

STARTING UP YOUR OWN BUSINESS

The recession has seen more people starting up their own businesses, perhaps to take more control over their careers or develop new areas. The downside is that the business owner is responsible if things go wrong.

Some points to bear in mind:-

1. Business Structure

- (a) **Sole Trader** either alone or with employed staff – you are self employed for tax purposes, set up costs can be low, running of the business is relatively simple, there is no formal procedure to close down. However, you are personally liable for business liabilities and your personal assets are at risk if things go wrong.
- (b) **Partnership** – if two or more people run a business together with a view of making a profit this is a partnership. Partners are jointly and separately liable for business liabilities, are assessed individually for tax and regulate the business themselves. A written Partnership Agreement is strongly recommended to avoid disagreements later over working hours, moonlighting, profit share, capital, partners leaving etc.
- (c) **Limited Company** – sole traders and partnerships can incorporate. The limited company is a separate legal person and is responsible for business debts. Tax rates are generally lower but running costs may be higher. Regulation is more formal and company information including annual accounts has to be sent to Companies House and can then be published.

2. Business Names

Be aware that the Business Names Act 1985 and The Companies Act 2006 can restrict your business name, even sometimes if this is your own name.

You are required to put standard information including business names on all letters, web sites etc.

3. Business Premises

Unless you purchase premises outright, a lease may be required. Leases are complex and enough time should be allowed (usually several weeks) to negotiate and settle terms.

4. **Terms of Trade**

These should be created before you start. They deal with how and when payment is made, how goods are delivered, when ownership of goods passes to the customer, cancellation and ways in which your liability may be limited.

5. **Wills, Powers of Attorney, Matrimonial Assets**

Make sure that you make arrangements to protect the business in the event of your death, or incapacity or the breakdown of your marriage.

For more information please contact:-

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