



GET IT GIRL

Ultimate guide to starting a
business

FINANCE
Lagom

Welcome

So you're thinking of starting a business and want to know what that means for you, your taxes & your future?

Perfect! Let's dive in.

ABOUT

A bit about me. I trained and qualified as an accountant in 2010 whilst working for traditional firms, which I quickly learnt weren't for me.

I didn't have time to get to know my clients, or give them the timely advice they really needed. I didn't want to charge by the hour or provide clients with 'archaeological accounting'.

So I built something better — an accountancy practice built around real, inspirational businesses. Welcome to Lagom Finance.



LET'S CONNECT!



www.instagram.com/lagomfinance



www.lagomfinance.com

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01

Getting Started



EMPLOYMENT CONTRACTS

Before we get started with the important tax stuff, you should read your current employment contract from front to back before making the decision to start a business if you're still employed. Is there a clause that restricts you from starting your own business?

Could there be a perceived conflict of interest?

Many secret side giggers never tell their boss about their business ambitions. They work on them quietly and, if the glorious day comes that their business can support them financially, they hand in their notice. As tempting as this might be, it's not really good form to burn bridges.

BUT WAIT..HOW WOULD THEY EVEN KNOW?

Your tax affairs are entirely confidential and HMRC can't & won't inform your employer if you register as self-employed. However, be aware that if you form a limited company, your details are publicly available at Companies House for the world to see!

If you choose to set up your new business as a limited company and register as a director, this information is viewable to the **public** – a search on the Companies House website by a suspicious employer could reveal your new business eek!

Then there's social media - if you're on any social networks, make sure you are aware who is watching, check your privacy settings and make sure you're ok with who can see.



“Entrepreneurs are the only people who work 80 hours a week to avoid working 40”

02

Registering as self employed



WHEN TO TELL HMRC

Although your employer doesn't need to know you're working double as hard, HMRC definitely does!

HMRC recommends that you let them know as **soon** as you start trading.

It's a legal requirement to register with HMRC as self-employed if you earn more than £1,000 in the tax year as a sole trader.

Yes, in theory, you could wait until you earn £1000.01 but dream big, assume you will and register from day 1!

You have until 5th October after the end of the tax year (5th April.. yes, yes I know it's a silly date) to register for your Self Assessment and let HMRC know, or risk paying a fine. In short, register from day one!

MYTH BUSTING

HMRC are not going to bust open your door with a S.W.A.T team at any point. They are reasonable and understanding for the most part if you have exceptional reasons for not registering on time.

CHOOSING YOUR COMPANY TYPE

When starting a business, you can choose to operate as a sole trader or form your own limited company.

Just starting out, and not sure which option is best? [Book a discovery call](#) and I can help advise you on the best route.

If you're pretty sure your company is going to smash it in year 1, then setting up a limited company could have a number of benefits including protecting any of your personal assets.

There are too many examples to put in this guide, and chances are your business is different to the last client I spoke to. The best thing to do is book in a consultation (it's free!) and chat it through with me so I can advise you on the best set up for you and your goals.

[BOOK A CONSULTATION](#)

03

Sole traders



WHAT IS A SOLE TRADER?

As a sole trader, all of the profits made by your business are taken as income. You'll pay Income Tax and National Insurance Contributions (NIC) based on government thresholds for the relevant tax year. If you're a sole trader then there's no legal separation between you and your business.

This means you're personally liable for all activities of the business, including debts. You can keep all your business' profits after you've paid tax on them as it's your money, go crazy.. or you know, save it all.

The accounting process is much simpler for sole traders – there's much less paperwork, fewer expenses to account for its really just 2 numbers (income & expenditure) in a self assessment form once a year.

CONT...

As such, if you do have an accountant helping you with your sole trade business at this stage, it's often less expensive than it is for limited companies, due to less government filings needing to be made.

Registering as a sole trader is the simplest route, which only requires you to choose a business name and register as self-employed for your Self Assessment. Once this is done, you're all set to get your business going.

You can register as a sole trader [here](#).

DEADLINES

Your self assessment is due 31st January following the end of the tax year (5th April)

REGISTER AS SELF EMPLOYED

04

Limited Company Route



LIMITED COMPANIES

Forming a limited company will mean you become a director **and** a shareholder of the company. You can be paid a salary and/or dividends from the company's available profits (how very fancy!).

As the director of your new company, you'll have responsibilities to fulfil, including annual returns and filing accounts with statutory bodies such as Companies House and HMRC. It's your responsibility as a director of the company to ensure this happens. Being a director will also have a number of tax implications, which I will cover shortly.

By forming a limited company, you create a separate legal entity so it's really a mindset change. You are an employee of your company (Yes, even if it's just you).

#TIP

Your personal address will be shown on the public register at Companies House for anyone to find, a lot of people choose to use a virtual office address or directors service address for which there are many paid options (around £150 a year)

PROCESS

A limited company is a legal structure for a business in which the liability of each shareholder is limited to their individual investment – this is known as 'limited liability'.

For example, if your company needs to close or experiences financial difficulties, your personal assets **can't** be taken from you to pay company debts.

Another advantage is that limited companies are often perceived to be more reliable, and you'll be able to work with organisations (for example, large corporations and those in the financial sector) who refuse to deal with unincorporated businesses.

While not quite as straightforward as registering as a sole trader, registering and setting up as a limited company can be done relatively quickly – you can incorporate online at Companies House

[HELP ME FORM MY COMPANY](#)

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TAXES



TAX AS A SOLE TRADER

You'll pay Income Tax of 20% on all earnings above your Personal Allowance (£12,500 in the 20/21 tax year) and below the upper limit of the basic rate, which is £37,500 for the 2020/21 tax year.

You'll pay Income Tax of 40% on all earnings above the basic rate limit until you reach the higher rate limit (which in the 2020/21 tax year is £100,000).

National Insurance is great. It builds up your state pension entitlement and helps pay for the NHS and other welfare services. Self-employed people who are sole traders pay National Insurance based on how much profit they make from their business.

Firstly, if your self-employed profits exceed the Small Profits Threshold (£6,475 for the 2020/2021 tax year) sole traders have to pay a flat rate of £3.05 per week. This is called Class 2 National Insurance.

You may also have to pay Class 4 National Insurance. This is charged at 9% for all self-employed profits between the Lower Profits Limit and the Upper Profit Limits (£9,500 and £50,000 in the 2020/21 tax year), and at 2% for all profits greater than the Upper Profits Limit (again £50,000 in 2020/21 tax year). Just like your Income Tax, Class 4 National Insurance contributions will be worked out on your Self Assessment tax return.

WHAT ABOUT VAT?

If you start doing really well or just want to register voluntarily, you may need to register for VAT. VAT (or Value Added Tax) is a tax charged on most goods and services in the UK and the EU. When you buy a product that is eligible for VAT in a shop, for example, VAT is automatically included in the price you pay.

The VAT threshold (£85,000 in the 2020/21 tax year) is set by the government and is based on your VAT-taxable turnover (the total of all sales that aren't exempt from VAT).

[BOOK A CONSULTATION](#)

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TAXES cont.



WHAT ABOUT IF I WERE LIMITED?

Once your self-employed profits exceed around £35,000, you'll probably find that trading as a limited company could save you money on your taxes.

If you choose to operate as a limited company, then as well as any personal taxes that you may have to pay, your company will also need to pay Corporation Tax and, as mentioned above, VAT if you're over the threshold.

Corporation Tax is applied to limited company profits after salaries and other business expenses have been paid, but before dividends are withdrawn.

As a limited company director, you need to ensure that you and your company are registered for all the relevant taxes and that any returns are submitted correctly to HMRC and Companies House within the statutory deadlines.

Ultimately, as a director you are the person who is legally responsible (that's right, not even your accountant!).

The following is a list of returns you will need to be aware of when running a limited company:

- Corporation Tax return
- Self assessment
- PAYE each month (if you run payroll)
- Confirmation statement (filed once a year with Companies House)
- VAT returns quarterly (if you are registered)

Depending on your specific set up there may be more but these are the most common.

I promise it is not as scary as it sounds, it's all very manageable especially if you have a trusted advisor (shameless plug)

[HELP ME FORM A COMPANY](#)

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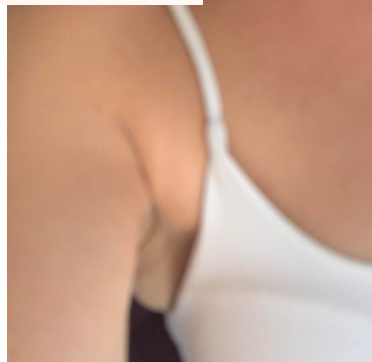
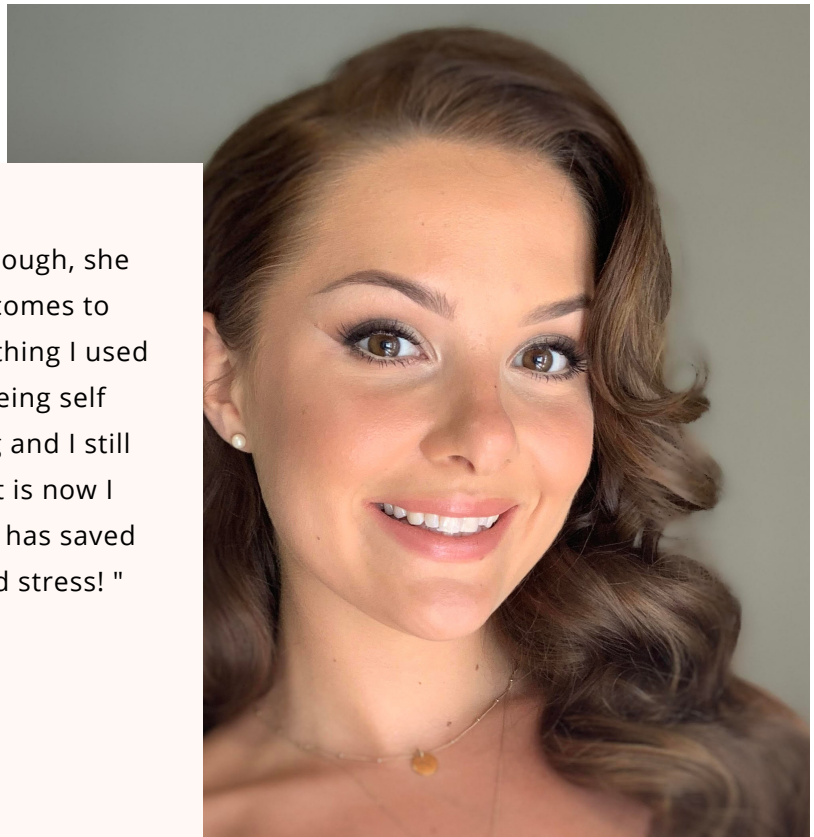
How I helped Nadia



HOW I HELPED NADIA

"I couldn't recommend Becki enough, she makes my life SO easy when it comes to finances and tax returns (something I used to dread). The finance part of being self employed can be overwhelming and I still can't believe how much easier it is now I have Becki as my accountant! It has saved me hours and hours of time and stress! "

Nadia Harper
Make Up Artist
Brighton



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let's work together



HOW I CAN HELP

I love working with small businesses no matter what stage you are at. Get in touch today to chat through your requirements and see if we're a good fit!

I can help with everything from forming a company right through to setting up regular processes to help streamline your finances.

THE DETAILS

I specialise in helping female led businesses get clarity over their finances. For most people this means providing them with software to encourage real time accounting.

This means I can advise you any day of the week and give accurate tax liability estimates and cashflow forecasts to allow you to make better decisions.



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