



Information Index

Clear and concise factsheets on
business and personal issues

1 Starting up in business

- 1.1 Starting up in business
- 1.2 Could I really make a go of it?*
- 1.3 What business structure shall I use?*
- 1.4 The business plan*
- 1.5 Raising finance (SAMPLE AVAILABLE)
- 1.6 Sources of finance*
- 1.7 Insurance for your business*

Other factsheets that may be relevant: 2.1, 2.2, 2.3, 3.6, 4.1, 5.4, 6.1, 6.4, 6.7 and 9.1

2 General business

- 2.1 Directors' responsibilities
- 2.2 Preparing for your accountant
- 2.3 Role of the company secretary

3 Corporate and business tax

- 3.1 IR35
- 3.2 Corporation tax self assessment
- 3.3 Quarterly instalment payments
- 3.4 Tax saving opportunities for companies
- 3.5 Incorporation
- 3.6 Franchising

Other factsheets that may be relevant: 11.2 and 11.3

4 VAT

- 4.1 An introduction to VAT
- 4.2 VAT annual accounting*
- 4.3 VAT cash accounting*
- 4.4 VAT flat rate scheme*
- 4.5 VAT bad debt relief*

5 Employment issues (tax)

- 5.1 Travel and subsistence for directors and employees
- 5.2 Benefits in kind
- 5.3 Company cars
- 5.4 National Insurance
- 5.5 Share ownership for Employees - EMI

6 Employment and related matters

- 6.1 National Minimum Wage (SAMPLE AVAILABLE)
- 6.2 Statutory maternity pay and statutory sick pay
- 6.3 Dismissal procedures
- 6.4 Recruitment
- 6.5 Redundancy procedures
- 6.6 Managing absence*
- 6.7 Health and safety (including checklist)*
- 6.8 Legal working in the UK

7 Personal tax

- 7.1 Taxation of the family
- 7.2 Charitable giving
- 7.3 Child tax credit
- 7.4 EIS
- 7.5 VCTs*
- 7.6 Tax aspects of property investment
- 7.7 ISAs*
- 7.8 Buy to let properties*

Other factsheets that may be relevant: 8.1, 8.2, 8.3 and 9.1

8 Capital taxes

- 8.1 Use of trusts
- 8.2 Capital gains tax
- 8.3 Inheritance tax

Other factsheets that may be relevant: 7.1, 7.4, 7.5, 7.6 and 7.8

9 Pensions

- 9.1 Stakeholder pension schemes
- 9.2 Occupational pension schemes: Trustees' responsibilities

10 ICT

- 10.1 E commerce
- 10.2 E mail/internet acceptable use policy

11 Other

- 11.1 Charities
- 11.2 High Value Dealers
- 11.3 Limited liability partnerships



Starting up in business

Raising finance

WHO NEEDS FINANCE?

Every business from its commencement and through its development and growth will need finance.

But what type of finance is best suited to the development of your business, and who should you approach for funding?

We provide guidance below on types of finance available and outline the planning required before approaching any lending institution.

PLANNING FOR GROWTH

Is finance required?

Finance is very often necessary but consider what it will entail. Additional funding requires a commitment in terms of capital and interest payments. Embarking on this course of action must therefore be planned carefully.

The business must be capable of sustaining any additional commitment to growth or expansion, and consideration will need to be given to effects on manpower, materials and space.

Tapping existing resources

Before seeking outside finance, a business must consider whether it could improve its working capital from within.

Particular attention should be given to stock and debtors to ensure that both are kept to a minimum. Consider how long it takes to bill customers and collect debts and look at ways to reduce this time.

If there are periods of time when surpluses of cash arise, review your affairs to try and ensure these are being used to generate income by investing on temporary short term deposit.

We can advise you on all these matters.

Business plan

Assuming external funding is necessary, planning is essential in achieving success. A well drawn up business plan not only crystallises in your own mind the nature of the project and the timing of any required funding, but is vital to any lending institution. They are unlikely to provide any assistance without a properly drawn up business plan.

The plan will include details of:

- the objectives and aims of the business
- the purpose of the required funding
- the business ownership and history
- management and responsibilities
- products and market share
- sales plan and strategy
- the financial position of the business with detailed cash flow forecasts and past accounts.

TYPES OF FINANCE

General

Finance is available in many forms, but it is important to make sure that it is right for your business. Onerous terms and inflexibility can often hinder a growing business.

The more obvious sources of finance include bank overdrafts and medium to long term loans and mortgages, but rates of interest can vary considerably. Therefore we advise you to consult with us before making your final decision.

Specific

Specific methods of finance are available for acquiring assets or releasing cash from debtors. Carefully consider the options available which include:

- leasing assets
- hire purchase
- outright purchase
- debt factoring
- invoice discounting.

Each method of funding has advantages and disadvantages including implications for tax purposes.

Other

Other means of finance may be available for your business from government sources, through the issue of shares or even your own pension scheme.

Government assistance can be in the form of grants, concessionary loans or loan guarantees, particularly if your business is in the manufacturing sector or creates new jobs. Other grants may be available on a regional or local level.

Raising finance by issuing shares may be another option to consider.

Starting up in business

Raising finance

Security

Whatever form of finance is offered, the lender will always require some form of security. However the level of security sought may vary - beware the lender asking for unreasonable guarantees.

Fixed and floating charges

Most bank loans and overdrafts are secured by way of a fixed charge over land and buildings with floating charges over other assets of the company such as stock and debtors.

Personal guarantees

For some businesses little security may be available because of insufficient assets. Consequently the security will be given in the form of personal guarantees.

Take extreme care before signing these guarantees as they can be difficult to amend at a later stage and many have suffered as a consequence.

In particular, personal guarantees are best if they are limited by time or amount. Unlimited guarantees are the most dangerous.

General

It may be possible to use other assets as collateral such as life insurance policies or by taking a second mortgage over your home.

Whatever the means of security pledged, it should be carefully considered and advice sought.

HOW WE CAN HELP

The means by which finance is obtained will vary enormously according to:

- the amounts required
- the nature of the business
- the risk exposure to the lender
- the period for which finance is required.

Accordingly whilst some generalisations apply, individual circumstances require specific consideration. Time invested in formulating a funding strategy, whilst not guaranteeing success, will provide a structure to guide the growing business.

Our experience and contacts can enable you to achieve the means to help your business grow.

We would welcome the opportunity to assist you in formulating a business plan and obtaining any necessary finance.



Employment and related matters

National Minimum Wage

The National Minimum Wage (NMW) was introduced on 1 April 1999. There have already been a number of instances of employers being penalised for not complying with the legislation. The Revenue is the agency that ensures enforcement of the NMW.

We highlight below the main principles of the minimum wage regulations.

Please contact us for further specific advice.

WHAT IS THE NATIONAL MINIMUM WAGE?

The current standard rate of the NMW is £4.50 per hour. It will rise to £4.85 in October 2004.

The current rate for employees between 18 and 21 years old is £3.80 per hour. This will rise to £4.10 in October 2004.

Also from October 2004, 16 and 17 year olds will be paid a legal minimum wage for the first time. The rate will be £3 per hour.

Workers of 22 years and over can be paid a minimum of £3.80 per hour for the first six months of a new job for a new employer if they are receiving accredited training, which means attending certain training courses where the training institution involved is receiving government support.

There are no exemptions from paying the NMW on the grounds of the size of the business.

KEY QUESTIONS

Who does not have to be paid the National Minimum Wage?

- Volunteers.
- The genuinely self-employed.
- Apprentices over 16 but under 26 for the first 12 months of their employment (the apprenticeship must be a genuine one).
- People such as au pairs who live and work as part of a family.
- Company directors who do not have contracts of employment.
- Family members who live at home and participate in a family business.

Please note in relation to the last point that the Revenue has the power to serve an enforcement notice requiring

the payment of at least the NMW, including arrears, to all family members working for a limited company.

What is taken into account in deciding whether the NMW has been paid?

The amounts to be compared with the NMW include basic pay, incentives, bonuses and performance related pay and also the value of any accommodation provided with the job.

Overtime, shift premiums and regional allowances are not to be taken into account and benefits other than accommodation are also excluded.

What records are needed to demonstrate compliance?

There is no precise requirement but the records must be able to show that the rules have been complied with if either the Revenue or an Employment Tribunal requests this to be demonstrated. Where levels of pay are significantly above the level of the NMW, special records are not likely to be necessary.

It is recommended that the relevant records are kept for at least six years.

Normally there is not likely to be any serious difficulty in demonstrating compliance where employees are paid at hourly, weekly, monthly or annual rates but there may be difficulties where workers are paid on piece-rates and where, for example, they work as home-workers.

In such cases it will be necessary for employers to have written agreements stating fair (meaning realistic) estimates of the number of hours that will need to be worked to achieve certain output and this agreement should demonstrate compliance with the rate.

What rights do workers have?

Workers are allowed to see their own pay records and can complain to an Employment Tribunal if not able to do so.

They can also complain to the Revenue or to a tribunal if they have not been paid the NMW. They can call the confidential helpline 0845 6000 678.

Employment and related matters

National Minimum Wage

What are the penalties for non-compliance?

Enforcement notices can be issued if underpayments are discovered and there can be a penalty equivalent to twice the hourly amount of the NMW for each worker that has been underpaid multiplied by the number of days that enforcement notices are not complied with.

There could also be a maximum fine of £5,000 for having committed a criminal offence.

HOW WE CAN HELP

We will be more than happy to provide you with assistance or any additional information required.