



# Rashid & Co

CHARTERED CERTIFIED ACCOUNTANTS

## KEY FACTS TO KNOW

when starting a business

# ABOUT US

**Rashid & Co**

CHARTERED CERTIFIED ACCOUNTANTS

Rashid & Co was established in 2021 and today, we continue to build on our enviable reputation for providing excellent advice and first-class service to our business and personal clients alike.

We have many clients in the local community and service businesses, small and large, across many sectors including nursery schools, beauty salons, hospitality industry, financial services, real estate and retailers.

As well as accountancy and tax skills, our principal has individual specialisms which enable us to provide clients with a first class tailored service.

With our wealth of experience, we pride ourselves on delivering an unparalleled service to all clients, whatever their size or sector.

In addition to traditional accounting and tax services we also provide advice on how to improve and develop your business. Whether you need an integrated business strategy, access to corporate finance or specialist tax advice we are here to help you achieve your goals.

# INTRODUCTION

Starting a business is one of the most exciting things you'll ever do — you're building something that's yours, on your terms, with the potential to grow into whatever you want it to be. But we'll be honest: it's not always easy. Behind the buzz of a new idea comes the reality of hard work, dedication, and a lot of decisions that can feel overwhelming when you're doing them for the first time.

## **THAT'S EXACTLY WHY THIS GUIDE EXISTS.**

Key Facts When Starting a Business is designed to give you a clear, practical starting point — the essentials you need to think about early on so you can set your business up properly from day one. Inside, we'll walk you through the key building blocks that help you start on the best foot, including:

1. Creating a business plan so you're not just “winging it” (and you can actually measure progress)
2. Choosing the right business structure and understanding what it means for tax, responsibility, and growth
3. Key considerations to get set up smoothly, from admin to compliance basics
4. Credit control and getting paid on time — because sales are great, but cashflow keeps the lights on
5. Insuring your business so you're protected as you grow
6. Raising and sourcing finance, whether that's personal investment, loans, or other funding routes
7. Putting the right support in place for accounts and bookkeeping, so you stay organised, compliant, and in control

Whether you're at idea stage or you've just registered your business and you're ready to get moving, this guide will help you focus on what matters most — and avoid the common mistakes that can slow you down later.



# BUSINESS PLAN

Every new business should have a business plan. It is the key to success. If you need finance, no bank manager will lend money without a considered plan. We consider why you should draw up a plan and what it should include.

## WHY DOES A BUSINESS NEED A PLAN?

Preparing a business plan will help you to set clear objectives for your business and clarify your thinking. It will also help to set targets for future performance and monitor finances and profitability. It should help to provide early warning for when you might need to reconsider the plan.

Always bear in mind that anyone reading the plan will need to understand the essentials of your business quickly and easily.

## WHAT YOUR PLAN SHOULD INCLUDE

### 1. OVERVIEW

An overview of your plans for the business and how you propose to put them into action. This is the section most likely to be read by people unfamiliar with your business so try to avoid technical jargon.

# BUSINESS PLAN

## 2. DESCRIPTION

A description of the business, your objectives for it and how you plan to achieve them. Include details of the background to your business for example how long you have been developing the business idea and the work you have carried out to date.

## 3. PERSONNEL

Details of the key personnel including yourself and any external consultants. You should highlight the skills and expertise that these people have and outline how you intend to deal with any weaknesses.

## 4. PRODUCT/SERVICE

Details of your product or service and your Unique Selling Point. This is exactly what its name suggests, something that the competition does not offer. You should also outline your pricing policy.

## 5. MARKETING

Details of your target markets and your marketing plan. This may form the basis for a separate, more detailed, plan. You should also include an overview of your competitors and your likely market share together with details of the potential for growth. This is usually a very important part of the plan as it gives a good indication of the likely chance of success.

## 6. PRACTICES

You will need to include information on your proposed operating practices and production methods as well as premises and equipment requirements.

# **BUSINESS PLAN**

## **7. FINANCIAL FORECASTS**

The plan should cover your projected financial performance and the assumptions made in your projections. This part of the plan converts what you have already said about the business into numbers. It will include a cash flow forecast which shows how much money you expect to flow in and out of the business as well as profit and loss predictions and a balance sheet. Detailed financial forecasts will normally be included as an appendix to the plan. As financial advisers we are particularly well placed to help with this part of the plan.

## **8. FINANCIAL REQUIREMENTS**

The cash flow forecast referred to above will show how much finance your business needs. The plan should state how much finance you want and in what form. You should also say what the finance will be used for and show that you will have the resources to make the necessary repayments. You may also give details of any security you can offer.

## **9. THE FUTURE**

Putting together a business plan is often seen as a one-off exercise undertaken when a new business is starting up.

However the plan should be updated on a regular basis. It can then be used as a tool against which performance can be monitored and measured as part of the corporate planning process. There is much merit in this as used properly it keeps the business focused on objectives and inspires a discipline to achieve them.



# BUSINESS STRUCTURE

Having made the decision to be your own boss, it is important to decide the best legal and taxation structure for your enterprise. The structure for you will depend on your personal situation and your future plans. Consider the options available.

The most suitable structure for you will depend on your personal situation and your future plans. The decision you make will have repercussions on the way you are taxed, your exposure to creditors and other matters.

The possible options you have are as follows:

## **SOLE TRADER**

This is the simplest way of trading. There are only a few formalities to trading this way, the most important of which is informing HMRC. You are required to keep business records in order to calculate profits each year and they will form the basis of how you pay your tax and national insurance. Any profits generated in this medium are automatically yours. The business of a sole trader is not legally distinguished from the proprietor's personal affairs so that if there are any debts, you are legally liable to pay those debts down to your last worldly possession.

# BUSINESS STRUCTURE

## PARTNERSHIP

A partnership is an extension of being a sole trader. Here, a group of two or more people will come together, pool their talents, clients and business contacts so that, collectively, they can build a more successful business than they would individually. The partners will agree to share the joint profits in predetermined percentages. It is advisable to draw up a Partnership Agreement which sets the rules of how the partners will work together. Partners are taxed in the same way as sole traders, but only on their own share of the partnership profits. As with sole traders, the partners are legally liable to pay the debts of the business. Each partner is 'jointly and severally' liable for the partnership debts, so that if certain partners are unable to pay their share of the partnership debts then those debts can fall on the other partners.

## LIMITED COMPANY

A limited company is a separate legal entity from its owners. It can trade, own assets and incur liabilities in its own right. Your ownership of the company is recognised by owning shares in that company. If you also work for the company, you are both the owner (shareholder) and an employee of that company. When a company generates profits, they are the company's property. Should you wish to extract money from the company, you must either pay a dividend to the shareholders, or a salary as an employee. The advantage to you is that you can have a balance of these two to minimise your overall tax and national insurance liability. Companies themselves pay corporation tax on their profits after paying your salary but before your dividend distribution. Effective tax planning requires profits, salary and dividends to be considered together.

There are many advantages as well as disadvantages to operating through a limited company. New companies can be purchased in a ready-made form usually referred to as 'off the shelf' companies. These types of formation are becoming less frequent, however, as the speed of which companies can now be created takes, on average, 3 hours rather than days. There are additional administrative factors in running a company, such as statutory accounts preparation, company secretarial obligations and PAYE (Pay as You Earn) procedures. A big advantage of owning a limited company is that your personal liability is limited to the nominal share capital you have invested.

# BUSINESS STRUCTURE

## LIMITED LIABILITY PARTNERSHIP

A limited liability partnership is legally similar to a company. It is administered like a company in all aspects except its taxation. In this, it is treated like a partnership. Therefore you have the limited liability, administrative and statutory obligations of a company but not the taxation and national insurance flexibility. They are particularly suitable for medium and large-sized partnerships.

## CO-OPERATIVE

A co-operative is a mutual organisation owned by its employees. One example of such an organisation is the John Lewis Partnership. These structures need specialist advice.

*If you're not sure which business entity suits your business structure then Rashid & Co can help you with this. The most appropriate structure will depend on a number of factors including consideration of taxation implications, the legal entity, ownership and liability.*

# CONSIDERATIONS

It is the ambition of many people to run their own business but there are many issues and pitfalls to consider. What issues should you consider when setting up in business?

## INITIAL CONSIDERATIONS

- commitment - starting a business is demanding. Determination and enthusiasm are essential
- skills - you will need managerial, financial, technical and marketing skills. If you do not have these skills personally, they can be found in a partner or employee, or acquired through training
- your product or service should have a proven or tested market, but must not conflict with the patent or rights of an existing business.



# CONSIDERATIONS

## **BUSINESS STATIONERY**

There are minimum requirements for the contents of business stationery, both paper and electronic, which will depend on the type of business structure.

## **BOOKS & RECORDS**

All businesses need to keep records. They can be maintained by hand or may be computerised (depending on whether you must comply to the rules of MTD) but should contain details of payments, receipts, credit purchases and sales, assets and liabilities. If you are considering purchasing computer software to maintain your records, obtain professional advice.

## **ACCOUNTS**

The books and records are used to produce the accounts. If the records are well kept it will be easier to put together the accounts. Accounts must be prepared for HMRC and if a company is formed there are strict legal requirements as to their layout. The accounts and company tax return must be submitted electronically to HMRC in a specific format (iXBRL).

A company and a LLP may need to have an audit and will need to make the accounts publicly available by filing them at Companies House within a strict time limit.

# CONSIDERATIONS

## TAXATION

### Taxation on profits

The type and rate of taxation will depend on the form of business structure. However, the taxable profit will normally differ from the profit shown in the accounts due to certain expenses which are not allowed for tax purposes and the timing of some tax allowances.

### National Insurance (NI)

The rates of NI contributions are generally lower for a sole trader or partnership than for a director of a company but the entitlements can also differ. In a company, it may be possible to avoid NI by paying dividends rather than salary.

### Value Added Tax (VAT)

Correctly accounting for VAT is an essential part of any business and neglect may result in a significant loss.

When starting a business you should consider the need to register for VAT. If the value of your taxable sales or services exceeds the registration limit you will be obliged to register. If you are submitting VAT returns you will also need to consider appropriate software to ensure that you comply with the Making Tax Digital requirements.

## PREMISES

There are many pitfalls to be avoided in choosing a property. Consideration should be given to the following:

- suitability for the purpose
- compliance with legal regulations
- local by-laws
- physical restrictions such as access.

# CONSIDERATIONS

## EMPLOYING OTHERS

For the business to get off the ground or to enable expansion, it may be necessary to employ staff.

It is the employer's responsibility to advise HMRC of the wages due to employees and to deduct income tax and national insurance and to account for student loan deductions under PAYE. The deductions must then be paid over to HMRC. Payroll records should be carefully maintained.

Under Real Time Information an employer must advise HMRC of wages and deductions 'on or before' the time they are paid over to the employee.

Employers are also required to automatically enroll all eligible employees in a pension scheme and to make contributions to that scheme on their behalf. Enrolment may be either into an occupational pension scheme or the National Employment Savings Trust (NEST).

You will also need to be familiar with employment law.

## PENSIONS

Putting money into a pension scheme can be a way of saving for retirement because of the favourable tax rules.

## INSURANCE

Comprehensive insurance for business motor vehicles and employer's liability insurance are a legal requirement. Other types of insurance such as public liability, consequential loss, business assets, Keyman and bad debts should be considered.



# QUALITIES FOR SUCCESS

What are the attributes that successful business owners have? A little self analysis may be time well spent. Many people wonder deep down if they could really make a go of running their own business. It is not for everyone but the following is a list of attributes that successful business owners have. You do not need all of these characteristics but ‘go-getters’ have the majority of the qualities.

To help you decide whether or not you are cut out for the enterprise culture, do you see in yourself any of the following? Are you:

- Positive – decisive and enthusiastic to succeed?
- Proactive – do you go out to get things or do you let them come to you?
- Determined – have you clearly-defined personal and business goals?
- Hardworking – do you mind being tied to the business seven days a week?
- Leadership – are you able to get the best from your colleagues and discipline them when necessary?
- Opportunist – will you see openings in your market and develop products for it?
- Self-critical – are you able to review your own performance and welcome advice from others?
- Flexible – could you change your products or methods quickly when necessary?

# QUALITIES

## **ERRATIC SPENDING POWER**

You must appreciate that in becoming self-employed you will lose the comfort of having a regular income. There will be times when you will have very positive cash flow but also times when money is short. Therefore during times of shortage you must be prepared to do without some luxuries for both yourself, your family and your business.

## **SUPPORT FROM FAMILY**

Starting a business is not easy and your family must both be on your side and also lend you support. Initially, especially in the early days, you could often find yourself away from your family for long, unsocial hours. Their understanding can be invaluable. It can help to get your family involved in aspects of the business. There may be many jobs that can be easily delegated to them. It may also help on the financial side that they understand why there may be a tight control of the family finances.

## **IDENTIFYING YOUR SKILLS**

You may be considering self-employment to exploit your talents. Running a business needs many skills. You should identify those things you are good at and those with which you will need help. You may wish to employ people with the necessary skills or, alternatively, consider contracting out certain tasks.

## **RESEARCHING YOUR MARKET**

You must research as much as possible about the marketplace, your potential customers and competitors. It is vital to have knowledge of these areas when considering whether you have a potentially successful business proposition. You may wish to use published material or ask people who are likely to buy from you, either directly or by market survey. You'll need to find out about:

- Your target market – its size and whether it is expanding or contracting.
- Your customers – who are they? Where are they? What do they want? How much will they pay?
- Your competitors – what are their products, prices and market share?



# CREDIT CONTROL

What are the points to consider when taking on a new customer? Similar points may arise in regard to your suppliers.

Obtaining new customers is great for business, unless they fail to pay you. If you fail to check that the customer can support the amount of credit you are granting, then commencing legal action when they do not pay can be a long, drawn out and potentially costly process.

If payment from the customer is not obtained and the goods or services have been provided, your cash flow is likely to be under pressure. Ensuring that customers pay on time will make managing your business easier.

If you fail to pay your suppliers because you have not been paid by your customer then you could also be damaging their business as well. This is not only bad business practice but could be regarded as corporate social irresponsibility. Treat your suppliers as you want your customers to treat you.

## **FACTORS TO CONSIDER**

The first thing you should do is get to know your customer. This should start before you take on a new customer and before you give them any credit. The bare minimum of what you should know is:

# CREDIT CONTROL

- the exact name of the customer and the trading address (consider using Companies House Webcheck service)
- their type of business structure, e.g. are they a sole trader, a partnership or a limited company?
- names and personal addresses of the proprietors if their structure is unincorporated (consider verifying letter headed paper to support this information)
- contact other suppliers to obtain references
- their credit rating through a credit agency.

**Before** you provide goods or services to any customer make sure you address the following:

- discuss and agree payment terms with the customer before accepting the order
- agree the terms in writing
- review any documentation from the customer where they try to change the agreed payment terms
- negotiate and agree payment terms with suppliers before accepting the order
- if there is a gap between customer and supplier payment terms, consider whether finance is available to bridge the gap (this will require an understanding of your working capital management)
- produce a cash flow forecast covering all expected income and expenses
- have a standard policy in place to ensure that payment terms cannot be altered without appropriate authorisation
- ensure that you have the right to apply late payment and interest charges on invoices.

**After** you have provided goods or services to a customer ensure that you:

- raise invoices promptly
- raise invoices accurately to ensure all items are included at the quoted prices
- include a reference number for the order and then quote this if any dispute arises
- have everything the customer requires on the invoice
- have a process for chasing invoices
- have a process for dealing with disputes
- keep a log of disputes to ascertain whether similar disputes for customers occur
- ensure that your invoices are fully compliant with HMRC for VAT purposes.

# CREDIT CONTROL

Consider your suppliers - treat them as you would like to be treated.

Remember that not paying your suppliers on time is a bad business habit and it may result in a drop in your credit rating. You should:

- ensure you advise your suppliers of any disputes as soon as they occur
- pay on time by ensuring that your creditors' ledger is accurately aged and
- keep your suppliers up to date with any issues you have with paying on time.

Some businesses unfortunately go 'bad' so you may wish to consider obtaining credit insurance where the business:

- would not be able to function if key customers went insolvent
- does not have the controls in place to ascertain whether a customer is likely to go insolvent
- is struggling to obtain information on prospective customers
- needs to improve credit management
- is considering a new market venture.

Businesses should consider obtaining factoring and financing options when:

- insufficient cash reserves are available to pay suppliers on time
- the business needs to grow
- the level of short term finance (including any overdraft facility) is insufficient
- staff do not have the right level of credit management skills.

***If you are struggling with credit control in these difficult times then we would be happy to discuss this further with you.***



# INSURANCE

When starting a new business, you will no doubt recognise the need for insurance. It can provide compensation and peace of mind should things go wrong but can also represent a significant cost. We consider the types of insurance you may need.

## **COMPULSORY INSURANCE**

### Employers Liability

Employers' liability insurance is compulsory to cover your employees. By law you must have at least £5 million of cover and this must come from an authorised insurer, although a minimum of £10 million is now provided by most policies. You must display the certificate of insurance in the workplace. If your business is not a limited company, and you are the only employee or you only employ close family members, you do not need compulsory employers' liability insurance. Limited companies with only one employee, where that employee also owns 50% or more of the company's shares, have also been exempt from compulsory employers' liability insurance.

### Motor vehicles liability

Motor vehicles liability insurance is also compulsory and must cover third party insurance: this is the legal minimum.

# INSURANCE

## OPTIONAL INSURANCE

### Public Liability

Although strictly this is not compulsory you will almost certainly feel that you need cover under this heading. It covers claims for damages to third parties.

### Property

You can think about limiting cover to specific risks such as fire and flood or providing more general cover. Consider the level of cover you would need for the premises (if you own the building), equipment and stock. If you rent your premises then you should check that the landlord has the appropriate cover.

### Theft

If your business does not involve expensive items of equipment then you might decide to pass on this one, at least initially. If you do decide to provide cover for theft then an insurer will require a reasonable minimum level of security.

### Professional Indemnity

This is only likely to be necessary if you give advice which could make you liable. It protects against any loss suffered by your customers as a result of negligent advice. In some professions it is compulsory – examples being the law, accountancy and financial services. However it is common in other sectors such as computer consultancy and publishing.

### Business Interruption

This covers compensation for lost profits and extra costs if your business is disrupted, due to say a fire. It is also referred to as 'consequential loss' insurance.

# INSURANCE

## OPTIONAL INSURANCE

### Key Man

A small business is often dependent on key members of staff. What would happen if they became seriously ill or died? Do you need to consider insurance cover to pay out in such a situation?

### Specialised Insurance

A whole host of different policies cover a range of specialist situations – for example engineering insurance and computer policies.

## WORKING FROM HOME

If you are planning to start your new business from home then don't assume that your normal household insurance will be enough. It will not usually cover business risks. It is possible to obtain special 'working from home' policies.

## SHOPPING AROUND

It may be stating the obvious but it is important to shop around to get the best deal. You should obtain several quotes and always be wary of cheap deals. A personal recommendation may be the best way to decide.

## LEVEL OF COVER

Again it may be stating the obvious but too much cover and your cash flow will suffer, too little and the consequences can be catastrophic.

Consider the level of cover you need. With buildings and equipment make sure you are covered for the full replacement cost.

If there is to be an excess on any policy make sure that it is set at a sensible level.



# RAISING FINANCE

Every business needs finance - whether it is just starting up or looking to develop and grow. What type of finance is best suited to the development of your business, and who should you approach for funding?

## PLANNING FOR GROWTH

Is finance required?

Finance is very often necessary but consider what it will entail. Additional funding requires a commitment in terms of capital and interest payments. Embarking on this course of action must therefore be planned carefully.

The business must be capable of sustaining any additional commitment to growth or expansion, and consideration will need to be given to effects on manpower, materials and space.

Tapping existing resources

Before seeking outside finance, a business must consider whether it could improve its working capital from within.

Particular attention should be given to stock and debtors to ensure that both are kept to a minimum. Consider how long it takes to bill customers and collect debts and look at ways to reduce this time.

If there are periods of time when surpluses of cash arise, review your affairs to try and ensure these are being used to generate income by investing on temporary short term deposits.

***We can advise you on all these matters.***

# FINANCE

## TYPES OF FINANCE

### General

Finance is available in many forms, but it is important to make sure that it is right for your business. Onerous terms and inflexibility can often hinder a growing business. The more obvious sources of finance include bank overdrafts and medium to long-term loans and mortgages, but rates of interest can vary considerably. Therefore we advise you to consult with us before making your final decision.

### Specific

Specific methods of finance are available for acquiring assets or releasing cash from debtors. Carefully consider the options available which include:

- leasing assets
- hire purchase
- outright purchase
- debt factoring
- invoice discounting.

Each method of funding has advantages and disadvantages including implications for tax purposes.

### Other

Other means of finance may be available for your business from government sources, through the issue of shares or even your own pension scheme.

Government assistance can be in the form of grants, loan guarantees or an enterprise capital fund. Other grants may be available on a regional or local level. The British Business Bank is a government owned company which aims to make finance markets work better for small businesses and works with partners such as banks, leasing companies and venture capital funds.

Raising finance by issuing shares may be another option to consider.

# FINANCE

## TYPES OF FINANCE

### Security

Whatever form of finance is offered, the lender will always require some form of security. However the level of security sought may vary - beware the lender asking for unreasonable guarantees.

### Fixed & Floating charges

Most bank loans and overdrafts are secured by way of a fixed charge over land and buildings with floating charges over other assets of the company such as stock and debtors.

### Personal Guarantees

For some businesses little security may be available because of insufficient assets. Consequently the security will be given in the form of personal guarantees.

Take extreme care before signing these guarantees as they can be difficult to amend at a later stage and many borrowers have suffered as a consequence.

In particular, personal guarantees are best if they are limited by time or amount. Unlimited guarantees are the most dangerous.

### General

It may be possible to use other assets as collateral such as life insurance policies or by taking a second mortgage over your home.

Whatever the means of security pledged, it should be carefully considered and advice sought.

***Our experience and contacts can enable you to achieve the means to help your business grow.***

# FINANCE

## SOURCES OF FINANCE

The financing of your business is the most fundamental aspect of its management. Get the financing right and you will have a healthy business, positive cash flows and ultimately a profitable enterprise. The financing can happen at any stage of a business's development. On commencement of your enterprise you will need finance to start up and, later on, finance to expand.

Finance can be obtained from many different sources. Some are more obvious and well-known than others. The following are just some of the means of finance that are open to you and with which we can help.

### Bank loans & overdrafts

The first port of call that most people think about when trying to obtain finance is their own bank. Banks are very active in this market and seek out businesses to whom they can lend money. Of the two methods of giving you finance, the banks, especially in small and start-up situations, invariably prefer to give you an overdraft or extend your limit rather than make a formal loan. Overdrafts are a very flexible form of finance which, with a healthy income in your business, can be paid off more quickly than a formal loan. If, during the period you are financing the overdraft, an investment opportunity arises, then you could look to extend the options on your overdraft facility to finance the project.

Many businesses appreciate the advantages of a fixed-term loan. They have the comforting knowledge that the regular payments to be made on the loan make cash flow forecasting and budgeting more certain. They also feel that, with a term loan, the bank is more committed to their business for the whole term of the loan. An overdraft can be called in but, unless you are failing to make payments on your loan, the banks cannot take the finance away from you.

Many smaller loans will not require any security but, if more substantial amounts of money are required, then the bank will certainly ask for some form of security. It is common for business owners to offer their own homes as security although more risk-averse borrowers may prefer not to do this. Anyone offering their house as security should consult with any co-owners so that they are fully aware of the situation and of any possible consequences.

# FINANCE

## SOURCES OF FINANCE

### Savings & Friends

When commencing a new business, very often the initial monies invested will come from the individual's personal savings. The tendency of business start-ups to approach relatives and friends to help finance the venture is also a widespread practice. You should make it clear to them that they should only invest amounts they can afford to lose. Show them your business plan and give them time to think it over. If they decide to invest in your business, always put the terms of any agreement in writing.

### Issues of shares

Another way of introducing funds to your corporate business is to issue more shares. This is always a welcome addition to business funds and is also helpful in giving additional strength to the company's balance sheet. However, you need to consider where the finance is coming from to subscribe for the new shares. If the original proprietor of the business wishes to subscribe for these shares, then he or she may have to borrow money in a similar way to that discussed earlier. Typically, however, shareholders in this position are often at the limit of funds that they can borrow. Therefore, it may be necessary to have a third party buy those shares. This may mean a loss of either control or influence on how the business is run. An issue of shares in this situation can be a very difficult decision to make.

### Retained earnings & drawings

Since ultimately the well-being of a business is connected with the cash flow of that enterprise, if a proprietor would like more liquidity, then it is sometimes necessary to re-examine the amount of money they are withdrawing from the business for their personal needs. In this way, additional funds earned by the business can be retained for future use.

# FINANCE

## SOURCES OF FINANCE

### Venture Capital

Approaching venture capital houses for finance will also mean an issue of new shares. The advantage of going to such institutions is the amount of capital they can introduce into the business. Because of the size of their investment, you can expect them to want a seat on your Board. They will also make available their business expertise which will help to strengthen your business, although inevitably this will come with an additional pressure for growth and profits.

On a smaller scale, the government has introduced various tax-efficient schemes for entrepreneurs to invest in growing businesses. The current schemes available are called the Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCT). We have separate factsheets providing details on these areas.

The SEIS is designed to help small, early-stage companies to raise equity finance by offering a range of tax reliefs to individual investors who purchase new shares in those companies. It complements the EIS which offers tax reliefs to investors in higher-risk small companies. The SEIS is intended to recognise the particular difficulties which very early stage companies face in attracting investment, by offering tax relief at a higher rate than that offered by the EIS.

## OTHER SOURCES OF FINANCE

### Factoring

Factoring provides you with finance against invoices that your customers have not yet paid. Typically you can receive up to 85% of the value of the invoice immediately and the balance (less costs) when the customer pays.

# FINANCE

## OTHER SOURCES OF FINANCE

### Hire Purchase (HP)

This is used to finance the purchase of equipment. Your business buys the equipment but payments of capital and interest are spread over an agreed period.

### Leasing

This is a method of financing equipment you do not need to own. It is often used for vehicle finance. The equipment is rented rather than owned and the rental payments spread over several years. There can also be the option to fix maintenance costs as part of the agreement (contract hire).

### Matching

It makes sense to match the finance you are seeking to the purpose for which it will be used.

Finance	Purpose
Working Capital	Overdraft or factoring
Equipment & Vehicles	Fixed long term loan, HP or Leasing
Property	Long term mortgage
Development/Start Up	Investment finance

***We have the expertise and the contacts to help you at all stages of your business development and to help you with sources of finance along the way.***

# THANK YOU

We hope you've found this guide useful. If you'd like support with your business finances then we'd love to have a chat with you.

Get in touch using the below details.



**SCAN THE QR CODE FOR  
A CALL BACK OR**

**EMAIL:**

**[INFO@RASHIDANDCO.CO.UK](mailto:INFO@RASHIDANDCO.CO.UK)**

## HOW WE CAN HELP

Whilst some generalisation can be made about starting up a business, it is always necessary to tailor the strategy to fit your situation. Any plan must take account of your circumstances and aspirations.

Whilst business success can never be guaranteed, professional advice can help to avoid some of the problems which befall new businesses.

We would welcome the opportunity to assist you in formulating a strategy suitable for your own requirements. We can also provide key services such as bookkeeping, management accounts, VAT return and payroll preparation at an early stage.

If you are starting, or have recently started a business [contact us](#) at Rashid & Co to find out more about our services.