



# Starting up in Business

by Russell Black



Glazers is a long-established firm of Chartered Accountants. We act as accountants, auditors, tax advisers and business consultants to UK and overseas-based individuals and organisations, engaged in almost every type of business and vocation.

A large proportion of our clients came to us when they started out in business and have grown profitably with the benefit of our support and advice.

As business start-up specialists, we have extensive expertise in helping new businesses, from individual freelance ventures to larger, privately-owned companies.

Many businesses have established themselves with the help of Starting Up In Business since the first edition was published in 1993. This edition reflects the changes that have taken place in the commercial world in recent years.

The basic principles for success, however, remain the same, as does our commitment to those who seek our advice.

Full details of our services can be seen on [www.glazers.co.uk](http://www.glazers.co.uk)



Russell Black



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# Starting up in Business

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This guide has been designed for people starting their own business and for professionals embarking on a freelance career. It does not deal with individual circumstances of particular types of businesses and we strongly recommend that you obtain good professional advice, particularly in legal, financial and accounting matters, before proceeding.

We will be pleased to answer any questions which you may have, concerning the tax and financial affairs of your new venture. If you would like to have a general discussion about your business, please telephone 020 8458 7427 and ask to speak to one of our partners, or send an e-mail to [quality@glazers.co.uk](mailto:quality@glazers.co.uk)

You will not be charged for the first meeting.



# Introduction

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Starting any new business venture carries an element of risk.

Whether you plan to start with commercial premises, equipment and staff, or alternatively intend to set up on a more modest basis, perhaps freelancing from a room in your home, it is important to plan for your success.

You need to establish whether there is a large enough market for your product or service. Some preliminary research will be necessary in order to find out who and where your competitors are, and how much they are charging. Try to gauge whether business is currently good for them, as this may indicate the potential for your own business to succeed.

Once you have done your research, and assuming that you are still committed to proceeding, the next stage is to consider your business plan.

“You need to establish whether there is a large enough market for your product or service.”

# The Business Plan

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If you need to raise finance from a bank or from outside investors, you will normally have to show them a business plan.

If you do not need to show a business plan to anybody, it is still advisable to prepare some basic figures, however simple the format. This is because there are two things that you should know before you commit yourself to a new business - how much you will earn if things go well, and how much it could cost you if things don't go so well.

A business plan is normally divided into two main sections. First there is a narrative section explaining what the business will do, how and where it will be done, who will run the business and how it will be financed. The second section comprises a profit projection, a cash flow forecast and explanatory notes if necessary. You need to prepare the narrative section if you are going to show your business plan to somebody else who needs this information.

“A business plan does not need to be a large document and is more likely to be effective in just a few pages.”

Glazers can help you draw up your business plan. It does not need to be a large document and in most cases is likely to be more effective if it gives the reader all the relevant information in just a few pages. More elaborate ventures may require a greater volume of detail.

Preparation of a business plan serves a number of purposes. First, it makes you consider your business objectives and commit your ideas in writing. In doing this, fresh ideas (and potential hurdles) may spring to mind which may help you to clarify the precise direction that you wish to take. If there are any fundamental flaws in your business plan, it is helpful to identify these at the outset.

The second purpose of a business plan is to encourage you to consider the financial aspects of the proposed venture, such as pricing policy, whether the business will provide you with the desired level of income, how much capital you will need to start up and how your bank balance is likely to stand from month to month. Only by quantifying your expectations will you know later on whether things are going as intended.

The third purpose of a business plan is to assist in raising finance. This finance may come from private or corporate investors, but more commonly it will come from a bank.

If you approach a bank for loan or overdraft facilities, they will almost certainly ask you to prepare a cash flow forecast to enable them to consider your application. By having this readily available within the business plan, you can help to speed up the application process, and more importantly, the bank manager will see that your proposals have been carefully thought through beforehand. This is likely to help in getting your relationship with the bank off to a good start.



# People to Contact

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Having established what you are trying to achieve and how you are going to go about it, it is important to seek expert advice on the various aspects of your new venture. A common feature among successful business owners is that they recognise the value of investing in good professional guidance.

## ACCOUNTANT

First you will need an accountant and this is where Glazers can help. We can guide you in business matters and provide consultancy advice to help you build your business profitably.

It is essential to get the basics right. Records of your business transactions need to be kept and tax liabilities need to be agreed with HM Revenue & Customs. These are all areas in which we can give advice, and this advice can prove invaluable. This is particularly so in the first year of a new business when careful planning is important in order to make sure you start off correctly.

We will help you to set up a good bookkeeping system, which will enable accurate accounts to be prepared. Keeping good books from the start will keep accountancy costs down. Once the basics have been dealt with, we can turn our attention to providing business consultancy and tax advice, so that you get the most out of your business.

Our other functions in the early stages are to assist in the preparation of your business plan and cash flow forecast, assist with registrations such as income tax, national insurance and VAT, and to advise on the various methods of financing the business.

We do not charge for an initial meeting, so it costs nothing to talk to us.

## SOLICITOR

Next, you need to consider whether it is appropriate to engage the services of a solicitor. The key issues on which you may require a solicitor's advice are as follows:

- **Purchase or lease of property:** You will need to consider any planning restrictions and ensure that you can use the property for its intended purpose. You will also need to be satisfied that you are not taking over any hidden liabilities.
- **Standard terms of business:** Careful consideration should be given as to how much credit you will offer your customers, and how this will affect your cashflow.
- **Protection of your trading name and product:** A business's brand and product are often its most valuable assets. They can frequently be protected by the registration of a trademark or a patent.
- **Employment contracts:** These are a legal requirement if you take on staff. They need to be carefully drafted so that there is no scope for misunderstanding.
- **Consultancy Contracts:** You will need these if you engage the services of freelance consultants. Be sure to let us look over the draft contracts from a tax viewpoint before they are finalised, to ensure that the contract isn't likely to give rise to employee status, which can easily happen.
- **Distribution, agency and franchise agreements:** Again, these need to be carefully drafted. It is often only when a commercial relationship breaks down that the inadequacy of the contractual agreements comes to light.

It is advisable to take advice from a firm of solicitors with sufficient expertise in the areas where you will need advice. We will be pleased to offer a recommendation if you wish.

## BANK

Selecting a bank is the next issue. If you expect to operate your account in credit, your main concerns are likely to be the quality of service you receive and that the bank charges are kept to a minimum. If you need finance from the bank, you will also be concerned with the relative cost and flexibility of an overdraft facility compared with a bank loan. Knowing the right questions to ask will help you to ensure that you explore all the options and make the best decision.

One of the most common questions raised by proprietors of new businesses is which bank they should use. If you have a good relationship with your current bank, then speak to your branch manager. If in doubt, speak to more than one and compare their terms.

At Glazers, we deal with all the major banks, and will be pleased to make an introduction if you need one.



## INSURANCE BROKER

The various types of insurance which you may need are as follows:

- **Employer's liability:** This is compulsory by law if you employ anyone. It covers personal injury and damage to personal property of employees. (This includes yourself if the business is operated through a limited company.)
- **Motor insurance:** Check that all vehicles are covered for business use and that there are no important exclusions in the policy.
- **Public liability:** This covers personal injury and damage to personal property of the public. It is not compulsory, but is advisable, especially if you have business premises.
- **Property damage:** This covers buildings and contents for fire and theft. Make sure that the level of cover is adequate.
- **Consequential loss:** This covers loss of profits arising from interruption to the business through fire, theft, flood etc.
- **Professional indemnity:** This may be necessary in certain professions, particularly where client care is involved.
- **Income protection:** This type of insurance is often overlooked. It covers you for loss of earnings when you are unable to work due to personal illness or disability. The required level of cover requires careful consideration and we can help you decide on this.

- **Keyman life assurance:** This is appropriate where the future of the business depends on certain individuals. Your own life cover should not be overlooked, especially if you have family dependants.
- **Critical illness:** This covers you in the event that you should suffer from a chronic or terminal illness.
- **Professional fee protection:** This covers accountants' fees arising from an official tax, payroll or VAT enquiry. Such enquiries can happen at random, even if your affairs are in good order. Glazers offer a policy to all our clients.
- **Pension:** It is advisable to plan ahead for your retirement. Pension payments are also extremely tax-efficient and we will be pleased to advise you on this.

Glazers has a specialist in-house company that can provide independent financial advice covering most of these areas. Further details can be found on [www.glazers.co.uk](http://www.glazers.co.uk) or by telephoning us on 020 8458 7427 for a free consultation. We can also put you in touch with an insurance broker for the general insurance items which we don't cover in-house.

“Knowing the right questions to ask will help you to ensure that you explore all the options and make the best decision.”

# Choosing a Legal Structure

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You will need to decide whether you are going to run your business in your own right or through a limited company. There are reasons for and against setting up a limited company and the decision often depends on the type of business you are in.

The size of the business can often influence the decision, and it is not uncommon to see a business set up in an individual's own name and then switch to a limited company later on.

The most common types of entity are as follows:

## SOLE TRADER

A sole trader is a person who is in business on his or her own account. There are no statutory requirements governing the format of a sole trader's accounting records, nor is there any need to have them audited. However, it is important that the records are reliable enough to enable accounts to be prepared each year, and for VAT returns to be prepared, if you are VAT registered.

The best system for keeping your books will depend on the size and nature of your business. For some businesses, this will be a simple record, while other businesses may warrant a more sophisticated system. Glazers will be pleased to advise you on the most appropriate method of keeping your records.

## PARTNERSHIP

A partnership exists where two or more individuals enter into business together, in their own right. They will be governed by the Partnership Act 1890, and in more formal partnerships, they may also be governed by a partnership agreement. Each partner may be personally liable for the debts of the partnership and this liability is unlimited.

The requirements for accounting records are similar to those of a sole trader, and again no audit is necessary. Sole traders and partners pay income tax on their annual profits. This is based on the earnings of the business and is paid regardless of whether the proprietors draw their full entitlement from the business during the year.

### LIMITED COMPANY

A limited company, by contrast, pays corporation tax on its profits, rather than income tax. The company is a legal entity in its own right, and is effectively the proprietor of the business.

A company must have at least one shareholder (the owner) and at least one director (who manages the business). The directors and shareholders need not be the same people, but in practice, for the vast majority of smaller companies, the directors are also the shareholders.

Limited companies are incorporated under the Companies Act 2006, which imposes accounting, reporting and public disclosure requirements, as well as a mandatory audit for some companies, most usually those over a certain size. The liability of individual shareholders is limited to the amount of their share capital, except to the extent that personal guarantees have been given to third parties (e.g. the bank).

While the company pays corporation tax on its profits, the directors personally will have income tax deducted on any salary which they take from the company. Similarly, shareholders may receive a dividend from the company and they too may incur income tax on this.

The decision as to whether to incorporate your business as a limited company will be based on commercial as well as tax considerations. This decision is a very important one, and each case is different. We will be pleased to advise you on this.

Further points relating specifically to companies are dealt with later in this guide.

### LIMITED LIABILITY PARTNERSHIP

A limited liability partnership (LLP) combines the structure of a partnership with the financial protection of limited liability.

It prepares accounts and pays tax in a similar way to a regular partnership, but unlike a regular partnership, it is required to file accounts at Companies House and may need to have its accounts audited in certain circumstances, for example if the level of turnover is over a certain limit.

An LLP is governed by the Limited Liability Partnerships Act 2000, and is owned and managed by its members.

Further points relating specifically to LLPs are dealt with later in this guide.

“The decision as to whether to incorporate your business as a limited company will be based on commercial as well as tax considerations.”



# Registering with the Authorities

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For all businesses, there are a number of registrations that need to be considered, and these are as follows:

## **INCOME TAX AND CORPORATION TAX**

For sole traders and partnerships, there is a legal requirement to notify HM Revenue & Customs that you have commenced business, and you need to do this within three months of starting. We suggest that you speak to us before completing the Revenue's enquiry form, which is available from HM Revenue & Customs or from us.

In the case of limited companies, HM Revenue & Customs will be notified by Companies House that the company has been incorporated, and the enquiry form will then be sent out automatically by the Revenue.

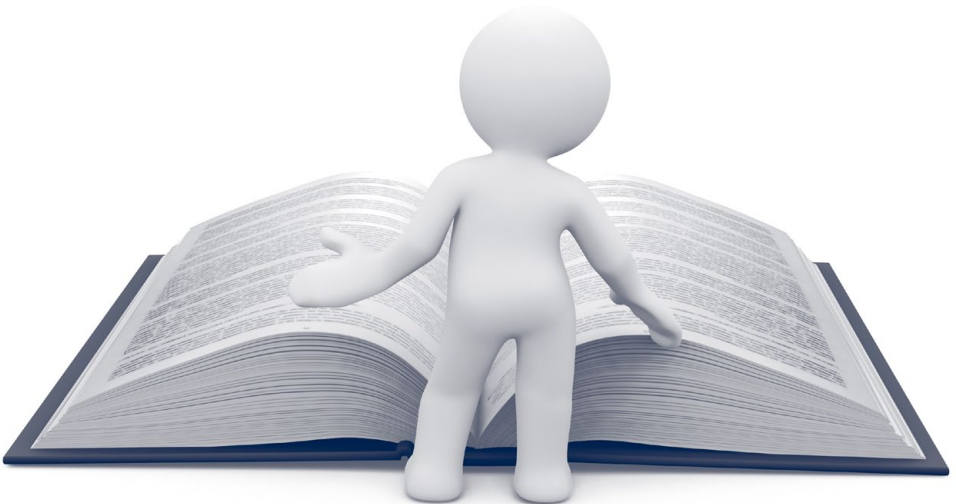
If you employ staff, you will need to apply for a PAYE (Pay As You Earn) scheme to be set up. If you operate through a company, you will need a PAYE scheme even if you have no staff, as your own salary will need to be subject to PAYE and NI (national insurance).

### VAT

Whether or not your business is run through a limited company, you will need to register for VAT once your turnover (i.e. sales, fee income, etc.) exceeds the registration limit. In many cases it is advantageous to make a voluntary registration before your turnover reaches this limit. We will be pleased to advise you on this and on the other registrations already mentioned.

### LICENCES

Certain types of business need a licence from local administration offices in order to trade legally. We recommend that you take legal advice if in any doubt.



# Financing your Business

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In the early stages of your business, you may find that the income which you generate does not cover all your expenditure. This might be because the income of the business is slow at first, while in the meantime you have setting up costs such as stationery, equipment and purchases of stock, and some expenses which have to be paid for in advance, such as insurance, rent etc.

During this period you still need money to live on and therefore you will need to consider where this is going to come from. The most common sources of finance are as follows:

## **CAPITAL**

It is possible that you will need to use your own savings to support your business initially. If you do not have any money of your own put aside, you will probably need the backing of a friend or relative, or some other private investor who has faith in your idea.

## **BANKS**

The most common source of finance for new businesses is the high street bank. As previously mentioned, the bank will want to discuss your plans for the business and see a cash-flow forecast, but they will also look at how much of your own money you are putting up and how much security you can offer.

For most people starting out, the only security available is their home, and you need to think very carefully before you allow the bank to have a charge on this. This is one of the first tests of how committed you are to your business idea and how confident you are that it will be financially successful.

The interest rate that the bank will charge you is likely to vary as the Bank of England base rate moves up and down. This movement is highly unpredictable, so it is wise to borrow well within your means, in case the interest rate rises unexpectedly.

The interest rate charged by the bank will depend on the type of business you are in, the level of security you can offer and the overall risk perceived by the bank.



## HIRE PURCHASE AND LEASING

If you are buying motor vehicles or equipment, hire purchase and leasing provide two further options. You will need to obtain quotes in order to find out which is cheaper. You do not necessarily need to use the HP or leasing company suggested by the supplier and it often pays to shop around. We will be pleased to give you the telephone numbers of reputable credit companies if you would like to compare quotes.

Although there are legal differences between HP and leasing agreements, they are basically similar. The main practical difference surrounds the tax relief available under each of these. Either one can prove the more beneficial depending on your circumstances, so it is worthwhile speaking to us before you sign an agreement.

“For most people starting out, the only security available is their home, and you need to think very carefully before you allow the bank to have a charge on this.”

# Marketing your Business

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There is far more to say about marketing than can be covered in a guide of this size. To put it in a nutshell, unless you have a ready-made source of business and as much work lined up as you are prepared to handle, then you need to look for more.

There are several ways of marketing your business and they all involve communicating to the marketplace that you have a product or service to offer. Depending on the size and type of your business, these might include:

- **Advertising** – consider local, trade and national newspapers and magazines, and even radio and TV. Find out what works for you and what is most cost-effective.
- **Directory Listings** – use trade and professional directories, and local directories such as Yellow Pages.
- **Direct Mail** – target the customers or clients you want by writing to them directly, or distribute flyers. Consider including a special offer to improve the response rate.
- **Word of Mouth** – tell people that you are in business and looking for more!
- **Premises** – if you have business premises that people will be visiting, make sure these present the image you want to convey.
- **Publicity** – consider staging an event to attract free media publicity. Introduce yourself to local journalists and send press releases announcing any newsworthy items.

- **Face-to-Face Networking** – attend business networking events to gather new business contacts and get your business as widely known as possible.
- **Web Site** – even a small web site can say so much about your business, in terms of product and service information and also your image. Make sure your web site has all your contact details and is kept up to date and make sure you can be found easily on Google and other search engines.
- **Social Media and Business Networking Sites** – sites such as YouTube, LinkedIn, Facebook and Twitter can be a good way of publicising your business.
- **Stationery, Design and Image** – letterheads, business cards and brochures are not just a source of information about your business – they should also reflect the right image and promote your logo if you have one.
- **Pricing** - the art of pricing can be a difficult one to get right. Price doesn't just affect your financial projections – it also sends a message to the marketplace about quality and value-for money.

The decision as to how much to spend on marketing will depend on individual circumstances, such as the size of your business, the type of business you are in, and the amount of extra business that you wish to generate. Inevitably, some things will work better than others, and sometimes you will only find out by trying. To minimise wasted expenditure, monitor where your business comes from and concentrate on the marketing strategies that provide the best return on investment.

# Keeping Books and Records

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All businesses need to keep details of their transactions. These details fall into two categories. The first category is the source documents which provide evidence of income and expenditure, such as sales invoices, expense invoices and receipts, etc.- usually referred to as 'the records' of the business.

The second category is what is traditionally known as 'the books' - summaries listing all the transactions of the business. The books can be prepared using spreadsheets, or an accounting software package. They can alternatively be written manually, although this is less common nowadays.

There are a number of reasons why it is necessary to keep books and records:

## **LEGAL REQUIREMENT**

There is a legal requirement to keep your books and records for a certain period of time. The records of any business may be requested for inspection by HM Revenue & Customs. In the case of limited companies and LLPs, there is also a specific requirement under the Companies Act 2006.

The exact length of time for which you need to keep your books and records varies slightly, according to circumstances. As a general rule, you should keep them for at least six years after the end of each accounting period or tax year.



### PREPARING ACCOUNTS

Accounts are generally needed by the proprietors of businesses for management purposes, and by banks and other interested parties for credit purposes. They also need to be prepared so that the figures can be entered in the annual tax return, and in the case of limited companies and LLPs, for submission to Companies House.

Although for statutory purposes the accounts will usually be annual, they may be prepared more frequently for management purposes, perhaps monthly, quarterly or bi-annually, as required.

As the books and records of any business form the backbone of the accounts, it is important to have a good record-keeping and bookkeeping system. Glazers will be pleased to give you advice on setting up a manual or a spreadsheet system, or help you select one of the many accounting software packages available.

### VAT RETURNS

For businesses which are VAT registered, a good bookkeeping system enables VAT returns to be prepared with little extra work necessary. The relevant VAT figures can be extracted from the bookkeeping summaries, if the system is set up carefully.

### TYPES OF BOOKKEEPING SYSTEM

It should be stressed that a good bookkeeping system is not necessarily a sophisticated or complicated system. What is important is that the system is appropriate for the size and nature of the business.

Spreadsheets are commonly used as a simple means of bookkeeping. Specially designed accounting software is available if you wish to go one stage further.

Glazers can show you how to set up a good system for keeping books and records. We also operate a bookkeeping service for clients who prefer to leave it to us, and an online accounting service, which offers several benefits.

See [www.glazers.co.uk](http://www.glazers.co.uk) for further details, or talk to us on 020 8458 7427.



# Income Tax and National Insurance

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If you run your business as a sole proprietor or through a partnership or LLP, you will almost certainly be liable to income tax and national insurance on your profits.

This guide merely highlights some basic points. For a more detailed outline of the UK tax system, refer to the 'Resource Centre' section of the Glazers web site – [www.glazers.co.uk](http://www.glazers.co.uk)

## INCOME TAX

For sole traders and those in partnerships or LLPs, income tax is normally paid in two instalments in January and July.

There may be significant tax planning opportunities, whatever the size of your business, so it is worthwhile asking our advice from the outset on how to save tax. One consideration will be which year-end you should choose (i.e. to which date you should have your accounts drawn up). You can select any date in the calendar. 31 March and 5 April are very often convenient and tax-efficient, but there may be reasons to select a different date.

“Glazers’ clients are advised by us about their tax and national insurance liabilities as early as possible in advance.”

We will ensure that you pay as little tax as possible, while keeping within the law. Amongst other things, we will advise you on which expenses you can claim for in your business. A brief summary of these is listed towards the end of this guide.

### **NATIONAL INSURANCE**

Sole traders and those in partnerships or LLPs are generally liable to two different classes of national insurance contributions. Class 2 contributions are based on a flat rate and are paid to HM Revenue & Customs along with your income tax.

Class 4 contributions are based on your profits and are also paid to HM Revenue & Customs with your income tax. Because Class 4 contributions are profit-related, income tax planning can often have the effect of reducing your national insurance liability at the same time.

### **PROVIDING FOR TAX AND NATIONAL INSURANCE PAYMENTS**

One further point to bear in mind. It is often advisable to put some of your income aside into a savings account on a regular basis so that you are able to meet your income tax and national insurance liabilities when they become due.

Glazers' clients are advised by us about their tax and national insurance liabilities as early as possible in advance, so that they can plan accordingly.

# Employing Staff

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Apart from the obvious cost of employing people, you also need to consider the responsibilities that go with it.

## **PAYROLL ASPECTS**

You will need to deduct PAYE and national insurance from your employees' salaries or wages, and pay this over to HM Revenue & Customs. As the employer, you will be responsible for calculating these amounts and you will need to keep tax deduction records for everybody that you employ. You will also be liable to pay employer's national insurance contributions.

Glazers operate a payroll service for clients and we can prepare all your payroll records if you wish.

## **LEGAL ASPECTS**

There are also legal obligations for employers. As previously mentioned, employer's liability insurance is required. You also need to comply with Health and Safety legislation.

Employment contracts should not be overlooked. These are generally a legal requirement once an employee starts work.

We will be pleased to give you initial guidance in these areas and, if necessary, refer you to a solicitor.

## STAFF PENSION SCHEMES

If you employ anyone, then you must make a workplace pension scheme available to them.

Our payroll team and our in-house pension specialists can provide more information on request and arrange a pension scheme on your behalf.



# Special Considerations for Companies and LLPs

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Limited companies are governed by the Companies Act 2006. LLPs are governed by the Limited Liability Partnerships Act 2000. There are therefore some important points which apply to limited companies and LLPs but which do not apply to sole traders and regular partnerships. Some of these points have already been covered. Other important considerations are as follows:

- **Company / LLP Formation** - this entails either forming a company or LLP from scratch or alternatively for companies, buying one that is ready-made and changing its name if necessary. The company or LLP will have its own number and will be registered at Companies House.
- **Company / LLP Name** - any name can be chosen, provided that the name has not already been registered by another company or LLP and provided that the name is not misleading or offensive.
- **Registered Office** - every company and LLP must have one. This is the address to which Companies House will send all correspondence. As it need not be the business' trading premises, many clients of Glazers use our address as the registered office for their companies and LLPs.
- **Company Secretary** – these used to be compulsory for all companies but are no longer a requirement for most new companies. LLPs do not require a secretary.

- **Company Directors** - there must be at least one company director. There are legal obligations placed on company directors, details of which are available from Companies House.
- **LLP Members** – at least two members are required to form an LLP. These members can be individuals or companies.
- **Company / LLP Stationery** - the company or LLP's letterhead must show the company or LLP's name, registered number, the address of its registered office and the place of registration. You do not have to show the names of the directors on the company stationery, but if you do show any of them, then the names of all directors must be shown.
- **Web Sites and Electronic Documents** – companies and LLPs are also required to disclose their name, registered number, registered office address and place of registration on their web sites and in all emails and electronic documents.
- **Statutory Records** - all companies and LLPs are required to keep a statutory register, showing the names of its directors, secretary, shareholders and members (as applicable), and recording all changes. The statutory records also include the Certificate of Incorporation (effectively the company or LLP's birth certificate) and, in the case of a company, the Memorandum and Articles of Association (the company's constitution). Companies and LLPs must also keep a register of "People with Significant Control".



- **Filing of Returns** - every company and LLP must submit a set of its accounts to Companies House each year. In addition to this, a Confirmation Statement must be submitted showing details of the “People with Significant Control”. Although it is the responsibility of the company’s directors and secretary (or in the case of LLPs, its designated members) to deal with all statutory matters, Glazers handles this on behalf of most clients.
- **Auditors** - finally, the company or LLP may need to appoint independent auditors, depending on the size of its operations and other circumstances. The auditors are responsible for reporting on whether the company’s or LLP’s accounts are prepared in accordance with UK accounting standards and whether they comply with the Companies Act 2006. Where an audit is required, we normally carry this out for our client companies and LLPs in conjunction with the preparation of their annual accounts.

We shall be pleased to advise you on all aspects relating to companies and LLPs, such as company or LLP formation, preparation and audit of accounts and maintaining statutory records.



## Business Tax and Accounts Calendar

Date	Event	Applies to
Business year-end	Accounts to be prepared to this date	Individuals, partnerships, LLPs and companies
9 months after company year-end	Corporation tax for the year to be paid	Companies only
9 months after company / LLP year-end	Company / LLP accounts for the year to be filed with Companies House	LLPs and companies only
12 months after company year-end	Company accounts for the year to be filed with HM Revenue & Customs, together with corporation tax return form CT600	Companies only
Annually on anniversary of LLP or company incorporation	Confirmation Statement showing details of "People with Significant Control" to be filed with Companies House, within 14 days, together with filing fee	LLPs and companies only
Quarterly (unless monthly or annual accounting opted for)	VAT Return to be filed with HM Revenue & Customs, together with VAT due	VAT registered individuals, partnerships, LLPs and companies
January 31st	Tax Return for the previous year ended 5th April to be filed with HM Revenue & Customs	Individuals, partnerships and LLPs
January 31st	Balance of income tax for the previous year ended 5th April to be paid	Individuals
January 31st	First income tax payment on account to be made for the current year ending 5th April, if applicable	Individuals
May 31st	Copies of forms P60 (year-end payslips) to be given to all current employees (and to any ex-employees who request them)	Individuals, partnerships, LLPs and companies who pay wages or salaries
July 6th	Forms P11D (returns of benefits in kind and reimbursed expenses) for the year ended 5th April to be filed with HM Revenue & Customs	Individuals, partnerships, LLPs and companies who provide benefits in kind or reimbursement of expenses to directors or employees
July 6th	Copies of forms P11D to be given to all current employees (and to any ex-employees who request them)	Individuals, partnerships, LLPs and companies who provide benefits in kind or reimbursement of expenses to directors or employees
July 19th	Class 1A NI payable for the year ended 5th April based on forms P11D (benefits in kind)	Individuals, partnerships, LLPs and companies who provide benefits in kind or reimbursement of expenses to directors or employees
July 31st	Second income tax payment on account to be made for the year ended 5th April, if applicable	Individuals
19th of each month	PAYE and NI for the previous month to be paid to HM Revenue & Customs	Individuals, partnerships, LLPs and companies who pay wages or salaries
14 days after each calendar quarter and 14 days after company year-end	Form CT61 to be filed with HM Revenue & Customs if any interest paid with income tax deducted at source	Companies only

There is often some misunderstanding about which items of business expenditure are deductible against profits for tax purposes, and which are not. The following list covers the items most commonly requiring explanation. The list is written in general terms, so specific advice should always be taken.

Item	Deductible Against Profits	Not Deductible
Normal business expenses generally	Expenditure incurred wholly and exclusively in the course of business	Personal expenditure and all entertaining (except staff)
Capital items (i.e. items expected to be used for more than 2 years)	An annual capital allowance is available on most items of equipment	Freeholds and long leaseholds of most non-industrial premises
Computer software	If bought separately from hardware	Otherwise, capital allowances available
Gifts to customers	Gifts costing up to £50 and bearing the business name	Any item of food, drink or tobacco
Home expenses	Reasonable proportion of home running expenses, depending on the extent of use of home for business	Domestic expenses not related to the business
Telephone bills	Business proportion based on calls	Private element and home line rental
Motor expenses	Business proportion based on mileage	Private element
Travel expenses	Business travel	Travel between home and normal place of business
Subscriptions	Professional subscriptions, relevant magazines and journals	Non business-related subscriptions
Wages and salaries	Staff (including family where duties genuinely carried out)	Proprietor's own drawings and gratuitous wages to family
Bank charges and interest	Charges on business accounts and business related loans	Interest for personal overdrafts and loans
Other interest	Interest on business loans	Interest on income tax paid late and interest paid to proprietors
Insurance	Business related policies	Life assurance, self-employed NI, health and sickness insurance
Bad debts	Specific bad debts from business transactions	General provisions and debts written off voluntarily
Accountancy fees	Normal business related fees	Costs of unsuccessfully defending an HM Revenue & Customs enquiry
Legal fees	Most business related advice	Partnership agreements, company / LLP formation, property acquisition and renewing long leases
Personal expenditure	Modest subsistence expenses in certain cases when working away	Lunches, private expenses and bills, gifts, clothing (unless a uniform)

# Conclusion

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We hope you have found this brief guide useful.

Getting good professional advice is essential if your business is to start on the right footing. Please telephone one of our partners on 020 8458 7427 to arrange an appointment with us. Or alternatively send an email to [quality@glazers.co.uk](mailto:quality@glazers.co.uk)

We will be pleased to hear from you and help you on the road to success.

Meanwhile, if you would like further start-up information, visit the 'Resource Centre' on the Glazers web site where you will find some useful articles and facts.

You'll find this and more on [www.glazers.co.uk](http://www.glazers.co.uk)



# Meet the Partners

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Russell Black



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**Glazers offer the following services. For further details visit [www.glazers.co.uk](http://www.glazers.co.uk) or telephone 020 8458 7427 and ask to speak to one of our partners, without obligation or charge:**

- Personal and business tax planning
- Preparation of self-assessment tax returns
- Company and business taxation service
- Bookkeeping and VAT returns
- Preparation and audit of accounts
- Business start-up advice
- VAT consultancy
- Company and LLP formations
- General finance and business consultancy
- Company valuations
- Payroll service
- Workplace pension reporting
- Company secretarial assistance
- Cashflow and profit forecasting
- Assistance in buying and selling businesses
- Financial planning (through our regulated in-house company)

Glazers Chartered Accountants is regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

© 2017 This guide has been written for general interest. It is therefore essential to take advice on specific issues. No responsibility for loss occasioned to any person acting or refraining from action as a result of the material in this guide can be accepted by the partners of Glazers.

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