

Our

10 Top Tips

for

Setting up a Business

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Setting up a Business

You've got a great idea. You know your market. You've sized up your competitors. You're ready to go.

Stop.

To give your business the best chance of succeeding, you need to get the important practical arrangements and legal formalities in place. Some you are obliged by law to get right from the word go. Others simply help ensure that your business can run efficiently and with limited risk.

Here are our top tips for getting started.



01

How should I structure my business?

Every business needs a legal identity. It is more than a name and a brand; it is the cornerstone of your operation.

There are three main types: sole trader, limited company, and partnership although there are others too. Each has its own tax and financial accounting characteristics, together with legal requirements and liabilities.

It is not uncommon for a business to begin as one entity and, as it develops, become better suited to another. Changing a structure is perfectly possible and workable with the right legal support. But it pays to understand the various options for your business from the outset. It's how you get the best fit - financially, legally and practically.

“Every business needs a legal identity.”

02

Can I protect my idea?

Do you have a unique process, a distinctive strapline, or an invention you would really rather no one else had the opportunity of exploiting? This is your intellectual property, and you should protect it by registering your ownership of it.

Do not assume, for example, that simply registering your company name at Companies House will stop someone else using it, intentionally or otherwise. Treat your intellectual property as a distinct business asset and get specific advice on the best ways of safeguarding it, your brand and your goodwill.



03

What makes a good business partner?

Going into business with friends or family may be an appealing – and obvious – way to begin. But personal relationships do not always make for great working relationships.

The best family-run businesses recognise that there must be rules, boundaries and formalities. Everybody should understand their role and what is expected of them. That is easier to maintain if it is established from day-one. Issues like control, decision-making, liability and profit-sharing need to be addressed early on and kept under review as the business changes. You should also make provision for what should happen if relationships falter.



04

Do I need to recruit and employ staff?

Some businesses need a team from day one, others recruit over time. Either way, it is important to get the right people in the right roles and on the right terms. Ask yourself what your business needs now and what it is likely to need over the next five years. And remember that, while employers face some hefty legal obligations, modern workforces can be designed to fit individual business models.

Pinpoint what it is that would best suit your operation. Full-time or part-time workers? Permanent or temporary contracts? Is an employee/employer relationship appropriate, or would a different arrangement (e.g. worker or contractor) be better?



05

Do I need to keep written records?

It really does pay to get the right legal paperwork in place. This is the same whether you are operating alone, with family or friends, or if you are taking on staff or external partners.

There are all sorts of formal documents which can help make sure that duties, rights and responsibilities are set out and understood – and this reduces the risk of legal arguments in the event that things take a turn for the worse. Take advice about whether you should have shareholder agreements, employment contracts, workplace policies and consultancy agreements, for example. If you are doing business with other businesses or the public, you will need Terms and Conditions of your business, such as how to pay and when to pay.

The type of business you are running, and your business structure, will dictate what it is you need.





06

Do I need premises to operate from?

Hopping onto the commercial property ladder is a bullet-biting experience. You are committing in a new way to the success of your business.

Think about exactly what it is you need from premises. What sort of space must there be and where? Is it sensible to buy or to rent (and if you rent, what terms should you look for)? Our advice is to plan very carefully according to your immediate and your longer-term needs. Do not become tied into the wrong property, and don't be afraid to negotiate better terms. See our companion guide regarding Buying or Leasing Commercial Property for more advice.

07

What statutory obligations will I need to comply with?

Businesses have a legal responsibility to ensure the health and safety of people on their premises. These include employees who work there day-in, day-out as well as suppliers and customers who visit. Think about the risks posed by the tasks you ask your employees to carry out (e.g. heavy lifting) and by the environment in which your business operates (e.g. uneven surfaces, dangerous equipment). Carry out a risk assessment and minimise the risks you identify, keeping records of it all. Make sure too, that your premises are accessible to all to avoid falling foul of anti-discrimination legislation.



08

Will I need insurance?

You should look into protecting yourself against the consequences of someone falling ill or injuring themselves on your premises. The law says that if you take on staff then you must have employers' liability insurance in place. Public liability insurance is optional but could save you a lot of money if someone visiting your premises were to suffer an accident and claim compensation.

Professional indemnity insurance is not a requirement either but it is often good to have (depending on what your business does). Giving the wrong advice to a client, for example, could lead to a claim and if that happens it is good to know that there is an insurance company behind you.

If you are a sole trader then it is worth considering some form of income protection insurance to help if you are unable to work because of illness or injury. Key Man Insurance is an insurance policy taken out by a business to compensate that business for financial losses that would arise from the death or extended incapacity of an important member of the business.

09

Will I need a licence to operate?

Certain businesses can not begin trading until certain licences have been granted. For example, if your business poses a risk to the public, such as exposure to hazardous materials, then you're likely to need a licence to enable you to operate.

There are all sorts of permissions that need to be obtained, depending on what you do, how you do it, and where. As well as the more obvious licence to sell alcohol, you may also need a licence to use part of the pavement outside your premises for seating or advertising, and a licence to enable you to play music.

10

Will I need to register for VAT?

Many start-up businesses fall well below the threshold for VAT registration. Some choose to charge VAT, but others decide not to because of the additional burden that would impose on them and on their customers.

But once a business' annual turnover reaches a specific threshold, VAT registration is compulsory. There are mechanisms in place to penalise those who don't register at the right time, so keep this under review.



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