



What Do I Have To Do By Law?

Many people are **daunted** by the idea of starting their own business, because of the **regulations** surrounding trading, employing staff and storing personal data. This factsheet aims to give an **overview** of the **legal responsibilities** of a business.

Please note that SEE Ahead are not legally qualified so if you have doubts or queries, you should seek professional legal advice.

Register your business



If you are self-employed, you must register as a sole trader with HMRC. This means that you run the business for yourself, are personally liable for any business debt and keep all the profits after tax. Even if you are employed but run a business yourself in your spare time (which earns more than £1,000 per year), you must register with HMRC.

You must also pick a trading name for your business, which will be subject to regulations depending on the type of business. For example, as a sole trader if you are trading under a name other than your own, your full name and address need to be displayed on the business premises. There are also restrictions on what the business name can include.

You must submit an annual self-assessment return to HMRC, pay income tax and class 2 (and sometimes class 4) NICs (National Insurance Contributions). You can register for and file your Self-Assessment tax return on the government website.

Tax

There are various types of taxation that your business may have to pay:



Income Tax

- Income tax is charged on the earnings of individuals, of which the rate varies with the level of income and their own personal tax code.
- Self-employed people are still entitled to the same tax-free income as PAYE employees. Tax will be charged on 'taxable' profits which have already had business expenses deducted.
- Sole traders can then decide if they want to take business profits as personal income or reinvest them back into the business. They complete a self-assessment tax return each year for HMRC online or via post. Income tax is normally due in January and July, but sole traders can choose to make regular payments if they wish.

VAT

- VAT (Value Added Tax) is a tax on the consumption of goods and services. The current standard VAT rate in the UK is 20% and is paid by the business (not the customer) to the government. Some goods and services are VAT exempt, such as home insulation, insurance and charity shop donated goods.
- If your business's turnover is more than £85,000 annually, then you must register to pay VAT. You can register online via the government website.

National Insurance Contributions (NICs)

- National Insurance is a tax on earnings which come straight out of your wages before you receive them. They are payable so that you may qualify for certain benefits in the welfare system, such as state pension and maternity allowance.
- The amount of National Insurance that the company must pay is determined by a set of NI classes.
- Self-employed people must register with HMRC to pay class 2 and class 4 contributions. Class 4 contributions are set between lower and upper thresholds and are set at a percentage of profit.

Corporation Tax

- If you are setting up a limited company, you will have to pay corporation tax. You will have to calculate this yourself and send annual accounts and a company tax return to HMRC.
- You can use the government website to calculate and pay corporation tax or use the services of an accountant/bookkeeper.

Business Rates

- Business rates are paid to the local authority to contribute to the cost of local services. They are charged on non-domestic properties such as factories, offices and shops. They are payable via a bill sent by the local authority in February/March time.

Licences

Licences may be required to operate certain trading activities. Examples of some of the businesses which require licences or special permission before they can operate include:



Food businesses	Taxi operators	Hairdressers	Beauty salons	Tattoo artists
Childminders	Pet shops	Goods Haulage	Ear piercers	Dog breeders

Annual accounts



Private limited companies must send annual accounts to Companies House each year.

Although, sole traders are not required to as the self-assessment tax return is considered to be sufficient evidence of business accounts, they must keep records in case HMRC asks to inspect them. They should keep records of business income, expenditure, personal income, any VAT records and any PAYE records.

Insurance



Many businesses have various types of insurance policies to protect them against a range of unforeseen circumstances.

The only type of mandatory insurance for all businesses is Employer Liability Insurance (EL), which is only required if you employ staff outside your family and in the UK. The government website contains advice on this type of insurance.

However, if you have a vehicle in your business, it is also mandatory to have vehicle insurance.

Other popular types of insurance for small business include:

<p>Public Liability Insurance</p> <p>This covers your business against claims that the public makes against it, e.g. for property damage or injury. Customers may also require PL to do business with you.</p>	<p>Contents Insurance</p> <p>This will cover the business's physical belongings (e.g. equipment and technology), in case of fire, flood, theft, loss or damage. It aims to keep the business running whatever happens.</p>
<p>Professional Indemnity Insurance</p> <p>This protects businesses who offer professional advice or services, in case a client suffers a financial loss because of your work. Some clients may require PI to do business with you.</p>	<p>Directors' and Officers' liability Insurance</p> <p>This is also known as management liability insurance. It covers claims against managers for mistakes such as errors in financial reporting and breaking health & safety laws.</p>
<p>Cyber Liability Insurance</p> <p>This will cover any costs incurred by a cyber attack, legal claim or fines for breaching GDPR. It can also provide a swift response plan including legal and customer service support.</p>	

Use of Personal Information



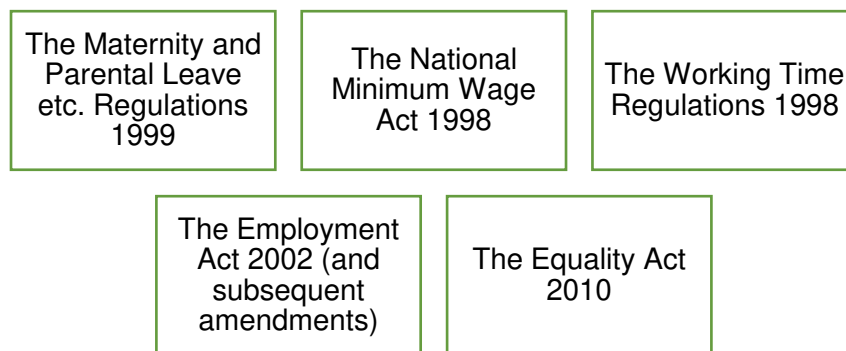
As a business, you must abide by the Data Protection Act (DPA) 2018 and General Data Protection Regulations (GDPR). These exist to ensure that personal data is not processed unlawfully and give individuals more power in how the business uses their personal data.

Employing staff



It is important to remember that employees and potential employees must not be discriminated against based on their age, gender, race, disability, sex, maternity, religion, sexual orientation or marital status. Within two months of starting work, employees must be given a written employment contract. Employees must also be given a payslip which gives notice of deductions (e.g. NICs, income tax and pension contributions).

If employing staff, a business must comply with the following:



▶ Health and Safety



Health and safety regulations differ depending on whether your business employs staff or not. The regulations are less complex for self-employed people who do not employ other staff.

A risk assessment must be carried out by a self-employed person, even if they employ no staff, if their activities pose a risk to themselves or others.

If there are less than five employees in the business, there is no legal requirement to have a written health and safety policy in place.

A safe and healthy working environment is required for employees, which should include:

Adequate space, ventilation and lighting	A 'reasonably comfortable' temperature	Flooring that is free from obstructions, and other hazards
Adequate maintenance and cleanliness of the premises	Safe access to the business premises	Adaptations where necessary to meet the needs of employees with disabilities

▶ Intellectual Property (IP)



Intellectual property protection exists to stop people stealing or copying inventions, designs, brand/product names or creative pieces (e.g. songs, poems). Some intellectual property is automatically protected, but you have to apply for some protections such as trademarks and copyrights.

As a self-employed individual, you normally own your intellectual property, but you do not own it if someone employed you to create it.

Find out more on the Intellectual Property Office (IPO) website.

▶ Where to go for further help:

- SEE Ahead <https://seeahead.co.uk>
- Information Commissioner's Office – advice on data protection and GDPR <https://ico.org.uk/for-organisations/>

- Government Website – Employers liability insurance <https://www.gov.uk/employers-liability-insurance>
- Princes' Trust – Advice for young people <https://www.princes-trust.org.uk/help-for-young-people/tools-resources/business-tools>
- Government Website – HMRC <https://www.gov.uk/government/organisations/hm-revenue-customs>
- Government Website – Companies House <https://www.gov.uk/government/organisations/companies-house>
- Entrepreneurs Handbook – Legal <https://entrepreneurhandbook.co.uk/category/legal/>
- Start Up Donut <https://www.startupdonut.co.uk>
- Government Website – self assessment tax returns <https://www.gov.uk/self-assessment-tax-returns>
- Government Website – VAT <https://www.gov.uk/vat-registration/how-to-register>
- Health and Safety Executive <https://www.hse.gov.uk/index.htm>
- Intellectual Property Office - <https://www.gov.uk/government/organisations/intellectual-property-office>