

A LITTLE GUIDE TO STARTING AND RUNNING YOUR OWN BUSINESS

Starting in Business

Starting a business can be an exciting time that presents its own challenges and rewards. The more you plan, the more likely you are to succeed and enjoy the fruits of that success. You need to:

- Be clear on your objectives - what you hope to achieve
- Make sure that you have enough funding in place to support the business through its early phases and for your on-going plans
- Decide on your business structure
- Make sure you meet the legal obligations for running your business
- Plan to minimise tax

And we are here to help with all of these issues

Incorporate or not?

You need to decide whether you should trade as a sole trader, in a partnership (including LLP) or through a limited company.

Whilst there are advantages and disadvantages to each route, we have an increasing number of clients incorporating their businesses (forming a limited company). Their reasons include:

- Tax advantages available for the company and also for the owner / manager, including the extra flexibility that the structure gives
- The ability to involve family members, with possible tax advantages
- The ability to transfer ownership with ease and to provide on-going continuity if ownership changes
- The limitation of liability for the owner / manager if the business fails
- The low cost of setting up the company
- The impression of a being a more 'substantial' business

It is very important to get the right structure; we can cover the subject in an initial introductory meeting.

Business Planning

A Business Plan when you start up is essential, especially if you need external financial support for your business.

But equally important, a Business Plan can be an extremely useful tool throughout the life of the business – whatever size – allowing you to:

- Identify your objectives and plan how to achieve them
- Ensure you have sufficient funding in place to support your plans (e.g. business growth)
- Plan to minimise tax and maximise rewards

To bring in bank support or external investment, a formal plan will be required, which includes:

- Executive Summary – this summarises what's in the rest of the plan (objectives, nature of business) and gives headline figures e.g. turnover, profitability, funding required
- A statement of your business objectives (Mission Statement) and a description of what the business will do and how it will operate
- Management and Personnel – with details on the business structure, including shareholdings / ownership, CVs
- Sales and Marketing – what market you will be addressing, how you will reach your customers, the competition
- Products and Services – what the business will provide and how
- Financial Forecasts – to include a detailed monthly Profit and Loss Account, Cashflow and Balance Sheet for the first year, and forecasts summarised quarterly for a further period (usually 3 – 5 years)

We can help you to make sure that the Business Plan is understandable, easy to follow & professional.

Be compliant

Make sure you register for VAT and PAYE if necessary – and that you follow the systems laid down for reporting on these.

They aren't onerous, but if you fail to meet deadlines you can be penalised; HMRC have become less flexible than in the past and financial penalties are being sent out regularly. If you trade as a limited company, there are simple filing requirements annually.

We can advise on what you need to do – and register the business for you if necessary; we can also help with the regular filings.

Getting funding for your business

Most new businesses need finance and this can come from a number of sources. You might be able to provide sufficient funds from your own resources; with this comes an element of financial risk that certainly helps you to concentrate on making the business successful.

Usually, a business will need external funding – and this isn't something that stops when you are established.

The Business Plan is essential, as described before. But you also need to know what sorts of funding are available and from which sources; these can include bank overdrafts and loans, investment, Government supported schemes (loans and grants) – or perhaps a mortgage. In addition you may be able to access finance for specific business assets – loans, HP, leasing – or to finance debtors for business expansion

You must understand the implications of the finance you raise, the security that you or the business may be required to provide, the true cost – and the tax implications. We can help in all of these areas and in finding finance for you.

Selling or leaving your business

There will come a time when you need to consider a future for the business without you. Will you retire? Will you sell?

If you are thinking of selling, it is important to understand that you need to prepare and plan for the sale of your business: in the most successful cases we've seen, this has usually taken 2 -3 years in order to maximise value.

You need to dress the business for sale and this includes practical considerations, such as:

- Making sure the business can continue to operate without you after the sale; few buyers want to be reliant on the vendor after they've bought the company!
- Ensuring that the due diligence (buyer checking) exercise will run smoothly and not find issues to affect the valuation: Are agreements with your main customers / suppliers in place? Do you have proper contracts of employment for staff?
- Making sure you have taken what you want from the business before the sale process completes: you may want to extract excess profit via dividends – or simply

transfer certain assets (e.g. cars or property) whilst you have control; in every case you must be clear on the potential impact on sale price and taxation

- Tidying the business's accounts and finances
- Providing credible financial forecasts - and in some cases you might have to guarantee these for a period to obtain the best price

If the business is a partnership, there are additional tax considerations.

We can help you plan the sale process, introduce the right agents to help find the best buyer, dress the business for sale, look after your interests – and plan the best tax strategy for exiting the business.

About us:

OCL Accountancy specialises in helping small and medium sized businesses in Bristol, Bath and the South West (start ups to turnover of £3 million) providing business advice and tax / accountancy services.

Businesses always face a variety of challenges – now more than ever. We help you to make sure that:

- You know how your business is doing
- You plan for the future and work towards your objectives
- You get experienced financial and commercial support at the time when you business needs it most
- You are getting the right advice in language you can understand
- You have the most efficient structure and don't pay too much tax
- You and your team get day to day help when its needed, including out of office hours
- You don't incur unnecessary penalties and charges or fall foul of HM Revenue and Customs

We've been in business for more than 20 years and have clients who have been with us since the beginning. We can help in all areas of commercial and business advice, business planning and accountancy services, including accounts preparation (management and statutory), payroll, VAT, self assessment and all traditional tax services.

Please call or email to make an appointment – NO OBLIGATION OR CHARGE – to discuss your own situation and to see how we might help.