

Suite 106**ESSENTIAL TO STARTING**

*Securing Professional Help
Filing numbers and accounts
Licenses, permits and certificates
Insurance
Assistance
Commencement of trading*

106.02 GETTING A GOOD START

Speak with as many people as possible before making rash decisions or judgements. You will find it especially useful to speak with people who have already gone through the process of starting a new business, whether they have become successful or not.

There are numerous agencies such as your local Chamber of Commerce, Small Business Administration or an Enterprise Agency who may run business clubs where you can meet other small business owners.

SECURING PROFESSIONAL HELP**106.02 SECURING AN ACCOUNTANT**

You are free to decide whether or not to engage an accountant. It is not essential, but it is an advantage to have a qualified professional accountant to advise you on financial matters generally, day-to-day book-keeping, payment of taxes, etc.

Most accounting firms and accountants are well aware that new businesses cannot afford to pay large fees and so the first consultation is usually free of charge. This gives you a chance to find out how they can help you and what it will cost! Always agree the fee or how the fee will be calculated before any work is done.

There are bookkeepers and then there are accredited accountants, the difference normally being in their professional credentials. In the United Kingdom and Commonwealth countries there is a designation referred to as Chartered Accountant, this designation given to a properly accredited accountant. In the United States there is a CPA (Certified Public Accountant) the difference between having a CPA do your accounts and tax returns is that if the tax authorities question your returns it is the CPA that defends your position.

106.03 SECURING LEGAL REPRESENTATION

A qualified attorney should be enlisted to review all the legal documents especially those pertaining to leases and any properties you may plan to purchase. Whatever your business, there will be times when you will need professional help from lawyers or other specialists.

In the United States you can find an attorney in your area through the American Bar Association's legal directory.

Most businesses have some form of legal agreements. These could include a lease, a franchise agreement, a finance agreement, a disclaimer, a confidentiality agreement, an agency agreement or a supply agreement. It is imply "smart business" to take appropriate professional advice.

FILING NUMBERS AND ACCOUNTS

106.04 SECURING A TAX NUMBER

In the United States, you'll have to register and obtain an employer identification number from your state Department of Revenue or Treasury Department. If you're engaging in retail sales, you will need to obtain a sales tax license. Since you can't always guess which occupations and professions are licensed by your state, you should always check with your state licensing authorities.

Employer Identification Number (EIN)

With the exception of Sole Proprietors, most business types must apply for an EIN regardless of whether they have employees. If you have employees, you'll be required to make unemployment insurance contributions. For more information, contact your state Department of Revenue or Department of Labour.

National Insurance (United Kingdom)

Contact the local DSS (Department of Social Services) office for details of National Insurance contributions. National Insurance is deducted from earnings to pay for pensions, sick pay and other benefits. There are various classes of National Insurance and advice can be obtained from your local Social Security Office.

106.05 SECURING A BUSINESS BANK ACCOUNT

First select the bank with which you feel you will be provided with the best service for the business you wish to conduct. Make an appointment with the officer who is responsible for business accounts. Be prepared to discuss in as much detail as possible your banking requirements and ask for any help or advice he may have to offer. Based on the type of legal structure you have decided on he will advise you as to the appropriate documents you will be required to present to the bank to secure the type of accounts you will need. In many cases your accountant may have taken the initiative to see that you are prepared with those documents prior to your meeting in the bank. Listen to your banker as he will be both trained and experienced in business account matters.

LICENSES, PERMITS & CERTIFICATES

106.05 THE BUSINESS LICENSE AND PERMIT

Most businesses will require a license and or a permit to operate. This will normally depend on your industry and the country, state or province in which you live. License and permit requirements could also affect where you locate your business as well as other costs such as off-street parking.

In the United States, the federal government is not generally concerned with business licenses with the exception of the following activities:

Investment advising, drug manufacturing, preparation of meat products, broadcasting, ground transportation, selling alcohol, tobacco or firearms.

If you intend to conduct business in any of the above activities you should contact the responsible federal agency to determine the requirements for conducting business. Some state licensing requirements are based on the product sold.

Licensing requirements will vary from state to state and since the state business license is the main document required for tax purposes and for conducting other basic business functions, please go to Special Country Report – United States of America, then go to 50 Sovereign States, select the State and seek Gateway to Conduct Business. Since you can't always guess which occupations and professions are licensed by your state, you should always check with your state licensing authorities.

In the **United Kingdom** apply either to the Local Authority Licensing Justices, Police, Secretary of State (for employment), Gaming Board, Traffic Area Office, National /Rivers Authority (NRA) or Local Authority Environmental Health Department based on the type of business you intend to conduct.

106.06 THE FIRE CERTIFICATE

Will the premises contain quantities of highly flammable materials? If your answer is 'Yes', you must notify the office of Health and Safety Executive and apply for a fire certificate from the Fire Department, the HFE, the fire local Fire Authority, or as advised. If the answer is No, but the factory, office or shop will have more than 20 employees, or more than 110 not at ground level or is a hotel or boarding house with sleeping accommodation for more than 6 people or any guests or staff sleeping above the first floor or below ground level – you must apply for a fire certificate.

INSURANCE

106.07 GENERAL INSURANCE

When starting business insurance is essential. You must provide cover for either your personal or business assets against all risks. Small firms are exposed to the most vulnerability to one-off disasters, it is therefore important that you make the correct management decisions in order to secure the insurance necessary to reduce the possibility of risk. You must be prepared for the unexpected in the conduct of business. Misfortunes such as the death of a partner or key employee, embezzlement, a lawsuit or natural disaster could spell the end of a thriving operation.

The business owner will be faced with a multitude of options to be weighed carefully in order to evaluate the cost of the premiums to justify the coverage for each risk. This can range from indispensable worker's compensation insurance to some relatively obscure coverage.

You should include protection against:

- cost of replacing stock or equipment which is lost, stolen or damaged
- the premises against fire, flood, etc.
- loss of profit due to interruption to your business activity
- damages for injury to an employee, customer or supplier while on your premises.
- your own inability to work due to serious illness or injury
- special risks which apply to your particular type of business
- loss of life – what happens to your family in the event of your death
- share protection – will you retain control of your business if your partner or a fellow director dies.

Without the right type of insurance the survival of your business could be threatened.

Insurance you must have by law:**Employers' liability**

This provides protection against your liability for accidental injury, death or disease to an employee. Any business that employs people, even on a part-time basis, must have this insurance unless they are specifically exempt.

Worker's Compensation

This is required in every state except Texas, worker's compensation insurance pays for employees' medical expenses and missed wages if injured while working. The amount of insurance employers must carry, rate of payment varies depending on the state. In most cases, business owners, independent contractors, domestic employees in private homes, farm workers and unpaid volunteers are exempt.

Third Party motor Insurance

Business vehicles are required by law to have third party insurance.

Other categories of Insurance Coverage:**General Liability**

Most business owners buy general liability insurance to cover legal claims of negligence. It also covers payments as the result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, and settlements bonds or judgments required during an appeal procedure.

Public Liability

Highly recommended is public liability for all businesses for example: plumbers, builders, carpenters and other self-employed business when contracting for work with companies or councils. This will provide protection against legal liability for accidental injury, death, or disease to members of the public or accidental damage to their property caused through business activities.

Property

Your business will require property insurance, including cover for fire and theft, to protect your business assets.

Product Liability

If you produce a product you must be aware that every product is capable of personal injury or property damage. Companies that manufacture, wholesale, distribute and retail a product are exposed and are liable for its safety. Additionally, every service rendered is be capable of personal injury or property damage. Businesses are considered liable for negligence, breach of an express or implied warranty, defective products and defective warnings or instructions.

Home-Based Business Insurance

Contrary to popular belief, homeowners insurance policies do not generally cover home-based business losses. Commonly needed Insurance areas for home-based businesses include business property, professional liability, personal and advertising injury, loss of business data, crime, theft, hospital and disability.

Internet Business Insurance

Web-based businesses should look into specialized insurance that covers liability for damage done by hackers and viruses. In addition, e-insurance often covers specialized online activities including lawsuits resulting from meta tag abuse, banner advertising or electronic copyright infringement.

Criminal Insurance

Criminal insurance and employee bonds provide protection against losses in most criminal areas. Although you may feel that your security is tight, theft and malicious damage are always possibilities. While the dangers associated with hacking, vandalism and general theft are more obvious, employee embezzlement is more common than most business owners think.

Business Interruption Insurance

This can cover losses due to natural disasters, fire and other catastrophes that could cause the operation of your business to shut down for a significant amount of time.

Key Person Insurance

This is usually a life/disability insurance that names the business or corporation as a beneficiary in the event a essential person dies or is disabled. This type of insurance is usually referred to as key person insurance and safeguards a businesses ability to maintain continuity in its operations if a key person dies, falls ill or leaves.

Malpractice Insurance

Created for professionals to protect against payments as a result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, investigations and settlements, and bonds or judgements required during an appeal procedure.

ASSISTANCE

106.08 GOVERNMENT ASSISTANCE

Most governments subsidize a range of services to help and encourage small and new businesses. You can find many of these agencies listed with direct links in this site.

The help that is available includes:

- training courses in starting and running a small business;
- business counselling and advice from experienced business people
- information services, for example on potential markets;
- help in raising finance for the business; and
- use of facilities, for example meeting rooms, libraries, databases and so on.

106.10 HELP FROM THE TAX AUTHORITIES

Your taxman can provide you with valuable guidance, whether you are starting a business on your own or if you intend to take on employees. Your tax obligations are important issues and he will be willing to assist you in getting things right from the start, such as;

- in some cases workshops and a visit to your business premise;
- a Helpline to service your queries

Taxation is a complex area requiring expert knowledge. There are by-laws impacting on business, particularly a home based business. Capital Gains Tax may be payable on the disposal of your home – check with the local tax office or your accountant. Small business owners must observe the various Federal and State laws.

106.11 SELF IMPROVEMENT

There are many courses offered to assist you with your business. It is wise to make an enquiry as to what and where these courses could be on offer. You can learn more about business management, basic marketing, book-keeping, business law, taxation and office administration.

If you do not already have basic computer skills then you would most probably benefit from one or more courses in computers too. Today there are even cheap used computers which can be secured for a nominal amount. With even the most basic computer you can: keep your books, produce your own letters, labels, invoices and various other documents. The computer can assist with managing your finances, keeping stock, customer information, supplier and trading records.

COMMENCEMENT OF TRADING

106.08 COMMENCEMENT OF TRADING

There are a wide range of laws to protect consumers, employees, the general public and businesses themselves. So it is important that you have at least a basic understanding of the law and how it affects you and your business. Your lawyer should be able to tell you more about existing trading laws.

Whatever your business, as far as consumers are concerned, there are 3 trading standards which are almost bound to affect you:

- If goods are faulty, customers can have a full refund or part of a refund. Or you can agree to repair or replace the goods.
- Goods must always live up to the claims you make for them.
- Goods must meet certain safety standards.

In the **United Kingdom** when to start trading is an important decision. Remember that you are not constrained by either tax or calendar year. You can start trading when you choose, and the right choice might mean the difference of 11 months before you pay your tax bill – nearly one year's interest-free use of the taxman's money! This clearly has implications for your business in general, and for your cash flow in particular. Ask your accountant or local Enterprise Agency for advice.

In the **United Kingdom** the following Acts of Parliament are important to all businesses:

- Consumer Protection Act 1987
- Trade Descriptions Acts 1968 and 1972
- Sale of Goods Act 1979
- Health and Safety at Work Act 1974

