**How to set up a business:**

**Sole Trader:**

To start a sole trading business you must register with the HM Revenue and Customs within three months of starting the business, you must fill in a self-assessment to show how much income tax you must pay, with this you must also pay Class 2 and Class 4 tax. If your business is under a different name to your name, you must register this name as well.

**Partnership:**

In a partnership you must do all the same things as a Sole Trader but you must also state all of the partners in the business, it is not compulsory but advisable to get a solicitor to write up a partnership agreement to show the state of share each partner receives, this is helpful for tax purposes, you could also have sleeping partners who invest money into the business but do not have a say.

**Limited Companies:**

You must register with Companies House, you must have Memorandum Associations document which will set up the structure of the company and Articles of Association which explains how it will operate. You must have at least two investors called shareholders as they own “shares” to start the business. If your business earns over a certain amount you must have your statutory annual accounts audited and send a copy to Companies House.

**Regulations and Licence:**

Regulations are important in a business as you need them to allow you to do certain things in a business they are obligated by the law.

Licences are important as they allow you to do certain things you are not allowed to usually do, these are not obligatory so you have to opt in to getting them.

**License:**

UK Radio Licence stating that I will need to pay a certain amount to play the radio in my building. I will then need to pay a further fee to keep songs on a storage device for play. This does not apply to my business as it is a license I do not need and is in,

**Regulation:**

Data Protection Act is the act in which you must keep the data of a person safe and out of the way of anyone trying to access the data for the wrong reason. This is relevant to my business because I will have private details of my customers.

**Formal Records:**

**Discuss at least two examples of formal records and why it is important to keep records:**

It is important to keep records to monitor finance, monitor sales and claim on taxes and to record staff accidents these are useful to keep as they may be needed later on in the business.

It is required by law that you keep records so you can claim money back on what you bought and where, this is classed as VAT return as you get back a certain amount of the money.

It is required by law to keep an assessment on what health and safety risks there will be in a business, this then helps prevent injury.

**Create a basic grid explaining advantages and disadvantages of Sole Trader, Partnership, PLC, Ltd.**

|  |  |  |
| --- | --- | --- |
| Legal Status | Advantages | Disadvantages |
| Sole Trader | It is easy to set up as there is not much paperwork to fill in, you are the only person that matters as you make all of the decisions yourself, you get all of the pay as you do not need to pay anyone else, you have a very low tax rate and you are your own boss. | If you are ill you will not get paid, you could fall into debt and have to repay the debt by selling your personal objects, you may have to work long hours, you have unlimited liability and if you do not open you will not get paid. |
| Partnership | There is more capital in the business so there is more money, as there are other members they can pitch different ideas, you can then share the workload between each member, one of these members may already have previous experience in these sectors, and you may get limited liability. | You may disagree on some decisions made, which might then take longer decide on a happy medium, you are responsible for all actions made by both you and your partner and you share the profits with your partner. |
| PLC | The shares can be sold over the stock market, better access to borrowing capital; shares can be advertised, cheaper borrowing and bulk purchasing. | The business must hire an investment banker and securities lawyer; other people can buy a substantial amount of shares and have a strong voice in the board of directors. |
| Ltd | The shareholders in the business only have some liability, lower tax rates, | You need at least one other shareholder which means loss of some power, |

**Explain your legal choice:**

I am a Sole Trader, this is best for me as I am only one person starting and wanting full control of the business.

**Explain why you need a legal status as a business:**

Because different types of businesses have different features, as a sole trader I will have full liability and be my own boss. Not defining my business could lead to me get the wrong tax on my products.