

Economic Development Service

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Starting up

Your practical guide to starting your own business

PEOPLE

BUSINESS

SUPPORT

Starting up

Your practical guide to starting your own business

If you are reading this, you are already considering setting up your own business.

This guide gives you the practical help and advice on how to go about it, the pitfalls to avoid and how Gateshead Council's Economic Development Service can help you on the road to self-employment. It's an exciting road to take and we'll be with you all the way.

Different formats

If you would like this information in large print, Braille, on audiotape, or in another language please ring: 0191 433 3444.

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How we can help you

Gateshead Council's Economic Development Service is your starting point for business advice and help.

We can offer you free and fast help on a wide number of issues relating to self-employment and business. This ranges from raising finance to finding staff or premises. Talk to us about:

- **Finance** - advice and information on grants and loans.
- **Premises and sites** - information on Council and privately owned vacant commercial premises and sites. We will work with you until you find the right location for your business.
- **Contacts** - we will help you find the support you need to make your business succeed, by introducing you to people who can help.
- **Recruitment** - we can help you recruit from the local labour market and will work closely with you and other partners, to ensure your needs are met.



For more information please contact:
Economic Development Service,
Gateshead Council, Civic Centre,
Regent Street, Gateshead NE8 1HH.
Telephone: 0191 477 3747 or email:
economicdevelopment@gateshead.gov.uk

Please remember: What we offer is help and advice. What we cannot do is manage your business for you or guarantee its success. While every care is taken to ensure the information given in this guide is correct and up to date, businesses may need to take professional advice before acting on the information.

Types of business

There are many different legal structures you can adopt for your business including:

Sole trader - Setting up as a sole trader is the easiest way to becoming self-employed. You will have control of your business and its profits, but will be personally responsible for any losses (this is known as 'unlimited liability').

Partnership - Two or more people set up the business. All profits will be shared between the partners according to any partnership agreement. A written legally binding partnership agreement is strongly recommended. Partners will also be responsible for any losses.



Limited liability company - Setting up a company gives the business protection and rights. You and other shareholders in the business have a limited responsibility for any debts as agreed in the shareholding or guarantee. There are a number of formalities that must be followed and the company must be registered with Companies House.

Social Enterprise - This is a business that trades for a social purpose, for example, The Big Issue, or a business that provides a service in the local area such as an out of school club. If you are considering setting up a community business where you live, you could consider a Community Interest Company or Company Limited by Guarantee. For further information you should see our Ten Step Guide To Setting Up a Social Enterprise (See useful contacts section at the end of this guide).

Other formats include: Limited Liability Partnership.

Please remember: Before deciding on your legal structure you should seek professional advice as to what is most suitable for you.



Setting up a Business

There are many ways of setting up a business. You can:

- **Start from scratch** - This can take a lot of time and planning and be more risky. If your idea is new, it will need to be introduced to potential customers.
- **Buy an existing business** - You will be able to see how good the business is and therefore the risk may be reduced. Any ideas you have can help to develop the business. Raising finance may be an issue.
- **Buy a franchise** - There are many established businesses that operate as a franchise. By doing this, the right to benefit from the brand is bought. You, the franchisee, are ultimately in control, and will receive operational support to help build up the business from the franchisor.

Will people buy your product?

Before becoming self-employed you should think through your idea. The following information and questions will help you to do this.

Market

- What is your idea?
- Who will be your customers?
- Will customers buy it?
- How do you know?
- What experience can you draw from?
- Why should someone use your product or service and not a competitors?
- How much will your customers pay for your product and services?
- How much will you need to charge for your products and services?

Please remember: You should carry out thorough market research. Use your local library for market reports, statistics and other sources of information.

Money matters

Tax and National Insurance

If you set up as a sole trader or partnership the following tax and National Insurance (NI) information will apply to you:

- You pay your own National Insurance (NI) and tax.
- You must register with HM Revenue and Customs (formerly the Inland Revenue) within three months of starting your business using the CWF1 form. Visit: www.hmrc.gov.uk/startingup/register.htm or contact: **0845 915 4515**.
- You may pay Class 2 NI contributions and possibly Class 4 depending on the profits and legal structure of the business. See rates below, correct at time of printing:
Class 2 - £2.10 per week,
Class 4 - 8 percent of annual profit between £4,895 and £32,760.
- You are responsible for paying your own Income Tax, which is payable on earnings/profit above your personal tax allowance.
- HM Revenue and Customs will provide you with a Self Assessment form to fill in and return. Alternatively you may want to use an accountant. Visit: www.hmrc.gov.uk/startingup/register.htm or contact the Self Assessment Helpline: **0845 9000 444**.

Unlimited liability

As a sole trader or a partnership you are personally responsible for any debt (unlimited liability) the business may incur, so it is important to plan before starting.

Financial records

You must record your business income and expenditure in a ledger. It is essential to maintain financial records. Ideally you will also need a business bank account to keep business transactions separate from your personal transactions. An accountant would be able to provide specialist advice.

VAT

Value Added Tax (VAT) is a tax on sales of goods and services and registration becomes compulsory when a business exceeds £60,000 in its annual sales turnover. Further information can be found on the HM Revenue and Customs website: www.hmrc.gov.uk

Please remember: You should check with an accountant or financial advisor for specialist advice before you begin.

Is it legal?

You need to be aware of government legislation and how this impacts on your business:

Health and Safety Regulations including the Health and Safety at Work Act 1974. For further information visit the Health and Safety Executive website: www.hse.gov.uk

Terms and Conditions of Trading which includes:

- The Sales of Goods Act 1979
- Trade Descriptions Act 1968
- Unfair Contract Terms Act 1977

There are now more controls over contracts depending on the method of sale. If you are selling over the internet, for example, this may be a cost-effective way of working, but you should be aware of the cancellation rights of the customer and the risks this involves.

If the business is to use pre-printed contracts, they should not contain any unfair contract terms or they could be required to be re-printed. Gateshead Council's Environmental Health and Trading Standards Officers would be happy to advise you on this.

Licenses from your Local Authority may be required (for example for taxi drivers). Food businesses need to register with Environmental Health. Visit or contact Gateshead Council, Commercial and Consumer Services: www.gateshead.gov.uk or telephone: **0191 433 3925**.

Certain products will need to comply with safety legislation. For example, if producing toys, a sample should be tested for compliance with safety regulations, and you should keep a technical file. Failure to do this would be an offence. The cost of having the tests carried out needs to be considered when setting up a business.

You may wish to protect your intellectual property rights. The World Intellectual Property Organisation has published a guide 'Inventing the Future: An Introduction to Patents for SMEs' (Small or Medium Enterprise). The UK Patent Office provides a wide range of information on patents, copyright, designs and trademarks.

Further information can be found at www.patent.gov.uk

Alternatively you can contact the local patents advice centre based in Newcastle City Library on: **0191 277 4125**.

Insurance

You need insurance depending on the type of business you set up.

- **Public liability insurance** - This is a legal requirement for employers and essential for all businesses.
- **Professional indemnity insurance** - Advisable for most businesses.
- **Motor insurance on vehicles used for business** - Essential even if you use your own vehicle.
- If you employ someone you must have **Employers Liability insurance**. As the proprietor you are also covered by this.
- You may also want to consider insuring against loss of profits and business interruption.

Visit the Association of British Insurers website for further information:
www.abi.org.uk



Premises

There is a lot to consider whether you want to rent or buy premises for your business. You may need to seek specialist advice, such as whether you need planning permission or building regulations if you intend to make any alterations.

If working from home you should consider issues such as tax, health and safety issues, planning permission, security and segregating a work area.

Before you negotiate a lease or buy a property it is advisable to consider whether you need to obtain planning permission for your intended use, and if so, the chances of getting it.

The Council can advise on planning and building regulation issues, contact the Development Control section on: **0191 433 3426**. The Department for Transport, Local Government and the Regions (DTLR) produces a guide to planning permission for business. For a free copy contact the DTLR on: **0870 122 6236**.

The Council provides a free property search facility that can be found at: www.gateshead.gov.uk/business or call us on: **0191 477 3747**

Please remember: You are advised to seek legal advice before entering into a lease or buying a property.

Survival budget

Have you thought about how much money you need to make?

Before developing your idea further, take a few minutes to complete the survival budget below. This will help you identify how much income you will need to make in order to cover your personal living costs.

Examples of personal costs

Outgoings	Amount £
Mortgage/rent	
Council tax	
Water/gas/electric etc	
Telephone	
Insurances	
Housekeeping	
Clothing	
Travel	
Subscriptions	
TV Licence	
Social activities	
Car tax/insurance/maintenance/running expenses	
Childcare	
Hire Purchase/loans	
National Insurance contributions	
Miscellaneous	
Contingencies	
Total	

Note: It is also important that you consider what affect self-employment will have on your current income, such as benefits.

Start up costs

There are a number of costs involved in setting up a business, these could include:

- Workspace and business rates (NNDR).
- Office furniture.
- Computer equipment.
- Company vehicles.
- Specialist equipment - such as medical or agricultural equipment.
- Other costs to consider include: insurance, marketing/advertising, telephone/communications, staff.

Please remember: It is important that you identify costs before starting up. Preparing a business plan will help you to develop your business idea in detail and identify costs and forecast income.

