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STEP 13 - Business Setup

This is the point at which you are going to formally 'set up' your business.

There are a number of decisions to make.

- Sole Trader or Limited Company (or LLP)?
- Vat Registered or not?
- How you operate your banking?
- Whether you need to 'trademark' your brand?

Much of this is covered in Chapter 4 of “**How To Set Up Your Own Personal Business**” so it might be a good idea to re-read this now.

I understand the difference between a Sole Trader and a Limited Company

Yes / No

I have decided to set up my Personal Business as a

Sole Trader / Limited Company

If you are not sure which way to go on this book a PBCS Helpline Call at <https://BenCoker.as.me> to discuss the matter.

Setting up as a Sole Trader:

Technically, to set up as a Sole Trader you don't need to do anything. However, there are some rules and the process is explained at <https://www.gov.uk/set-up-sole-trader>.

I have visited the gov.uk website and followed the instructions to set up my business

☐ **Done**

Further, if you want your business to succeed as an independent entity we strongly suggest that, along with the advice that has already been given, you do the following:

- Set up a bank account that is separate from your personal bank account, it doesn't have to be a 'Business' account.
- Engage with an Accountant and explain your business - you can use the 'One Page Business Plan' you created earlier as a starting point.
- Keep all your receipts and invoices along with full records of all your business related incoming and outgoing transactions - any expenses at all that have anything to do with your business.
- Keep a record of your business mileage.

In the next Part we will go into more detail about the best ways to keep your financial records and your reporting requirements.

Setting up as a Limited Company:

The process is quite simple, and you can follow it through easily on the Government website. You do **not** need to go to an Accountant, Bank or Registration Agent

Go to <https://www.gov.uk/limited-company-formation/register-your-company> and get registered. **It will cost £50** when you do it online.

Special Note: From time to time some of the commercial company registration agents you may find on Google offer basic or online Company Registration for considerably less than £50 and they may also include 'cashback' offers if you register for a specified business bank account.

They offer this basic setup price as a 'loss leader' in the hope that you will opt for some of their more expensive services such as printed documents or a 'prestige' London address etc.

There is nothing to stop you setting up your company with them provided you only take the basic or 'digital' offer - **Do Not** take any of their other offers - fill in the forms carefully to make sure!

Here are some tips about this process:

- You may need to amend your business name if the name, or one like it, is already taken. Note that your official Company Name does not need to be the same as your Trading Name although you should not under any circumstances attempt to trade using another company's name.
- We do not recommend the use of a PO Box. It is seen by potential customers as you having something to hide.
- You only need one Director and you do not need a Company Secretary
- We recommend that you issue 100 shares at a nominal value of £1. If there is more than one Director, then the shares can be divided equally or in any agreed proportion. £100 is then the limit of your total personal liability.
- Download the Memorandum of Association and the Model Articles, amend as appropriate and print on quality paper.
- Do not register for Corporation Tax at this stage, we will deal with that later.

There is one other thing that you will be asked when you set up your company and that is to specify whether there are any **'Persons of Significant Control'** (PSCs) involved.

A PSC is someone who is not a director and may or may not be a Shareholder but *who has the ability and right to exercise any level of control* over what you do and how you run your business.

Note that unless they are directly involved, or you actually wish to specify them, a Spouse or Partner is not automatically a PSC. They may have a level of control over you personally

but, despite what they might think, that does not extend to the business you own unless of course they are themselves a Director or Shareholder. It's up to you!

My Company is now Registered and its name is

My Company Registration Number is

If you are having difficulty with any of this book a **PBCS Helpline Call** at <https://BenCoker.as.me> to discuss the matter.

VAT Registration

This is something you will probably need to take advice on from an Accountant familiar with your type of business.

You are required to register for VAT when your gross turnover reaches a certain level, currently in the region of £90,000 but rising each year. However, you CAN register for VAT, at any level of turnover (including zero) if this is advantageous to you.

Contrary to popular opinion VAT is not a burden on businesses, it's not intended to be, it is a tax on customers at the point of purchase.

Advantages of VAT registration

You can claim back from HMRC, ALL the VAT you paid on any business related purchases, including fuel allowance related to your mileage.

If the outputs from your business are **not** 'eligible for VAT' then you do not have to charge any VAT on them to your purchasers

Disadvantages of VAT registration

If the outputs from your business are 'eligible for VAT' then you have to charge your purchasers the relevant rate of tax, usually 20%, on top of the purchase price of your product or service.

If you have mixed outputs, some 'eligible', some not you do not charge VAT on the latter. As a result the accounting becomes a little more complex.

There is a minor administrative overhead (if you manage your accounts properly) in providing quarterly VAT returns to HMRC online.

When you have purchases of larger numbers of 'small' items and/or payments in cash things do get a little more complex although the Revenue have set up schemes to help you with this.

Your Accountant will advise on whether or not it would be advantageous to register for VAT and when you should do it.

Remember however that, if you are not registered for VAT, you cannot claim back any tax on purchases. At the current rate of VAT, this represents around 15% of your expenditure, which may be significant.

I have consulted with an Accountant and decided to

Register / Not Register

for VAT at this time.

RECOMMENDATION

At this stage it is probably time for you to contact an Accountant. We very strongly recommend **Dave Buxton and Geoff Glover at The Buxton Partnership**.

www.thebuxtonpartnership.co.uk

They have a wealth of experience in all types of business and especially in the Personal and Start-up business sector. We are in touch with them on a weekly basis and can assure you that they will give excellent advice and guidance.

You can however investigate other accountancy practices local to you BUT

- Do not go to one of the 'big' accountancy firms - they are not good with what they see as 'micro' businesses and are unlikely to give real 'personal' guidance.
- Do not go to an accountant who charges by time, go for a fixed annual fee.
- Make sure that you go to a properly qualified Accountant, ideally a 'Chartered Accountant'. Anyone can set themselves up and trade as an 'accountant' without any form of qualification.

I have contacted and engaged with a qualified (Chartered) Accountant

☐ **Done**

BANKING

If you are a Sole Trader, you need a separate bank account but not necessarily a 'Business' Bank account. You **must** keep your 'business money' SEPARATE from your personal or household money - if you fail to do this there will be problems and you are more likely to attract attention from the 'authorities'.

If you are a Limited Company, you **must** set up a Business Bank Account. Most major high street banks will give you 12-18 months 'free' banking but in fact the ongoing fees after that are not particularly onerous provided you avoid as much as possible using cheques or paying in large sums of cash.

We do not recommend any particular Bank, but you should look for one where they have a dedicated 'Business Manager' who will be in place for more than a few months with whom you can establish a relationship.

Some banks, notably RBS/Natwest have a policy of moving their business managers around quite frequently and you'll find yourself speaking to different people all the time. Barclays, Lloyds and Santander tend to keep their business liaison people in place longer, but they do all cover several branches in the local area.

You cannot open a Business Account online at any of the 'High Street' Banks - you can apply, but you have to turn up for an appointment at a Branch with various items of documentation they will request.

'Alternative' Business Banks – these are the **Online Banks** like Starling, Tide, Monzo and several others. They have no branches, and all business is conducted online. Generally there are no monthly fees for businesses who bank with them. They are very easy to operate but for the sake of security require everything to be verified through their phone Apps alongside their desktop platforms. The 'downside' is they don't have 'business managers' or advisers you can speak to individually.

I have opened a Bank Account for my Business

☐ **Done**

INTELLECTUAL PROPERTY

Your 'Intellectual Property' - what you create as part of your business in terms of branding, writing or product development which is unique to your business needs as far as possible to be protected from copying or plagiarism.

It is not possible to totally protect anything in this way as the laws that apply in Europe are either different elsewhere or just not recognised (especially in the Far East). But you should do what you can.

There are three elements to this which are described fully in Chapter 3 of "How To Set Up Your Personal Business", so if this is relevant to you it might be a good idea to revisit this now.

I understand the differences and criteria for Trademarks, Copyright and Patents

Yes / No

Copyright

There is no formal method of establishing Copyright for any of your written or graphic material. What you have to establish is that YOU created it on a certain date and possibly at a certain time.

The best way to do this is to use the UK Copyright Service. All you need to know can be found at <https://www.copyrightservice.co.uk/>. They charge a fee of £57 to register a copyright for 5 years or £95 for 10 years **per work**, for online registration.

This is only economical for really important intellectual property that is critical to your business. The site describes other methods of protection which you may wish to consider, and also uncovers a number of popular myths about copyright.

It is essential that, with everything you do, you use the copyright mark © and a copyright statement such as the one at the beginning of Step 7.

Trademarks

You may wish to apply for a 'trademark' for your business name or for one or more of your brands.

It is a relatively simple process, but like many simple processes it's not necessarily 'easy'!

A Trademark in the UK means that you can use the symbol ® (R in a circle) after or attached to your brand logo and or name.

The symbol ™ has little or no significance in the UK, but in the USA it is used alongside or instead of the ® mark.

This is not as straightforward as registering a company

To apply for a trademark, first go to <https://www.gov.uk/how-to-register-a-trade-mark/what-you-can-and-cant-register> to see what you can and cannot register as a trademark

Next comes the 'difficult' bit when you have to identify the 'class' or 'classes' that your proposed trademark comes under. Use the guide at <https://www.gov.uk/guidance/how-to-classify-trade-marks> and if you have any doubt contact the IPO Classification Team by email using the link at the bottom of the page.

The mistake that most people make is to pick one class when their business offerings actually fall into two or more classes. You must apply for all relevant classes or the mark will be rejected.

There is a non-refundable payment when you make an application, so be sure!

When you know your class(es) go to <https://www.gov.uk/how-to-register-a-trade-mark/apply>

We strongly recommend using the 'Right Start' process where instead of paying the fee of £170 plus £50 for each additional class up front, you pay £100 plus £25 for each additional class in advance followed by an equal payment if the mark is approved. (These fees may have changed since the time of writing)

If you pay the 'standard fee' which seems cheaper you do not get a refund if your mark is not approved.

Everything else you need to know is well explained on the gov.uk website

I have applied for a Trademark for:

Trademark Granted?

Yes / No

Patents

The Government website at <https://www.gov.uk/apply-for-a-patent> states:

“Patents are expensive and difficult to get. Read the guide to [patenting your invention](#) if you’ve not applied before.”

You should study the guidance given but It is likely that you will need the services of a specialist Intellectual Property or Patent Registration lawyer.