

Starting in Business

Get your business up and running
with RDP Newmans

clear thinking. positive solutions



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The First Steps

Welcome

Starting and running a business can be an exciting and rewarding time. However, it can also be challenging and frustrating, maybe even daunting, as you enter into unfamiliar areas such as taxes, human resources and payroll.

We, at RDP Newmans, would like to make your experience as stress free as possible as you embark on this new adventure. That's why we have produced this outline guide to starting in business, which aims to take you through some of the important issues you will need to think about.

Should you need any more information or advice, please do not hesitate to contact one of our offices or visit our website: www.rdpnewmans.com. After all, we have been helping people just like you for over 50 years.

Business Foundations

Building a business is very much like building a house; you have to ensure that you have the right foundations in order to succeed.

One of the first things you need to consider is the trading structure. You need to decide which one would suit your business best. Typically, you can operate as a sole trader, partnership, limited liability partnership or limited company. All of these options have their advantages and disadvantages, so please speak to us before choosing your structure.

This guide covers matters affecting limited companies, but most of the issues are relevant whatever trading structure you adopt.

Your company must be registered with Companies House, and you need to provide details of the registered office and the company directors. There is no longer a requirement to appoint a company secretary.

This is also a good time to ensure that the shares in your company have been allocated to the relevant shareholders according to your wishes.

Finances

Overview

Maintaining a healthy cash flow is the lifeblood of any business. It is vital that you are on top of incoming funds and outgoing expenditure.

In this section, we will examine the opening of a bank account, how to invoice your customers, what expenses you can claim, how to prepare accounts, the taxes that you will need to pay and a brief discussion on dividends.

Bank Account

Your first task will be to open a business bank account. Often the easiest place to open an account is at your existing branch. However, we can assist you in finding the right bank for you, if required.

Invoices

Once you have your bank account, you will want to receive monies from your customers. However, before they can pay you, you will need to issue them with an invoice.

Your invoice should clearly state that it is, in fact, an 'invoice'. It should also show your company's name and address, company and Value Added Tax (VAT) registration numbers, and a unique invoice number. It must also contain an itemised breakdown of the charges, clearly showing the net, VAT and total charge.

Should you choose to include expenses in your invoice, remember to add Value Added Tax or VAT, even if the expense itself does not have any VAT.



Expenses

Expenses are expenditure that you incur in order to run your business. Any expenses claimed must be wholly and exclusively for the business. Some of the expenses you may claim for include:

- **director's salary:** a salary paid to the director of the company counts as an allowable expense, together with the employer's National Insurance Contributions (NIC)
- **staff salaries:** the wages paid to your employees together with related employer's NIC are fully deductible
- **business travel:** this covers both journeys made during the performance of your duties and to and from a temporary place of work
- **accommodation whilst away on business:** this covers the full cost of staying in a hotel or guest house
- **subsistence whilst away on business:** you can claim for breakfast and an evening meal, as well as a small allowance each night to cover items such as laundry and newspapers
- **telephone costs:** the costs of a mobile phone, landlines and internet charges can be deducted
- **home office costs:** it is easy to claim the flat annual allowance if you use part of your house as an office. No receipts are required
- **training costs:** these can be claimed for upgrading or enhancing your skills, but training for new skills should be claimed as a capital allowance. The travel and hotel costs associated with attending the course are also allowed
- **Christmas party / annual event:** an annual event, such as a Christmas party, is an allowable expense as long as the total cost is not more than a specified amount per person
- **miscellaneous items:** other costs that can be deducted include:
 - office rental costs
 - office lighting and heating costs
 - accountancy fees
 - legal and professional fees
 - printing, postage and stationery
 - technical books and publications
 - subscriptions to approved professional bodies
 - bank charges and interest
- **assets:** the costs of assets acquired, such as computers, may qualify for capital allowances, which will be treated as a deduction against the profits of the business. The rates for capital allowances are dependent on the type and value of the assets acquired

Bookkeeping

Keeping accurate accounting records is essential for any business. These books will enable you to manage the financial aspects of your business as well as ensuring you can complete your regular VAT returns.

Properly maintained accounting records will enable the management to obtain a snapshot of the company's important financial data at any time.

This includes:

- How much money you have in your bank account
- Who owes you money (debtors) and how long those amounts have been outstanding
- Who you owe money to (creditors) and how long you have owed them for
- How much you owe in VAT and PAYE

It is, therefore, crucial that you choose the accounting system or software that best fits your business and gives you the data you need to make financial decisions.

In addition, if trading through a company or a limited liability partnership, proper books and records are a legal requirement.

Management Accounts

Although management accounts are not a legal requirement, they will certainly assist you in understanding the financial position of your venture. Consequently, they will help you identify the business's strong points, as well as its weaknesses.

Management accounts will highlight any income, expenditure, assets or liabilities that are not as expected. This will then enable you to either stop the rot or build on your successes immediately, thus increasing your bottom line profit at the earliest opportunity.

Management accounts can also include projections and forecasts, which will assist you in planning for the future – so there will be no sudden, nasty surprises!

Annual Accounts

Every business must prepare annual accounts, which are then submitted to HMRC and, where relevant, Companies House. These accounts summarise your profit or loss over the past year and are often prepared in a pre-prescribed format acceptable to the relevant authorities.

It is these accounts that will form the basis of your year end tax liabilities.



Taxes – Overview

Unfortunately, every business will need to pay taxes.

It is important to pay the correct amount of tax within the allocated time to avoid having to pay interest and penalties. To help you, we have included a timetable at the end of this guide, showing the various dates which you need to be aware of.

We will now look in more detail at the tax you may be liable to pay.

PAYE / NIC

If you pay a salary to an employee, you will need to set up a Pay As You Earn (PAYE) scheme with HM Revenue & Customs (HMRC).

You will then need to deduct Income Tax and employees' NICs from the salaries paid, and send the requisite amount to HMRC by the 19th of each month – or the 22nd if you choose to pay electronically.

After the end of the tax year, you must send HMRC an Employer Annual Return (P35), as well as reporting the expenses or benefits you have provided to staff (P11D). You will also need to make a one-off payment of NICs on the value of some of them.

Value Added Tax (VAT)

VAT is charged on most goods and services provided by VAT-registered businesses in the UK. It is also charged on goods and some services that are imported from other countries.

You will need to register for VAT if the annual turnover of your company exceeds a certain limit, which varies from year to year. If your turnover is less than this, your business could still benefit from registering. Furthermore, some businesses may be able to operate within the flat rate VAT scheme, as long as their annual turnover is less than the specified limits.

You might also be better off choosing to account for VAT on a cash basis, as opposed to an invoice one.

You have to ensure that you complete a VAT return and make any payments at the end of each VAT period – usually every three months.

For further information as to current rates and limits, please see our website: www.rdpnewmans.com

Corporation Tax (CT)

Corporation Tax is paid by limited companies on their taxable profits. Once you have completed the 'Corporation Tax – New Company Details' form sent to your registered office, you will be registered to pay CT.

The amount of CT you pay will depend on the taxable profits you make, with smaller profits taxed at lower rates, increasing as the profits grow.

You will need to complete a CT Return every year with your annual accounts and make any payments nine months and one day after the end of your company's accounting period.

For further information as to current rates and limits, please see our website: www.rdpnewmans.com

Tax Returns

Each company director will need to complete a personal tax return each year, detailing all of their income and any allowable deductions.

In most circumstances, tax returns must be submitted by the following 31st January, with any tax liabilities that may arise payable by two instalments due on the 31st January and 31st July each year.

If you have not received your tax return, you should contact HMRC to request one.

IR35

IR35 legislation was introduced in April 2000 to increase the Income Tax and NICs paid by people who set up their own company instead of working as employees.

The legislation applies when services are supplied to a client through a third party, and the arrangement is such that, without the third party, the individual would be an employee of the client. For example, when your client contracts with your company instead of you directly, the company can be seen as a third party. If your company didn't exist, would your relationship with the client be seen to be one of direct employment or would you be considered self-employed? In the first case, IR35 would apply.

As there is no statutory definition of employment, please contact RDP Newmans if you need to clarify your position.

Dividends

Dividends are payments made to shareholders from the company's profits. If your company has not made any profit, it cannot pay a dividend for that period.

Dividends are often used by owner-managed businesses as a method for reducing the overall tax liabilities. For further details, please speak to RDP Newmans.



Accountant

Accountants are essential people to have helping you run your business. Business accounts and taxation are very complex and, at times, can be exasperating. Having a reliable accountant means you will have time to build your business instead of worrying about all the necessary paperwork that comes with running your own venture.

When choosing an accountant you will need to consider:

- **qualifications:** your accountant should be fully qualified – so look for ACA/FCA or ACCA/FCCA after their name
- **relevant expertise:** ask them for proof of their ability and experience in managing the financial affairs of businesses of the same size and industry as yours
- **communication:** choose an accountant you connect with and who makes you feel at ease when discussing financial matters
- **fees:** accountants' fees can vary dramatically and should be considered
- **services:** find out what services the accountant offers and whether they can provide the breadth of service you require

Why RDP Newmans?

At RDP Newmans, we combine resourceful, dynamic and professional services with a personal touch that you won't find elsewhere. We are committed to our clients and will ensure that you get the best value for your money.

In addition to dealing with all the administration and costs of forming a limited company, we can also assist with:

- registration with HMRC for tax and VAT and all the necessary returns
- setting up a PAYE scheme and processing the payroll
- setting up an accounting system
- advice relating to shareholders' agreements and directors' service agreements
- pension planning for tax purposes
- business planning and forecasts
- corporation tax compliance
- personal tax compliance
- company secretarial services
- tax planning and strategies for both individuals and companies
- raising finance

Employment

Overview

There are a number of issues relating to employment that you need to consider – even if you are the only employee!

In this section, we take a look at how to decide on the level of salary to pay yourself, payroll, insurances and other human resources issues.

Director's salary

When deciding what level of salary to pay yourself, consideration should be given to how this can be paid in the most tax-efficient manner.

Payroll

When it comes to payroll, you have many responsibilities. You will need to register your payroll with HMRC as soon as you employ anyone, even if you are the only paid employee.

When paying staff, you will need to pay them at least the National Minimum Wage (NMW). Consideration should also be given to pay intervals (how often you pay your staff), as well as the amount of holidays offered.

There are other crucial things to remember, including:

- at the end of the tax year and before 19th May annually, you must send the Employer Annual Return (P35 and P14s) to HMRC
- if you are using subcontractors, you are obligated under the Construction Industry Scheme (CIS) to register with HMRC and submit monthly returns
- HMRC can carry out compliance checks and may visit your premises and review your records at any time



Insurances

When setting up your business, and certainly as it grows, you should consider taking out various insurances, including:

- property, contents and motor insurance
- loss of profits cover
- critical illness
- keyman policies
- public liability insurance
- professional indemnity insurance
- tax investigation cover

Human Resources

The human resources department, should you have or hope to have one, deals with issues such as:

- hiring – this includes recruiting candidates, the interview process, negotiations and signing contracts
- training and professional development
- grievance and disciplinary issues
- managing performance
- redundancies
- benefits, which may include:
 - medical insurance
 - dental insurance
 - company car
 - housing allowance

Pensions

Employers will be required to make a minimum contribution towards a defined contribution scheme or the National Employment Savings Trust (NEST) on behalf of most employees.

This is a complex area that one of our team of specialist accountants can help you with. We can provide solutions to your problems and make suggestions, where needed.

Reference Material

Overview

We conclude this guide with a timetable of the various dates you should be aware of and the forms you might need to complete during your business's life cycle.

Timetable

19 th January:	PAYE, student loan and CIS deductions for the month to 5 th January.
19 th January:	PAYE quarterly payments for small employers for the pay periods 6 th October to 5 th January.
31 st January:	Deadline for submitting your self assessment tax return for the previous tax year (up to £100 penalty if your return is late). Balance of tax due for the previous tax year, plus first payment on account for the current one.
2 nd February:	Deadline for submitting P46(car) for employees whose car and fuel benefits changed during the quarter to 5 th January.
19 th February:	PAYE, student loan and CIS deductions for the month to 5 th February.
28 th February:	5% penalty surcharge on any tax outstanding from the previous tax year.
19 th March :	PAYE, student loan and CIS deductions for the month to 5 th March.
1 st April:	Start of Corporation Tax financial year.
5 th April:	Last day of fiscal tax year.
6 th April:	New fiscal tax year begins.
19 th April:	PAYE, student loan and CIS deductions for the month to 5 th March.
19 th May:	Last day for filing previous tax year PAYE returns P14, P35, P38 and P38A.
19 th May:	Last day for filing previous tax year contractor's return, including CIS36.
19 th May:	PAYE, student loan and CIS deductions for the month to 5 th April.
19 th June:	PAYE, student loan and CIS deductions for the month to 5 th May.



5 th July:	Deadline for reaching a PAYE Settlement Agreement for the previous tax year.
6 th July:	Deadline for forms P11D, P9D and P11D(b) for the previous tax year to be submitted to HMRC and copies to be issued to employees.
6 th July:	Deadline for employers to report share incentives (form 42) for the previous tax year.
19 th July:	Class 1A NIC due for the previous tax year.
19 th July:	PAYE, student loan and CIS deductions for the month to 5 th July.
19 th July:	PAYE quarterly payments for small employers for the pay periods 6 th April to 5 th July.
31 st July:	Second payment on account for the previous tax year. Second 5% surcharge on any outstanding tax due on 31 st January.
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2 nd August:	Deadline for submitting P46(car) for employees whose car and fuel benefits changed during the quarter to 5 th July.
19 th August:	PAYE, student loan and CIS deductions for the month to 5 th August.
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19 th September:	PAYE, student loan and CIS deductions for month to 5 th September.
30 th September:	VAT reclaim deadline for submission of all claims to European VAT authorities for the previous calendar year.
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5 th October:	Deadline for notifying HMRC of new sources of taxable income or gains for the previous tax year if no tax return has been issued.
19 th October:	Tax and NI due under the previous tax year's PAYE Settlement Agreement.
19 th October:	PAYE, student loan and CIS deductions for the month to 5 th October.
19 th October:	PAYE quarterly payments for small employers for the pay periods 6 th July to 5 th October.
31 st October:	Deadline for submitting 'paper' self assessment tax returns for the previous tax year.
31 st October:	Deadline for submission of the previous tax year's self assessment returns if you require HMRC to compute your tax liability and/or if tax underpaid is to be collected by adjustment to your next tax year's PAYE code.
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2 nd November:	Deadline for submitting P46(car) for employees whose car and fuel benefits changed during the quarter to 5 th October.
19 th November:	PAYE, student loan and CIS deductions for the month to 5 th November.
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19 th December:	PAYE, student loan and CIS deductions for the month to 5 th December.
30 th December:	Online filing deadline for submitting the previous tax year's self assessment return if you require HMRC to collect any underpaid tax by making an adjustment to your next tax year's code.

Company Specific

Within 9 months of year end:	Abbreviated Annual Accounts to be filed at Companies House and payment of Corporation Tax.
Within 12 months of year end:	Full Annual Accounts and Corporation Tax returns to be sent to HMRC.
Anniversary of incorporation:	Annual return to be prepared, and is due 28 days later.

Our services

- Business start-ups
- Compliance
- Consultancy and systems advice
- Corporation tax
- Financial services
- HMRC investigations
- Insolvency
- Payroll
- Personal tax
- Service charge accounts
- Support services
- Tax protection
- VAT
- And much more...

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