

Starting a Business

Registering a New Business

When you start a new business, there are a few things you will need to do to register the business legally.

Register a sole trader business

If you are starting out as a sole trader (self-employed), this is not a separate legal entity, so you just need to register personally for tax and National Insurance. Even if you have filed self assessment tax returns before and have a unique taxpayer reference (UTR), you must still register with HM Revenue & Customs (HMRC) as a new self-employed person.

You can register online here: <https://online.hmrc.gov.uk/shortforms/form/CWF1ST> for both tax and National Insurance and it is recommended that you do this as soon as possible. The first tax return you need to file will be for the year ending 5 April after the day on which you start to trade. If you register later than 5 October after that tax return period, you will incur a late registration penalty.

You will need to pay Class 2 National Insurance Contributions at a flat rate of £2.75 per week (£2.80 from 6 April 2015), but it is possible to apply for exemption if your annual business profits are less than £5,885 (£5,965 from 6 April 2015). Class 2 contributions count towards certain benefits, like the basic State Pension, Maternity Allowance and Bereavement Benefit, however they do not normally count towards other benefits like Statutory Sick Pay, Jobseeker's Allowance or Employment Support Allowance. You may therefore need to consider income protection insurance.

If you take on an employee, you will also need to register as an employer – you can do this on the link above when you register as a self-employed business.

Register a partnership business

The business will need to be registered with HM Revenue & Customs for self assessment, as an annual partnership self assessment return will need to be filed. You can register online here: <https://online.hmrc.gov.uk/shortforms/form/SA400> and you should do this as soon as possible.

In addition, once the partnership business is registered, each partner will need to register for self assessment for tax and National Insurance purposes. The first returns required will be those for the year ending 5 April after the partnership starts to trade. Late registration penalties will be incurred if you fail to register by 5 October after that tax year.

Each individual partner will be responsible for paying tax and National Insurance on their share of profits. They will also need to pay Class 2 National Insurance Contributions at the weekly rate of £2.75 (£2.80 from 6 April 2015), unless they have an annual profit share of less than £5,885 (£5,965 from 6 April 2015) and apply for small earnings exemption.

NB It is a requirement for each partner's details to be shown on the partnership return and for the partnership tax reference to be included on each partner's return. It is therefore important to ensure that all registrations are dealt with in a timely manner in order to meet the statutory filing deadlines.

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If the partnership has any employees, it will also need to be registered as an employer and you can do this on the previous link when you register the partnership business.

Register a limited company

The process for a limited company is quite different. The company must first be registered with Companies House, to create the legal entity. Companies House will then send details of the new company to HMRC so that they can set up a new tax record for the business. HMRC will issue a new company introductory pack to the company's registered office. The pack contains some useful notes and form CT41G.

Form CT41G is an important form and it is used to notify HMRC of all details that will be relevant for their records, including the date on which trade starts and the annual accounting date. You are required to notify HMRC within three months of the date on which trade commences.

Limited companies must file accounts and an annual return with Companies House and also full statutory accounts, a corporation tax return and tax computations with HMRC. The filing deadlines are determined according to the date on which you start to trade and your chosen annual accounting date and penalties will be incurred for any late filing of returns or accounts.

The limited company must also register as an employer – a director is an employee of the company and will therefore need to file employment pages as part of their personal self assessment return. This can be done when you notify HM Revenue & Customs that you first start to trade, or you can do it separately online here: <https://www.gov.uk/register-employer>.

Register a limited liability partnership

The process here is more complex. First, the LLP must register with Companies House – then the business and partners must all register with HMRC just as they would for a normal partnership business.

Please remember...

When starting out in business it is important that you understand the record keeping requirements and the need to review your business income regularly to know if/when you need to register for VAT. HMRC can impose a fine for bad record keeping and you will incur penalties for late VAT registration and/or payment. For further information, please see our various guides on business record keeping and VAT matters.

Need help?

Waveney Tax Solutions can deal with all of your business registration requirements and advise you on good record keeping and VAT registration. For further information, call us on 01502 370620 or 07919 924273, or alternatively you can email us at nina@waveneytaxsolutions.co.uk.