



Financing your business

Having a well-thought-out business plan will make life much easier in the long run. Careful planning means you're less likely to forget things, gives you targets to aim for and helps you to measure your success. And if you decide you need to borrow some money, a good business plan will be vital.

A business plan does not have to be a lengthy or complex document. The sort of areas you should think about including are as follows:

- define the business you're setting up - what you actually do,
- discuss the structure of the business and how you intend to finance it,
- identify who your customers are,
- how are you going to reach them - set out your marketing plans and sales forecasts,
- look at any competitors you might have and explain how your business is differentiated from them, and
- look at your cash flow predictions for at least a year ahead.

Other Taxes

You should contact your Local Authority to find out what you need to pay and when in the way of business rates.

You will probably have to register for and charge VAT if:

- your taxable turnover reaches, or is likely to reach, a set limit (currently £61,000)
- you have taken over a business as a going concern, or
- you acquire goods from other European Community countries.

Even if you don't have to register, it may benefit your business to register voluntarily. There is more information about VAT Later in this guide.

As well as income tax there are other forms of tax which are only relevant to certain kinds of business. Some imported goods are also liable to duties. If your business involves selling alcohol, tobacco or involves any sort of betting such as gaming machines you should find out more about how these taxes might affect your business, contact your local Excise and Inland Customs Advice Centre for help. (See under 'Customs & Excise' in your phone book, or visit www.hmce.gov.uk/public/advice/index.htm to find out which Advice Centre is nearest you.)

Record Keeping

To ensure that you pay only what you owe – that means the right amount of tax and National Insurance contributions at the right time, keeping accurate records is essential. If you don't keep



proper records, you may not be able to prove your income and expenses – and that could mean paying more tax than you need to. The Revenue will send you regular updates of what you've paid and what you need to pay based on the information you give them. By keeping proper records you'll be able to check that everything is in order.

Keeping records also makes sound business sense. It may seem like a challenge and yet another task to fit into an already overcrowded day, particularly when you're starting out, but keeping good records will bring real advantages to your business. Get a proper system in place from the outset, and update the information regularly.

There are three steps to remember:

1: Set up a system

It doesn't matter whether you use a special account book or a software package as long as you set up some kind of system to keep the information together. Make sure the system you choose is suitable for your business, and is simple to use.

2: Keep records throughout the year

Keeping only some of your records is almost as bad as keeping none at all. Update your records regularly rather than letting the paperwork pile up.

3: Keep your records for as long as required

You must keep all records for at least five years from the latest date for sending back your tax return.