

Are you starting a new business

An overview of what to consider and how to get started



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Sole-trader vs Limited Company

What's a sole trader?

- A sole trader is a self-employed person who is the only owner of their business. This means that there's no legal separation between you as the business owner and the business itself.
- Given that you and your business are one and the same, you can keep the profits you've made after tax and are personally responsible for any losses your business makes.
- Setting up as a sole trader is relatively simple – which is likely why it's the most popular business structure. To become a sole trader you need to have a National Insurance number and inform HMRC by registering for self-assessment if you've earned more than £1000 from 6th April to the 5th of April the following year.
- When it comes to naming your business, you have the option to either trade under your own name or a business name. Keep in mind that when it comes naming your sole trader business, other businesses can trade under the same name as you and they're perfectly within their rights to do so.

What's a limited company?

- A limited company is a distinct legal entity from the business owner that can be formed whether you're a one-person business or have employees.
- By forming a limited company, you serve your business as its director. As director, you're responsible for the legal and financial decisions your business makes, but your business's assets and liabilities are totally separate from your own individual finances.
- This means that all profits and losses belong strictly to the company, meaning you must always act on behalf of the company.
- You will need to choose your company name. Unlike setting up a sole trader business, your company name needs to be unique.
- Once your company is incorporated, its name is protected by law, meaning no other business can use the same name as you or anything deemed to similar.

HUSA Accountants will advise you as to which legal structure is appropriate for your business

What you need to register your business

To trade as a sole trader?

- Your full name and address
- National Insurance number
- Business name
- Date of commencement of self employment
- ID (passport or license) and proof of address e.g. recent utility bill

To trade via a limited company?

- The following for each Director:
 - Full name and address
 - National Insurance number
 - ID (passport or license) and proof of address e.g. recent utility bill
- Proposed shareholders
- Name for the Limited Company and nature of trade e.g. Courier
- Business address

HUSA Accountants will explain to you in detail what is required to register your business

What you need to do once your business is registered

As a sole trader?

- Open a business bank account
- Use your business account to:
 - Deposit income from trading
 - Pay your business expenses
 - Take out as much or as little funds to your personal account
- Keep records of sales and expenses e.g. invoices
- Keep log of any business mileage undertaken e.g. date of travel, where travelled to and mileage done

As a limited company?

- Open a business bank account
- Use your business account to:
 - Deposit income from trading
 - Pay your business expenses
 - Pay wages to yourself, based on payslips generated via your payroll
- Do not use your bank account for personal expenses e.g. food, household shopping
- Keep records of sales and expenses e.g. invoices
- Keep log of any business mileage undertaken e.g. date of travel, where travelled to and mileage done

HUSA Accountants will discuss with you exactly what business expenses you can and cannot charge against your trading income – this depends on the nature of your business

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