

HINTS AND TIPS FOR YOUR START-UP BUSINESS

RNS

CHARTERED ACCOUNTANTS
INDEPENDENT FINANCIAL ADVISERS
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WHO WILL
BUY FROM ME?

ACCOUNTS
& VAT...
AARRGGH...

I'M SCARED!
HELP!!

WHAT ABOUT
TAX?

WILL IT
WORK?

WHAT IS
NATIONAL
INSURANCE?

WHERE DO
I START???



Introduction...

Becoming a successful entrepreneur is not only a rewarding and self-fulfilling experience, it's also great fun. Many people think the term entrepreneur means multi-millionaires running international businesses, yet traders living down the street from you who make their living from plumbing, hair-dressing, building, child-minding, web-design and a host of other things – are all entrepreneurs, and they get as much satisfaction from their enterprises as any multi-millionaires.

Entrepreneurship is an attitude, a whole way of life. When you choose to start your own business you are also choosing to become an entrepreneur, and to begin a new way of life.

Maybe you've already given some thought to striking out on your own but feel that the risks are too great, the timing not right, the economy too bad. You feel you'd never be able to raise the funds, you're too young/old/tired/retired, you're too unemployed/redundant/rejected – you're too whatever.

This little book aims to help you decide, whether you have what it takes to strike out on your own and stamp your personality on a business of your very own making. There are a few hints and tips in here, a couple of hopefully inspirational thoughts and..... it wouldn't be a book by accountants if we didn't give you some tax basics.....nothing frightening.....just some basics to get you on your way.

If you've read this far, then you've taken your first step. Some advice is always worth listening to, like "don't eat yellow snow".....some not so. We hope there is something valuable in here for you.

If you do start a business, or have done so recently, then we wish you good luck and remember..... you only live once. Life, as far as we know, is not a rehearsal, so go for it.





**It's not just
about numbers.
It's about you.**

We all love numbers, sometimes bigger is better, though maybe not when you're talking to the taxman.....but they're not as important as you. So don't get lost in them. Always come back to the most important point.....

Is this right for me and what I'm trying to achieve.....that's the only thing that will really ever add up.

Risk...

Tips...

1. Keep a notebook of all your ideas, even the stupid ones!
2. Consider that very often, the path lies close by and that you already have the skills and knowledge. You simply need to twist what you already do.

Everyone we have ever met who had the courage to do what they really wanted to, believed in hindsight that they had made the right decision. What flows from that decision is an optimism and energy often unimagined and a capacity to work hard.

In our experience, we think that deep down, most of us are fundamentally lazy.....but when we are doing something we really enjoy, we can't stop.

Starting a business or making a big life change requires long, long hours.....but we can do that, when we are loving it.

The hard bit for some of us is finding what it is that we love.



"I NEVER MET A PERSON WHO GAVE UP FINANCIAL SECURITY TO FOLLOW A DREAM AND REGRETTED IT, REGARDLESS OF SUBSEQUENT SUCCESS OR FAILURE."

Simon Woodroffe, Yo! Sushi.

What do other people have to say about it...

Frank Sinatra
and Sid Vicious

"I DID
IT MY
WAY."

"CAN WE
FIX IT? YES
WE CAN!"

Bob the Builder and his team

"I DIDN'T GET THERE BY
WISHING FOR IT OR HOPING
FOR IT, BUT BY WORKING
FOR IT."

Estee Lauder

"WHAT'S THE WORST THAT CAN
HAPPEN? EVERYONE TURN ME
DOWN; BIG DEAL"

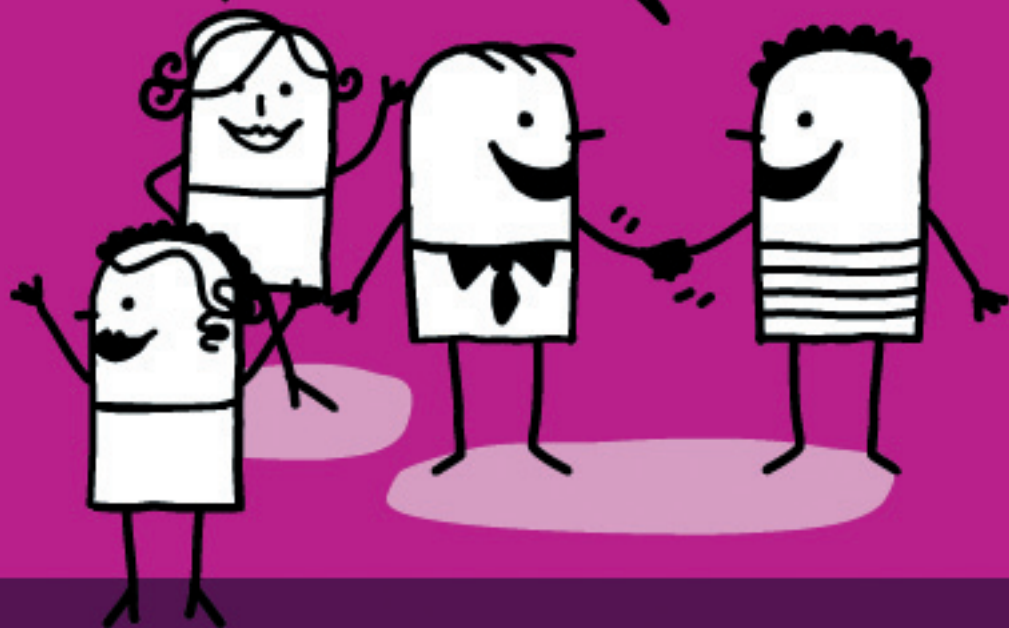
J K Rowling

"THE JOURNEY OF A
THOUSAND MILES
STARTS WITH
ONE STEP"

Chariman Mao

"JUST
DO IT."

Nike



Deciding your business status...

You have a choice of three possible routes with regard to the status of your enterprise.

Your eventual choice will largely depend on the nature of the business.



BECOMING A SOLE TRADER

There are certain initial financial advantages in operating as a sole trader but you should be cautious about this route if you are looking for substantial outside investment. Funders aren't too enthusiastic about lending to a one man or woman operation. Tax wise it is great for the first two years, but ensure you take professional advice and are ready for your first tax bill when it arrives. It is the easiest and simplest route to go down in terms of set-up and administration and is often the first step for many small businesses.

The big disadvantage of the sole trader operation is that should it go down the pan, then you will be liable for all the debts personally.

FORMING A PARTNERSHIP

In a partnership you and your partner legally share everything, the good and the bad, so it's a bit like a marriage but without the fringe benefits. Your shares can be 50-50 or any other split you agree upon, but always remember that once again you are faced with unlimited liability and you will each be responsible (jointly and separately) for all the liabilities incurred in the name of the partnership.

Our accountancy business is a partnership and we have in place a tightly defined partnership agreement. Do give entering a partnership full consideration and do not do it lightly.....try getting out of one with your shirt intact if it all goes wrong!

We should briefly mention here the option of forming a Limited Liability Partnership. Put very simply these are partnership organisations where the liability of the individual partners is limited. Whilst not a new way to run a business, they are used mostly by large professional practices. Please speak to your accountant or solicitor about this option.

FORMING A LIMITED COMPANY

This status arguably gives you the most protection in most eventualities. Provided you act honestly and correctly, your personal liability is limited to the share capital you have invested in the company.

You will still have to give the banks belt-and-braces security against anything you borrow. Typically this will include having to give your personal guarantee for the company's overdraft.....should you be able to get one.....or bank loans, and pledging personal assets such as a house in support of any guarantee.

HAVE A REAL THINK ABOUT IT, THEN ASK YOUR ACCOUNTANT OR SOLICITOR FOR ADVICE.





Follow your fear to find your destiny...

"Fear of a name, only increases fear of the thing itself" says Albus Dumbledore to Harry Potter.....and for all you Harry Potter geeks reading this.....yes, it was Hermione who said it in the film.....undoubtedly Harry Potter had to conquer a few fears along the way to defeating Voldemort (did you see that I used the name?)..... but it is likely that in striking out as an entrepreneur, you will have to step out of your comfort zone and face up to a few of your own fears.

Do any of these help?

- Make a list of the worst things that could possibly happen – you may find out that it is not as bad as you thought and you won't actually have to go back and live with your mum.
- Very often, fear can find itself a voice in your head. Notice how that voice actually exaggerates massively the terrors that might befall you.....how many times have you put off and put off doing something, because the voice tells you it will be a nightmare, only to find that once you tackle the task, it is nowhere near as bad a problem as the fear voice made out.

- Notice how fear is a very physical feeling, take note of which parts of your body it affects; understand and accept this feeling.

OK, that's enough about voices in your head, but with your own business, you will be scared at times. It is how you react to this fear that is key to being successful.

Our favourite approach to this is Nike's,

"Just do it"

Understanding the basics of taxation...

No matter how fulfilling you find running your own business, no matter how much money you make, you'll be simply chasing your tail and heading for trouble if you don't turn your attention to the basics of the taxation process:

- Income tax
- National Insurance contributions (NICs)
- Value Added Tax (VAT)

Who do you need to tell you've started a business?

As soon as you start up in business you must inform:

- Her Majesty's Revenue & Customs – if you are self-employed or joining a partnership, you need to complete a Self-Assessment registration form. This can be done online.
- Depending on your taxable turnover, you may also be required to register for VAT, again, HMRC will want to know about this.



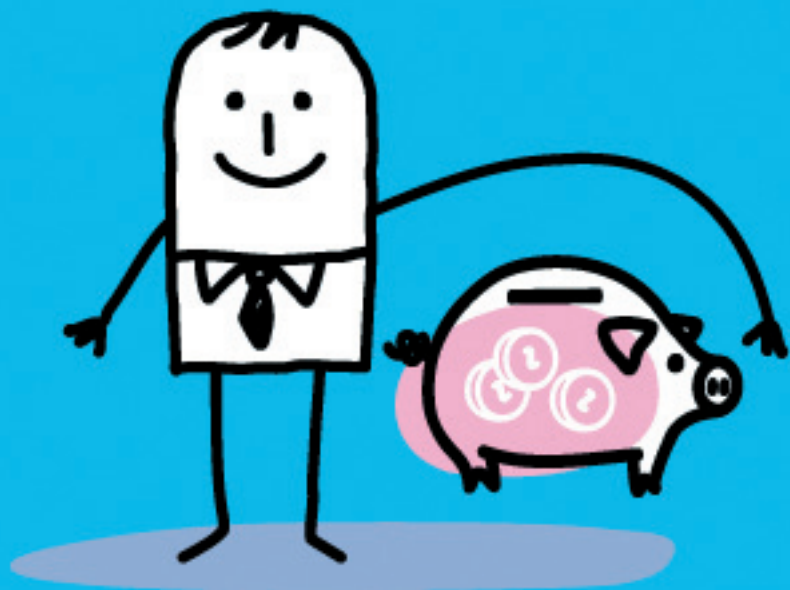
What is income tax?

The main tax that most people are required to pay is income tax, which is charged on earnings of all kinds, as well as investment income such as bank interest. When you become self-employed or start up on your own in business, you become responsible for paying your own tax and that is why you need to keep full and accurate records of all your business transactions.

Preparing your accounts

Being accountants, we would obviously encourage you to employ the services of a good, professionally qualified accountant..... shameless plug coming up.....we can highly recommend RNS Chartered Accountants for excellent, professional advice.....end of plug..... But whoever prepares your accounts, you are still responsible for their accuracy and the correct declaration of the amount of profits.

Under Self-Assessment, your accounting information is included in a special section within the tax return. HMRC may at some point ask to see your accounts together with your business records, so they can carry out checks against the figures included in your completed tax return. If this happens, you'll probably feel a lot more comfortable if a qualified accountant has prepared and submitted your tax return as opposed to your mate from school who used to be quite good at maths!



Taxation for partnerships

Special rules apply for income tax purposes if you are in business with a partner. Basically, your tax bill is calculated as if your share of the partnership profits are profits that you have made yourself.

What are National Insurance contributions?

There are five classes of contributions and the class you pay depends on whether you are an employee, self-employed or an employer. Self-employed persons are liable to pay two classes of contributions:

- Class 2 contributions, and
- Class 4 contributions, which are paid on profits at or above a set level.

You pay national insurance to build up your entitlement to certain state benefits, including the state pension.

What is VAT?

VAT stands for "Value Added Tax" and is a tax levied on most goods and services by the suppliers of those goods and services. Almost any business transaction can constitute what is known as a "taxable supply" for VAT purposes, for example;

- sales of goods
- performance of services
- an exchange of goods or services
- a gift in kind

VAT can be a complicated area and if you get it wrong, it is usually very expensive to sort it out, so as with all tax matters, taking some advice beforehand is a great idea.



What else do other people have to say about it.....

"YOU DON'T LEARN TO WALK BY FOLLOWING RULES. YOU LEARN BY DOING, AND BY FALLING OVER."

Richard Branson

"A LOT OF PEOPLE ARE AFRAID TO SAY WHAT THEY WANT, THAT'S WHY THEY DON'T GET WHAT THEY WANT."

Madonna

"WHATEVER YOU DO, BE DIFFERENT, I CAN'T THINK OF BETTER ADVICE FOR AN ENTREPRENEUR."

Anita Roddick

"THE HARDER I PRACTISE, THE LUCKIER I GET."

Gary Player

"LIFE IS WHAT HAPPENS TO YOU WHILE YOU'RE BUSY MAKING OTHER PLANS."

John Lennon

"ONCE YOU DECIDE TO WORK FOR YOURSELF, YOU NEVER GO BACK TO WORK FOR SOMEBODY ELSE."

Alan Sugar



The ten commandments of selling...

1. Never fail to turn up for an appointment

If it's impossible to make it, telephone in advance advising the prospect why you can't be there on time.

2. Never promise anything you can't deliver

If you do, you'll lose your integrity.

3. Never knock the competition

Don't even mention them, let your prospect do that.

4. Never argue with a prospect

You'll lose out if you do.

5. Never leave a lost sale thinking it's lost forever

The deal may not have been right for him now but it may be later.

6. Never turn up for an appointment reeking of alcohol

You're dead if you do.....and an idiot.....

7. Never deviate from the purpose of the meeting

The prospect does not want to know what a wonderful person you are.

8. Never take rejection to heart

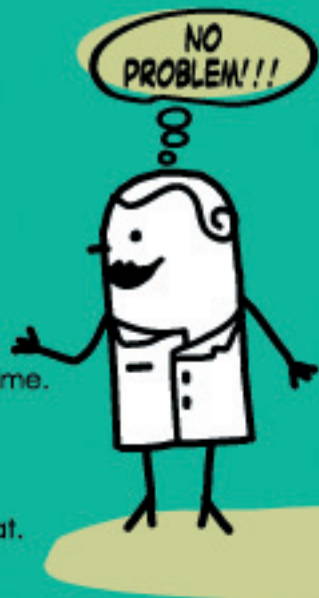
You won't appreciate your wins until you've suffered the odd loss.

9. Never be afraid to admit that you blew it

You'll only be deceiving yourself if you do and you won't learn how to get it right next time.

10. Never fail to keep your sales records up to date

If you don't you won't get paid on time.

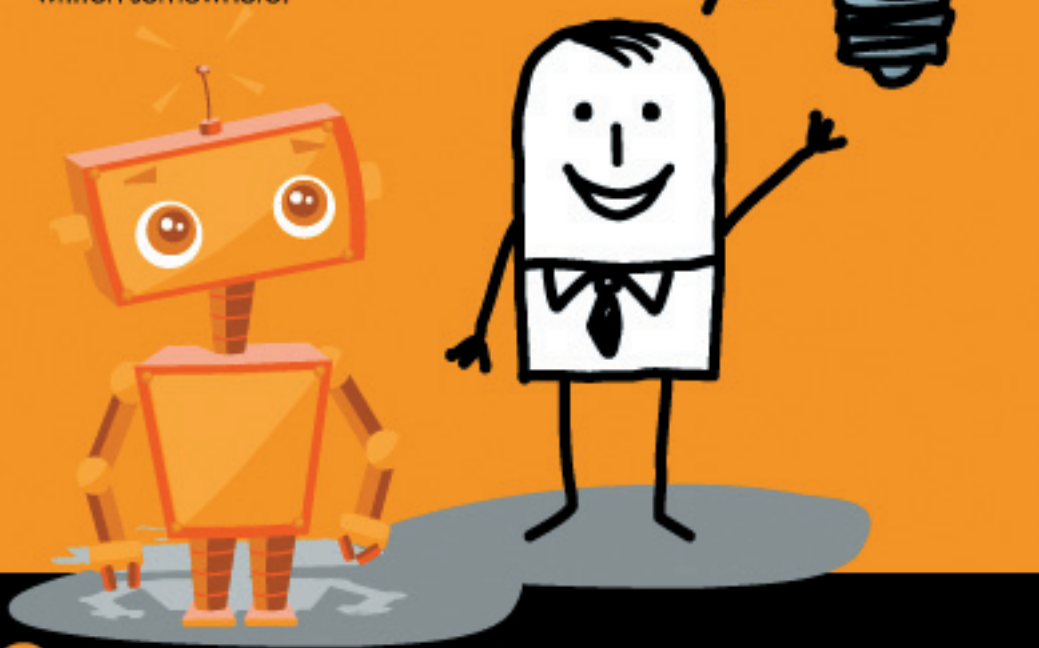


Successful people all love selling. It's the lifeblood of any enterprise. Get your act together, go out there, shake your booty and sell.

Who really knows what the future holds for us?

The future is invented by people like you and me. Ideas and inspiration can come only from our minds and the minds of those around us, so deep down we already know what is going to happen.

Remember those comics you read as a child; now you're grown up and all those things you read about like computers, monorails and robots have come true. It maybe took longer than was originally thought, but it happened and the scary thing is that the next future has already been written somewhere.



Some predictions:

"HEAVIER THAN
AIR FLYING MACHINES
ARE IMPOSSIBLE."



Lord Kelvin,
Royal Society
President 1895

"EVERYTHING THAT
CAN BE INVENTED
HAS BEEN INVENTED.."



Charles Duell,
US Office of
Patents 1895

"I THINK THERE IS
A WORLD MARKET
FOR MAYBE FIVE
COMPUTERS..."



Thomas
Watson, IBM
Chairman 1943

"COMPUTERS IN THE
FUTURE MAY WEIGH NO
MORE THAN 1.5 TONS.."



Popular Mechanics
Magazine, 1949

"WE DON'T LIKE
THEIR SOUND, AND
GUITAR MUSIC IS ON
THE WAY OUT.."



Decca records,
rejecting The
Beatles, 1962

"640K OUGHT
TO BE ENOUGH
FOR ANYONE."



Bill Gates,
1981

"WHO THE HELL
WANTS TO HEAR
ACTORS TALK?..."



HM Warner,
co-founder of
Warner Bros.,
1927

"THE AUTOMOBILE
IS ONLY A
NOVELTY, A FAD.."



The president of Michigan Savings
Bank, when advising potential
investors in the Ford Motor Co, 1903

HA HA
HA!



Whilst you are maybe smiling or even chuckling at these predictions, think about how people might laugh at us in the future, when they see the things we currently believe.

Income tax rates and bands 2012/13

2012/13	£ a year
Basic rate – 20% ¹	0 – 34,370
Higher rate – 40%	34,371-150,000
Additional rate – 50%	Over 150,000

¹ There is a 10% starting rate for savings income only. The starting rate limit is £2,710 for 2012/13. If an individual's taxable non-savings income exceeds the starting rate limit, then the 10% rate for savings is not available.

The tax rates for dividends are 10% basic rate, 32.5% higher rate and 42.5% additional rate.

Income tax allowances 2012/13

	£ a year
Personal allowance	8,105
Personal allowance (age 65-74)	10,500
Personal allowance (age 75 and over)	10,660
Income limit for under 65 personal allowance	100,000
Income limit for age-related allowances	25,400

National insurance rates 2012/13

Lower earnings limit	£107 a week
Primary threshold	£146 a week
Secondary threshold	£144 a week
Upper earnings limit	£817 a week
Employees rate on earnings between £146 and £817 per week	12%
Employees rate on earnings over £817 per week	2%
Employers' rate on earnings above £144 per week	13.8%
Upper profits limit	£42,475 a year
Lower profits limit	£7,605
Class 4 self-employed rate on profits between £7,605 and £42,475	9%
Class 4 self-employed rate on profits over £42,475	2%
Class 2 self-employed NIC	£2.65 per week

**We help and advise start-up businesses every day.
Give us a call for a completely free,
no obligation meeting.**



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