early on. You will be able to offset that VAT against the VAT you charge and potentially get a small refund once a quarter. To find out if this is a benefit to you, give your accountant a call.

Once you are VAT registered, you will need to change your invoices and be 100% on top of your paperwork. HMRC takes a very dim view of businesses that are late with

their quarterly VAT returns. It's certainly worth retaining a bookkeeper to make this process easier for you (and so you can focus on the important things in your business).

There are a number of different VAT schemes that have been introduced to return the burden of paperwork on small businesses. It's difficult to say whether you are better off joining the scheme or not – it largely depends on your own finances and the sector you work in. You can apply if your annual taxable turnover (exclusive of VAT) is £150,000 or under. Once accepted onto the scheme, you may leave it at any time.

The normal way of paying VAT is by paying HMRC the total VAT charges on invoices, minus any VAT you are allowed to reclaim. The Flat Rate system avoids all this confusion by setting a fixed percentage of turnover which you pay annually. The percentage agreed depends on your business type. For example, a travel agency may pay 9 per cent, whereas an IT consultancy would pay 13 per cent.

If you are in your first year of business, you may qualify for a further 1 per cent reduction in the flat rate.

As with any tax issues, we advise you to consult an accountant before you decide whether or not this scheme is of benefit for you.

8) How does the self-assessment process work?

Self assessment applies to self-employed people or sole traders as they are often known.

It's a legal requirement that you register with Majesty's Revenue & Customs (HMRC) when you start working for yourself. They require you to work out what profit you make each year and how much tax you have to pay on it.

By filling in a tax return you work out yourself how much tax you have to pay (of course you can get your accountant to do it for you).

There is one thing above all to remember here: keep your financial records, both income and outgoings, as up to date as is humanly possible. If you stick to this mantra, filling in your tax return won't be half as bad as you're imagining it to be.

Collect all of the relevant paperwork together that you'll need to complete your return. This will include bank and building society statements, and business income and expenses. If you are an employee (and many people starting their own business do it part-time while continuing working for someone else during the day), you will need a P60 form from your employer, and you'll also receive a P11D if you receive taxable expenses of benefits. If you've changed jobs during the tax year, you should also have a P45 part 1A.

If you are just self-employed, you will need your accounts listing your revenue for the year plus business expenses. You only pay tax on your business profits, although the rules are complicated and your accountant will advise.

If you have received a paper tax return from HMRC, read it through first. At this stage, you should decide whether you are going to file your return via the internet or by post. It's handy to know that if you file your tax return online, the tax will be automatically worked out for you. We recommend online submission, as it's harder for the HMRC to make mistakes during input.

Deadline for submitting tax returns are pretty strict. Our advice is to get it out of the way as early as you can. But there are three deadlines – and remember choosing an earlier date doesn't mean you have to pay your tax any earlier.

October 31st: paper return

If you prefer to do it on paper, you must send it to HMRC by this date in 2008. If you owe tax under £2,000 and want it to be collected in your PAYE code (rather than have to send off a lump sum payment), this is also the deadline for you.

Your tax is then calculated by HMRC, and they will send you the bill by the January 31 deadline. If you haven't worked out yourself what tax you owe and send your return in **after** this date, your tax will be calculated for you, but there is no guarantee that HMRC will tell you what to pay by January 31.

December 30: online return

Again, if you owe tax (under £2,000) and you file your tax online by this date, HMRC may be able to collect the outstanding sum via your PAYE code next year.

January 31: final deadline

This is the big one, and the one that gives accountants a headache every year. All tax returns must be in by January 31st, or you'll get an instant £100 fine.

It's quite amusing seeing disorganised people rush to get their information in. Why leave it to the last minute, when you can do it as early as the summer before?

9) Accounting for your new business

When you start up your own business, one thing's for sure – money isn't going to be in abundance to begin with. It goes without saying that it will go a lot further the more self-sufficient you are in the early days. But if there is one area where it's worth shelling out for professional help, it's with your accountant.

This is especially true if you start a limited company. Sums aren't everybody's cup of tea. More than that, negotiating your way around tax codes, tax liabilities and the like can be a minefield if you don't know what you're doing. And like we've said in earlier sections, ignorance of the law is no excuse.

Leave this part of your business to those who know best. Find yourself a reliable accountant and you'll have more valuable time to spend doing what you do best: building your business. Because your accounts generate on-going work, it's easy to get behind if you're too tied up with the everyday running of your business.

A good accountant won't just be there to fill out the corporate tax return and keep you legal. They will advise how to keep as much of the wealth you are generating as possible and always be looking for ways you can save money. The best accountants save more than they cost.

In a best case scenario, you should seek out a trusted accountant with a good reputation before you even start your company. They should be fully qualified, either as a certified or chartered accountant – just look for ACA or ACCA after their names on correspondence or their firm's website.

Ask them for proof of experience in handling businesses similar to your own, not just in terms of size, but in terms of sector – i.e. mail order or small-scale manufacture. Generally speaking, we'd say that smaller businesses are most compatible with smaller accountancy firms rather than the international accounting giants.

Similarly, as you chat away, make sure that they are the kind of person you are going to be able to get along with. In order to establish a relationship of trust, you will need to connect at a certain level. If need be, ask for references from other clients. Better still, ask friends who already run a business for recommendations.

Find out how your new accountant intends to charge you. Can it be a pre-agreed monthly or annual amount, or do hourly fees apply? Compare these figures for at least three firms. If you need to keep costs ultra low, consider using an independent bookkeeper to do the actual paperwork (they usually work out cheaper than accountants' bookkeeping services).

Equally, find out about the services they offer? Do they just offer completion of your corporate tax returns, or is in-depth business advice on the cards too. Remember, the more they can advise on all financial matters (including your own personal tax affairs), the more impact they will be able to make.

Above all, make sure your relationship with your accountant is an all-year-round one, rather than one where they contact you once a year. If your accountant isn't up to speed with your venture's progress, how can they offer the best advice?

10) An overview of National Insurance (NI)

Nobody likes paying tax, but if there is one form of it that could bear the label “political hot potato”, it’s (NI). Why? Because its original intended use was to fund certain welfare benefit systems such as the National Health Service and the state pension.

NI rates may have continued to go up and up, but being realistic, it’s unlikely all of the benefits such as a state pension will be around by the time you’re thinking of retiring. In short, it’s become just another tax which is deducted from your earnings.

NI is generally payable no later than the 19th of each month, unless payments due are very low, in which case you may be able to pay quarterly.

Here’s a brief overview of what you will have to pay:

Class 1

This will apply if you run a limited company and take a salary as an employee. It’s the most common form of NI and is calculated as a percentage of your wages, up to an upper earnings limit. The primary contribution is paid by you the employee, the secondary by your employer (your company). For 2008/9, the employee rate is 11 per cent on earnings between £105 and £770 a week, and 1 per cent above £770 per week. Keep an eye on Bytestart for rate changes.

Class 1A

This is the rate paid by an employer if as an employee you enjoy certain job benefits, such as a company car. As an “employer” with your own limited company, your business is expected to contribute 12.8% on earnings above £105 per week (2008/9).

Class 2

The compulsory rate paid by self-employed people. However, you are exempt should your wages be below a certain level. This applies to sole traders and those in a partnership from the first day of self-employment. These contributions are currently £2.30 per week (2008/9).

Class 3

Voluntary Contributions. Pay these to help fill gaps left in your NI contribution record, such as periods of unemployment. As is done with pensions, Her Majesty’s Revenue and Customs (HMRC) may contact you to make you aware of any gaps.

Class 4

Like Class 2, but only for the self-employed with profits over a certain amount each year. This will apply to sole traders and those in a partnership earning about this level. The current rate paid is 8% of all earnings between £5,435 and £40,040 per year, and 1 per cent above £40,040 (2008/9).

11) How to select the right business bank account

Selecting the right business deposit account for the needs of your new business is one of the more enjoyable tasks of starting up!

Whatever kind of business you go for, a limited company, partnership or to operate as a sole trader, you **must** have a separate, designated business account. It's a legal requirement for limited companies and highly recommended for sole traders (to keep personal and business financial activities separate).

We suggest you also open a business deposit account. You can put cash aside for tax and VAT payments, and you will earn a far better rate of interest than if your money is sitting in your current account.

You may have a long-standing relationship with a particular bank as a personal customer, but it doesn't necessarily follow that they will also be the best bank for you as a business client. You know what they say about familiarity breeding contempt! Go window shopping, or better, internet shopping, and make sure you compare several business accounts before deciding.

Find out how much it will cost you to have an account with a particular bank. If you have a regular batch of monthly transactions to process, you'll want to know what these will cost to carry out. Equally, are any banks offering any cut-cost incentives for business starters? Generally speaking, though, it's best to look at what is offered in the long run, not the initial incentives.

Some banks offer free banking for life, but the support offered is minimal (sometimes customer aren't even allowed to deal with humans in branches; only cash machines). Others do charge monthly fees, but it's easy for you to speak to a human. You need to weigh up your needs against the cost.

One particularly sore point between banks and their clients is interest earned on money in accounts. Things do seem to have improved across the board on this score in recent years, but there is a big spread of what is offered by the major players.

It's quite common that you either get free transactions or a good rate of interest, rarely both. So it's up to you which you'd prefer. Most start-ups will benefit more from lower charges in the first few years of operation when they don't have a lot of surplus money. You can always switch banks later.

You will need to consider what your chosen bank offers for internet banking. Many new business owners find themselves doing financial activities in the evenings or at weekends. So can you get full access to statements and your accounts no matter what the time or day? A good online banking system can save you a lot of time – and when you're setting up a business, time is sure to be one of your most precious commodities.

If you still prefer the personal touch, find out which banks have a designated team for taking care of small business customers. They will make the whole set-up process a lot easier, quicker and painless and there should be someone there to help you with a problem at any time. Banks have no qualms in making money out of our money, so it makes sense to get your monies' worth when the opportunity arises!

12) What types of business insurance do you need?

One way or another, you're going to need some form of insurance for your business. There will be some policies you may choose purely for peace of mind, whereas others are a legal requirement. As always, seek advice from a business advisor such as your accountant or solicitor on your particular needs.

There is a golden rule in insurance: If your circumstances change, however slightly, tell your insurance company and get the change included in your policy. Get this wrong and you could find yourself out of pocket in the event of a claim.

Here are the different kinds of insurances typically needed by small businesses.

Public liability

This is protection from third party claims caused by injury or death, or damage done to property as a direct result of your business activities. This is a necessary insurance if any members of the public, clients or customers ever visit your business premises, however infrequent.

PL insurance should also include legal fees and expenses. This cover typically does not include claims made by your own staff. Many businesses are covered for up to £1 million. This is not as much as it sounds, particularly if you could have several simultaneous claims.

Employers' liability

This obviously only applies if you employ someone and covers claims arising from accidents or sickness, either on or off site. It applies only to employees. You do not have to take out this insurance if you are the sole employee of your limited company and own at least 50 per cent of the share capital.

Sole traders are also exempt, as are those who employ only close family members. However, if you ever use temps or seasonal workers, you need this cover.

As a general rule, the definition of an employee is someone for whom you deduct NI contributions and income tax from their salary, and whose working day you control.

The norm is about £10million of cover, and the minimum is £5million. Don't worry, it's not expensive to buy for most businesses. The certificate must be displayed somewhere where all of your employees can see it.

Professional indemnity

This is really for businesses that deliver a service, such as accountancy or legal representation – or indeed any business acting in a professional capacity. It is a legal requirement for accountants, but for others, such as an IT consultancy, it is highly recommended for peace of mind. Again, seek professional advice on whether it's a wise move for your venture.

In a nutshell, Pi insurance protects your business from legal action instigated by unhappy clients over issues such as negligence, infringement of any legal requirements, loss of documents, or dishonesty, such as the theft of a client's money.

Many insurance suppliers will defend you all the way to the High Court if necessary. Even if you lose, the policy should cover you for any damages you then are liable for, subject to the level of cover you have. The policy should also cover the cost of fixing any mistake made, thus preventing it from becoming a bigger problem.

When it comes to deciding how much cover to give yourself, the answer is simple: as much as you can realistically afford. As a guide, many government departments require their contractors or consultants to have at least £5million cover.

You may also be asked about retro-active cover – which covers any work you have done up to the point before you took out the policy. Again, if you can afford it, it's an excellent way of making sure you have all the bases covered.

Directors' insurance

If you are the director of a limited company (LINK: Trading Structures) you are largely protected against claims. However, you could still be sued in certain situations, such as negligence. This insurance protects you from such an eventuality.

Equipment insurance

Imagine that you spill coffee down the back of your server. Then imagine having to fork out thousands replacing it? If you don't like the sound of that, it's worth considering

equipment insurance. This applies whether you work on dedicated business premises, or from home.

Contents insurance

Standard insurance to protect the fixtures and fittings of your premises. If you work from home, please ensure your home contents policy will cover your business venture. If you own rather than rent premises you will need buildings insurance too

Motor insurance

A legal requirement for all vehicles. If you use your own vehicle in the course of business, make sure your insurer is aware of this. Otherwise you may find a claim for an accident during work time may not be covered.

Legal expenses

If legal action is taken against your business, this will cover you for court costs and legal fees.

13) Raising Money - How to fund your new business

There are many different ways to raise money for your business venture – certainly a lot more choice than just asking your bank for a loan.

Before you start, it's best to look at your own assets first. Get a clear idea of how much money you are going to need to start your business, with the help of a professional such as your accountant.

Take it month by month: what money do you forecast will come in and how much will go out? Don't do what nearly everyone does – underestimate costs and overestimate income. Take into consideration the potential perils of late payers and any likely seasonal effects.

You have one option open to you if you want to be totally self-reliant: you can plunder your savings or cash in investments. It will hurt, but at least if the new business does go wrong you won't have a heap of debt adding insult to injury.

If this is out of your financial reach, consider another low-risk strategy – starting off part-time, while working during the day for someone else.

Depending on what your business is, you may be eligible for a grant, which might be an interest-free loan, match your investment or even be a lump sum. Look at the Prince's Trust if you are under 25, as it offers grants in exceptional circumstances. Equally, look

to your regional development agency, certain charities, or Business Links. The next option, and arguably the widest used, is to borrow money. You may decide to re-mortgage your home, but this means if you cannot repay the debt as agreed, your house is under threat of repossession.

Overdrafts and credit cards are another couple of possibilities, but they are expensive ways of borrowing money.

Offers of loans from friends or family should be treated with caution. When it comes to the age-old warning of mixing business with pleasure, a truer word has arguably never been spoken. If things go wrong important relationships could suffer.

However, if you are confident that your acceptance won't jeopardise any family situations, ensure you agree concrete terms before the loan is given. And then, back it up with a legally-binding agreement, signed by you and your backer.

You may also wish to consider factoring where you sell your debt to another company. It's a common aid for those businesses who have to offer credit terms on invoices, but cannot afford to wait 30, 60, or 90 days to be paid. You receive the money immediately, and your customer pays the factoring firm directly. You will be charged a percentage fee, but at least it will help prevent you from borrowing a lump sum. Factoring is normally only an option for businesses that will be turning over a fair amount quite quickly.

If you want to seek an outside individual to help, your first port of call could be someone you have met along the way in business, who you know has money to invest. If you already have a rapport with them, they could make an excellent partner.

As you'll already be aware if you watch Dragon's Den, another option is to find a business angel.

Rather like smaller-scale venture capitalists, business angels are generally people who have already "made it" in business themselves, have plenty of spare cash floating about and want to invest in a business to enable their bank accounts to grow at a faster rate than the measly interest rates of a bank will allow.

Either operating solo or as a syndicate, they're most likely to go with an innovative idea that's not been done before. Typically, decisions are made quickly – but expectations for returns will be high.

The cash from an outside investor could be essential to get started. But are you really ready to effectively hand over part of your business to a stranger? They may or may not be helpful and hands-on, and will more than likely want to meddle and give you their opinion if things don't go according to plan. Sure, they have the right to find out at regular intervals how you are doing, but it could create problems if they become unwilling to let you take general charge.

Before you decide whether you and a business angel will be a match made in heaven, here are a few pointers to consider:

- As investors, they will want as guaranteed a return on their investment as possible. Sums invested are typically between £10,000 and £750,000. It will greatly help your cause if, as the business founder, you invest some cash too, even if it is only a small amount by comparison
- How competitive could your business be? Any self-respecting business angel will want details of exactly how their money will be invested and the likely returns
- Make sure you have every last scrap of financial information to hand when making a pitch to a business angel, or similar potential investor. In short, don't even bother to turn up at the meeting if you don't know your turnover, gross and net profit. If you're past startup, historical financial information is likely to be asked for too, in order that the investor can better forecast future income and outgoings
- Don't panic if your figures are low, so long as you can offer logical and reasonable explanations, rather than weak excuses for it
- But it's not just about you trying to impress sufficiently to loosen their straining purse strings. It's vital to work out the business angel's motivation too. Are they out for a quick buck or do they have a genuine empathy for your idea? Check what other projects they have invested in and when – speaking generally, most business angels invest only once or twice a year. If it's more than this, how dedicated to your cause do you think they will be?
- Apart from cash, what else are they bringing to the table? Hopefully, the answer will include knowledge and experience. Check to see if your differing skills are compatible
- Be clear from the start how you and your business angel will work together and discuss the business's progress. Define them a role. Is it OK for them to turn up at your premises unannounced? Make it clear from the beginning what is and isn't going to work
- Ask the business angel about their likely exit strategy. If you both agree to a five year investment period, for example, it gives you both a clear, defined goal to work towards
- Remember: angels are normally financial boffins. It's likely they are going to be better number crunchers than you. With this in mind, you really should talk to a financial advisor about the intricacies of the potential arrangement, such as how much of your business you are willing to "sell"
- Always be prepared to walk away from a potential deal, for example if the offers from your investors do not meet up with the valuation you have placed on the business

14) Getting paid and how to avoid late payment problems

If you've always been employed by someone else, managing your own business finances will be an interesting new experience for you!

If there's one universal reason why so many businesses fail, it's because of a poor or non-existent cash flow. In fact, every year, in excess of 10,000 businesses fail each year because of this.

Once you start experiencing cash flow problems, you can quickly fall into a rapid, downward spiral. You can't buy the raw materials you need for your end product, you can't purchase the equipment you need to deliver your particular service and, if you have staff, you won't be able to pay them.

One way to avoid this common pitfall is to ensure that you are never reliant on one single customer for a large proportion of revenue. Another is to make sure that above everything, you pay your bills on time, buying goodwill with suppliers.

But if your customers aren't paying you, it doesn't really matter how diligent you are with your own finances. That's why the Government introduced the Late Payment of Commercial Debts (Interest) Act in 1998, giving businesses with fewer than 50 employees the right to charge interest for the late payment of debts. This applies when seeking debt payment from small or large customers.

This is one good reason why you should clearly state your payment terms at the bottom of every invoice, contract and order confirmation. Better still quote the late payment act at the bottom of any financial paperwork.

State clear payment terms (normally 30 days, but depending on the nature of your business, it could be shorter or longer). Seek advice from your accountant on what's normal for your industry.

One way you could avoid this difficult area altogether is by giving clients an incentive to pay earlier than your deadline by offering an early payment discount, or where relevant, suggest a discount if they pay several instalments at once or pre-pay.

When someone is late paying you, follow it up immediately. It's not a bad idea to have an established point of contact in each client's accounts department, should one exist.

Politely but firmly ask for the payment to be made and point out that if the problem persists, you will consider charging interest on the overdue amount. Failing this, say you will then move on to court action.

One way of tackling invoice payment problems before they have even arisen is by using a system called factoring. This is an agreement between you and an invoice finance provider, whereby you receive initial payment (typically 80%) within a day or so of issuing an invoice.

You receive the remainder once the customer has paid the invoice, which they do to the invoice finance provider, rather than to you. Obviously, there is a fee for such a service, but if you think you will struggle with slow paying customers, it's worth considering.

15) Marketing & PR for your small business

In an ideal world, everyone who runs a small business would spend at least one day a week actively marketing or selling. Perhaps that's why this is one of the areas you're most likely to delegate to someone else.

It's not just about time management. There is an art to selling your wares, marketing your company and generally making sure only good things (and plenty of them) are said about it.

Whether you believe this side of being in business is your forte or not, read on and make sure you know what's involved first.

Marketing

Anything you do that positions your business to prospective buyers and helps to generate sales leads is marketing. Even sponsoring a local Scout troop to do a litter pick is a form of marketing, because it may one day influence someone to buy from your business.

The key to all marketing is to test and measure. You should consider trying every marketing channel you can think of, but only as a test and very carefully measured.

Different types of marketing work for different businesses. The only way to find out within your industry is to try them. Put some budget aside that you are happy to lose during research, and consider investing in a professional marketing tracking system such as ACT (although spreadsheets will work just as well).

Many businesses skip the tracking side, but this is vital. With a small business you can't afford to pick which marketing works by gut feel alone. You must be scientific about it. This also makes it easier to say no to directory sales people when they call you each year trying to take thousands of pounds off you!

As a general rule, at any one time your business should be investing in up to ten different types of marketing. Pick from: advertising, directories, online advertising, website, networking, newsletters, emails, direct mail, telesales, corporate gifts, blogs, audio CDs, DVDs, and affiliate marketing.

Public relations (PR)

One of the most popular types of marketing is public relations. It has become an essential in the modern, media-centric society we live in, whether you're an A-list celebrity, a sporting star, or just a humble small business owner.

Put simply, PR is the relationship your business has with the general public, typically played out in the media or on the internet. Like any long-standing relationship, it needs constant nurturing.

Before you even think about PR, ask yourself this question: "Is my product/service ready for public consumption?" There's no point in setting out to promote your product until you can answer a resounding "Yes" to this question. If the demand is created and the product is not available, your strategy will fall apart. And your customers may go and see your competitors in the meantime.

For any PR drive to be successful, you must understand the motivations, desires and needs of your target audience. Consider things like which publications do they read, or what radio station they listen to. And then think about what stories those media outlets will be most interested in.

The main way to communicate with the media is with a press release. This is document or email that suggests a story to journalists. When writing one, make sure it has a catchy headline, and always date the top of the release so your contact is in no doubt that this news is "hot off the press". Finish the release with background information about your company, contact details, and, if necessary, an explanation of anything you would consider technical for a layman.

When compiling a media list of contacts, you need to do your homework. Look at newspapers, magazines and websites, and TV and radio stations. Get to know their house style and areas of interest. If you adopt these, you are more likely to get coverage from them. Equally, try to understand the roles of the people you are contacting. A gadget reviewer is not going to want to discuss a new website you have launched aimed at gardeners.

It's always worthwhile to develop a relationship with journalists in your local media. Find out the names of those reporters who cover topics relevant to your cause. Give them a ring and introduce yourself. Then, when your business moves up a notch, moves premises, wins an award or creates a new product, you'll know just who to call.

And remember: unless you specifically ask for an off the record conversation with a journalist, expect them to be making notes on everything you say. That way, you won't feel the need to break the other golden rule of dealing with journalists: never ask them to see the story first. It's a sure fire way to get their back up and they are not obliged to do so.

On a similar note, don't keep pestering them asking when it will be appearing in the paper. It's rarely up to the journalist, so they will have little or no control over this. Lastly, always ask a journalist when their deadline is. And then respect it.

These rules apply equally to any relevant specialist and trade press. They can be a more effective port of call for your publicity drive than a local rag. Get a story in there and it's a surefire way of letting your competitors (and customers) know you mean business.

16) How to generate sales for your new company

Once your marketing efforts have generated you a list of prospects, it's time to see them and get them to buy. The first thing to remember is that you're not selling a product or service – you're selling the benefits it brings to the buyer.

People buy for one of two reasons – either to feel good, or to fix a problem. The majority of B2B purchases are for the latter.

Prepare yourself to get out there and sell by writing a list of all the benefits you think your product or service will bring to your customers, for example saving time, money, making them feel good, or providing them with a status symbol.

Next, write another list full of all the ways in which your product or service is better than your competitors (in the eyes of the customer).

At sales meetings ask questions and then listen to the answers. Too many sales people think the gift of the gab is the way to go, but being a good listener will secure you many more sales in the long run. Empathy is a great sales tool.

What matters to your potential customer? What keeps them awake at night? What do they wish for?

In short, find out about their needs. And if they don't know what they are, it's your job to help them find out. And then you tell them how your product or service can meet this need.

Don't be put off if the customer raises objections. Instead, turn them to your advantage. For example, if the product or service is too expensive, show them why it is more expensive than your rivals and what benefits that brings. Or if you are able to, consider lowering the price, perhaps by giving a discount for extra purchases.

The best way of dealing with an objection is impersonally. For example, say: "Other customers have found this product useful because..."

Look for signs that the customer is ready to buy while you are presenting. You'll learn to spot these over time. If the buyer seems ready, ask them if they are ready to buy and close the deal there and then.

Ask them 'when' not 'if' they want your product. Once you have got the order stop selling, and always thank the customer for the order.

This is the ideal time to ask your new customer for a referral. Once they've agreed to your sale, they will be on an emotional high and therefore more receptive to such a request.

17) How to use the web to build your business

In the information age we live in, it's business suicide to ignore the endless possibilities of the internet. In other words: Get yourself a website. It should be the first marketing task you carry out with your new business.

The extent to which you'll use it will be up to you. Some people use them as not much more than an e-business card. But there's arguably no better way than telling potential customers that you've arrived.

When you plan your website, decide in advance what you need from it. Do you want people to have the ability to buy directly, or is it to give them enough confidence to pick up the phone and speak to you?

You can get a good website put together for just a few hundred pounds, although typically the more you spend the better a website you get. On top of the actual site design itself, you will also have to pay for hosting (this is the cost of providing and maintaining the computer that your website sits on).

Look for a website company that will allow you to make changes and add new pages yourself, without paying extra fees. It's a golden rule that your website must always be 100% up-to-date, and you will need to take responsibility for this.

Once you have a website up and running get used to changing and adding new content regularly. Getting lots of traffic from search engines such as Google is essentially about providing good relevant content and keeping it up-to-date.

Here are some other simple and cost-effective ways of driving web traffic.

Blogs

If adding new content regularly is good for search engines, then a blog is the perfect way to do that. It's a kind of online diary where you can write about anything you like, such as changes in your industry.

You can use a blog to show off your expertise. It's also a great way to keep in touch with your audience, including customers and potential customers.

Email marketing

One of the greatest benefits of sending out an email newsletter to potential and existing customers, is that with basic email marketing software, you can monitor how many are opened. This helps you understand what your audience wants to read (and therefore purchase).

You need to get the frequency of emails right, perhaps once a month or quarter. Too many or too little and you could be doing more damage than good.

Build a database by asking website visitors for their email address. Add people that you meet at networking events. Never add someone to your database without permission, or you will just be spamming them.

Getting the content right is vital. Look at the content of competitors' email newsletters. Are you giving away enough free information or advice? Are your offers good enough?

Finally always give subscribers an easy way to stop receiving your emails.

Pay per click advertising

PPC are the small adverts which appear down the right-hand side of your internet browser when you use a search engine. Businesses have paid for these to appear, rather than the search engine picking out what it feels is relevant to your question.

You only pay when someone clicks on the advert. And the more you are willing to pay, the higher your ad will appear (although there are other conditions that affect the position of an advert, such as how popular the advert is).

When it comes to crafting your ad, every character counts. There is no room for fluff. If you stock a particular brand, mention it as early as possible in your ad, thus confirming you as a serious player in your market and also directing the right kind of traffic to your site.

Get used to reviewing PPC adverts daily. The analytical tools offered by the search engines are powerful and can help you get a better result for less expenditure.

18) Overview of employing staff

If your new business is a success, at some point you may find yourself wanting to take on some assistance.

Employees can be a real minefield. The right ones will add value to your business and help you scale up. Bad employees will cause untold amounts of damage and could destroy your business around you.

The key here is start as you mean to go on. Your initial meeting of a potential employee is your golden opportunity to assess if they are suitable for the job and if they are the kind of person you are looking for to represent your business. Remember - your company is only as good as its staff.

Paying staff is an expensive business, so before you advertise a vacancy, ask yourself if you REALLY need another pair of hands. Then look at the basics. What specific skills are you looking for? You want your new candidate to live up to these as closely as possible from the outset.

Do you need the new staff member to be full-time? Or are you expanding in a new area, meaning you will need a set of skills and experience perhaps not already existent in your business.

Once you've got a clear picture of the skills, experience and level of cover you need, draft a job description to attract the desired candidate. First and foremost, include skills, knowledge and experience. Highlight the general nature and objective of the job, along with main duties and tasks. Also, give a job title and location where the job is based.

On the other hand, you may decide to leave all this to the experts: a recruitment agency. This could save you a lot of time, and you could even go down the road of trying out a candidate as a temporary employee first, before deciding whether or not to take them on full-time. If you employ a temporary worker, you will also have less paperwork to tackle, as many recruitment agencies take care of tax issues and pay the workers directly.

However, if you are going for this option, make sure you go for an agency that comes highly recommended. They are expensive – some demand as much as 30 per cent of the employee's annual salary – and if they do not find you the right person quickly, it could prove disruptive and counter-productive to your business.

Once you've found the right candidate, you have to interview them. It takes time and preparation.

Think about what you wrote in the job description and specification. Equally, think about your business and what you can offer a candidate over a competitor. Remember, it's not

just about what they have to offer your business, but what your company can offer in return.

During interview, introduce yourself and explain what the interview process will involve. Tell the candidate some background about the company and give some more information on the role they have applied for.

Encourage the candidate to tell you about their strengths and why they decided to apply.

Ask open-ended questions, rather than closed ones. For example, ask “Tell me about a similar role you have performed before”, instead of “Have you performed a similar role?” You will find out far more about them that way.

At the end, ask the candidate if they have any questions. Tell them about the next stage in the recruitment process, such as second interviews and timescales where possible. As they leave, thank them for their interest so far. You may also want to include an aptitude exercise or some form of test.

If you are unsure between a few candidates, conduct a second interview. Otherwise, make your successful candidate a direct job offer, or do it through a recruitment agency, if you used one.

Once the offer is verbally accepted, confirm it in writing. Now plan how you will welcome and introduce your new employee to the business’s day-to-day running and how you will train them.

Good quality training will keep your staff motivated, and reflects positively on your role as an employer. Likewise, it raises customers’ satisfaction and boosts business.

In order to establish what your training needs are, you should conduct a training needs analysis. This will identify gaps in your workforce and support your business objectives. Conduct an employee survey and involve your customers where relevant.

Ask your staff how they would prefer to be trained – some learn best through observation and questioning, so job shadowing could be a cost-effective method. Try and tailor make your training for each individual.

19) Legal implications of employing staff

One thing that often puts people off starting their own business is knowing they will need employees to deliver a good service, but are afraid of being an employer.

It is a risky time for any business, but as with most things, once you know what to watch out for, it's something you will be better prepared to tackle.

There's a lot to know about the legal side of employing people and it's the main area where small businesses either knowingly or unknowingly fall foul of the law.

The story begins before you even have anyone to employ. When you're thinking about who you want for a job, you have to be careful not to be guilty of any form of discrimination. Hopefully, you will be aware of this in relation to gender and race. But with relatively new age-related discrimination laws now too, to put in a job ad for someone "experienced" or "young" may land you in an equal amount of hot water too. Whoever you ask for, you must be able to justify your reasons objectively.

One way of achieving this is by opting for a "blind" initial selection process where you do not ask for any real personal details to begin with, apart from their name and a contact number (i.e. no age or photos).

Seek advice on the way you set up your premises for interview – is the interview room accessible to someone in a wheelchair, are fluorescent lights going to create a problem for someone suffering from a light-sensitive condition such as epilepsy? Warn candidates of any conditions you think may create a problem.

When you get to the job offer stage, consider if a probationary period is necessary or desirable. Equally, consider if a fixed term is appropriate for your particular candidate.

What pension provisions will you offer? What job-related benefits will be available immediately and which will be phased in over time?

Sufficient information about the role should be included with the job offer so the candidate can assess their own suitability for the role. This should not serve as the main contract, however. Draw up a separate one.

Every employee has a right to a written statement of employment within two months of starting work. This should be done by a professional and it should cover any matters which are not included in the office or company employees' manual.

Areas which must be covered by law include: name of employer, employee's name, date of commencement of employment, job title, address of workplace, remuneration and its frequency, working hours, and holiday entitlement.

On a separate sheet, you should also include details of sickness, injury and sick pay details, period of employment, notice periods, details of overseas employment if for a month or more, collective agreements (such as those brought about by trade unions), pension details and disciplinary and grievance procedures.

There should also be details included about contractual bonuses, commission payments and obligations for an annual salary review.

If the job offer is for a senior role, or high level management, you should also include issues tackling confidentiality, fidelity, including adequate restrictions once they've left your business, periods of notice required and garden leave, if appropriate.

Although fairly unusual, you can amend a contract, preferably in writing. This is usually necessary through the results of collective bargaining or if an employee performs new duties without objection.

In the unlikely event that your working relationship with a member of staff goes wrong, there are a number of pointers to consider.

Every employer has to adhere to a three-step disciplinary and grievance procedure – you can't just lose your rag and sack someone on the spot... at least not legally!

If a member of staff has a fixed term contract and you fail to renew it can be unlawful. If a series of renewed fixed terms take the employee's spell at your business to in excess of four years, the fixed term is then deemed to be permanent. Don't underestimate the grievance powers of any temporary, contract or consultant workers you employ.

Read up on the Equal Pay Act before you decide to deduct any money from an employer's wages. And likewise, with holiday and sick pay, make sure a clear and consistent policy is in place. If there isn't one, Statutory Sick Pay applies.

And if you are thinking of dismissing someone, never fail to seek legal advice first, or it could get messy...and expensive.

Of course all of the legal information contained here is not a replacement for professional legal advice.

20) Should you work from home or use a dedicated office?

This is one of the key decisions you'll have to make right at the start: where is the best place for you to locate your business? There are a number of things to consider before you get carried away with excitement and sign your first lease.

Your decision should be based largely on the nature of your business. If you're operating as a one man band working mostly over the internet, you can happily do this from home and make more money. But of course a retail shop or manufacturing operation needs premises and a good location.

Working from home is doubtlessly the cheapest option. But because there's no travelling to and from work, be aware that people who work from home tend to work longer hours, finding it hard to switch off (literally!).

Similarly, if you use your residential line for business calls, you could be receiving calls well after your official working hours and at weekends. Is it always going to be you who answers the phone, or will your children have a go? Will you always be in professional mode, even on a Friday night after a couple of glasses of Shiraz Cabernet?

You can use the facilities offered by a virtual office to keep your business looking professional while still working from home. They will provide you with a business address, a personalised telephone answering service, virtual receptionist, post handling and forwarding service. And in some instances, you may also have access to private offices and boardrooms on an ad hoc basis.

Some people find working from home difficult, mostly because they don't have an office environment and colleagues to motivate them and keep them in a routine. This is when a serviced office can come in handy.

You can move in for a day, a month, or a year, and generally leases are made to suit you, offering a low-risk option for your start-up business.

You get everything you'd expect in terms of basic office equipment, plus secretarial support and other support services. Facilities typically include part or fully-furnished offices, access to telephone and voice mail systems, broadband, reception and customised telephone answering, meeting room and boardrooms, kitchens and possibly catering services, mail franking and collection, fax and photocopying, office cleaning and car parking.

Serviced offices are often in sought-after city and town centre locations with a prestigious address, where the full-time, long-term rent would be out of reach for a young venture. It's usually all-inclusive cost-wise, including use of the building, heating and lighting, reception, security, maintenance, redecoration, refurbishment, and cleaning charges.

A serviced office means it's easier to expand as it suits you, taking on a bigger office and more staff as you need them.

If you are fairly certain about your business growth over the next few years, you may be better off renting or buying premises.

As a small business, you'd be best to seek professional advice before committing yourself. However, this solution does tend to offer the best price per desk for larger-scale requirements and it also means you can customise your own office to fit in with your branding and operations.

However, unlike the serviced office option, not all your costs are fixed and included, such as business rates, service charges and buildings and contents insurance. You will therefore need to budget accordingly.

Once you've decided on office type, fix your budget, remembering to include costs such as any equipment you may need. You may decide to rent certain items to start off with, until you have some more serious capital behind you.

Your chosen business premises location will need to fit the needs of you and any employees you are taking on. For example, you may need to be close to good public transport links, or shops and facilities for your staff. If your business requires frequent deliveries, choose somewhere accessible to good road and motorway networks.

Find answers to the following question before committing:

- How many people do you need to accommodate?
- What are your likely growth plans over the next three to five years?
- How will you occupy the space – individual offices or open plan?
- What meeting facilities will you need?
- Do you need a specific size or layout?
- Any special structural requirements, such as high ceilings or wooden floors?
- Are the facilities good enough for employees and visitors - lighting, toilets, kitchen facilities?
- Do you need any kind of planning permission to run your business from these premises?
- How is the access and parking space for deliveries or customers, including disabled customers?
- Do you have or need the flexibility to alter or expand the premises?
- Are the premises suitable for your long-term needs or just for the short-term?

In order to help you find the perfect space for you, you may decide to employ the services of a commercial property agent. As always with professional advisors, get an estimate of costs before starting work.

21) How to embrace technology in your new business

Even if you consider yourself a technophobe, there's no getting away from technology if you want to be a success in business.

Technology has changed the way we work in quite a short space of time. And it's changed people's expectations too. They expect to be able to email you outside of the traditional office hours, or have a chat with you readily even if you are abroad.

You need to embrace at least the basics of what modern technology can do to help you run your business. And you should find a huge number of benefits along the way that either save you time or money, or let you be more productive.

Let's start at the beginning and the most important – internet access. These days there's only one way to go: broadband. Why? Because it's the most cost-effective connection available to you. It's considerably faster than dial-up and cheaper than using a dedicated ISDN line. Broadband is always on, which means you don't have to go through a connection process every time you want to surf.

Best of all, you should be able to get broadband for as little as £15 per month. The marketplace is pretty competitive with hundreds of providers after your business.

The most used broadband by UK businesses is the (deep breath now) Asymmetrical Digital Subscriber Line (ASDL). This comes off your normal phone line meaning it's quick and easy to install... although if your phones go down, so does your internet.

Before you sign a deal, find out about the maximum connection speeds you can achieve. This will be determined by the technology at your local exchange. Also check if there is a limit on the amount of data you can download... businesses tend to get through a lot of data.

Another option is to get broadband through a cable, such as Virgin Media. Not many business premises are connected to cable, but you'll find it faster and potentially more reliable if you've got it.

Once you're used to fast access at work, you'll want it on the road too. And here's where a modern wi-fi enabled laptop could be handy, especially if you are often out on appointments.

Wi-fi allows you to connect to the internet wirelessly at one of thousands of hotspots across the UK, typically based round public areas such as shopping centres, coffee shops, railway stations etc.

If you don't fancy lugging a laptop around, get a smartphone. They integrate a mobile phone, personal organiser and internet access in one handset, offering great flexibility, no matter where in the world you are. The most popular version of these is, of course, the Blackberry. However, they don't call them Crackberries for nothing – just make sure that you don't end up inseparable from it. It's tempting to want to keep up with everything while you're on holiday, but you're not going to be at your efficient business best if you don't literally switch off once in a while.

Here are a few more ways to use the internet to your advantage. If your business is reliant on up-to-the-minute information of any kind, you may want to take advantage of Really Simple Syndication (RSS). This is a facility which will automatically provide you with information without you having to remember to look at your favourite websites.

Another way of taking advantage of technology is by using the Internet to do your day-to-day banking. Most high street banks now offer an online facility and it will save you a lot of time. If you have a business account, it's worth remembering that banks can charge businesses more for writing cheques compared to making online payments.

As you grow your business and make more contacts, you are likely to be invited at some point to join a networking club of some sort. So it's not surprise to learn that this can also be done virtually. Networking sites link together like-minded business people via the internet, providing you with potential leads, prospects, customers, ideas and suppliers without leaving the office.

Finally the internet has hundreds of online tools that can be used to make you more productive, such as sharing information, tracking time spent on clients' accounts and organising your to do list.

22) After starting up - how to keep on top of business

We've finally reached the conclusion of our start-up guide. Hopefully we've answered most, if not all of your questions and provided you with a firm foundation on which to start up your business venture with confidence.

But of course, as the UK's leading website for business start-ups, that's not the end of the story. Far from it, in fact. Our growing reputation means that we are continually approached by outside experts in many fields with advice to share, so it's always worth checking with us to see what's new (

One thing you can always be sure of is that the information you will find here is bona fide and backed up by years of hands-on experience, be it from accountants, financial advisors, marketers, internet boffins, PR agents, or business set-up advisors from the Bytestart team itself.

The continuing theme we hope you've picked up on throughout this start-up guide is that if you keep your records up to date – be they action lists, customer and client databases or the dreaded tax and financial side – you'll never go far wrong.

Equally, although it will be money you may reluctant to part with, never be afraid of consulting qualified professional experts. Oh, and no matter what your particular line of business, always shop around.

As with anything in life, a positive attitude is everything. We've been honest with you all the way along. Starting up on your own is no mean feat; there will be tears and long days ahead, but stick with it and there is no reason why you shouldn't reap the benefits in the long-term.

Just make sure that before you do anything, you research your chosen market thoroughly to make sure your idea is viable in the first place. It will save you a lot of heartache later on.

And never stop learning. Running your own venture is a constant learning curve. You must stay dynamic if you are going to stay ahead of the competition. Keep up to date with what is going on in your chosen field and mix with as many different business people as you can.

Most importantly....have fun along the way! Good luck... and let us know how you get on.

Conclusion:

You need some, you get some! We are the Finest and Most experienced company in Singapore.

Let us serve!