Athletes as Entrepreneurs

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Athletes as Entrepreneurs

FROM THE IDEA TO THE OPPORTUNITY

START-UP MANAGEMENT COMPACT

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While all information in this document is correct at the time of publication, all UK business Taxation, Legislation and Support is subject to frequent change.

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Contents


AtLAS

Entrepreneurship: Definitions

"An individual who undertakes (from the French entreprendre to undertake) to supply a good or service to the market for profit. The entrepreneur will usually invest capital in the business and take on the risks associated with the investment." (Oxford Dictionary)

"the owner or manager of a business enterprise who, by risk and initiative, attempts to make profits." (Collins English Dictionary)

Introduction

Development of start-up ideas

*Identification and development of entrepreneurial opportun*ities

Entrepreneurship is about taking and idea and turning it into an opportunity. An idea becomes an opportunity when it is specifically acted upon and developed into potential economic value and ultimately profit.

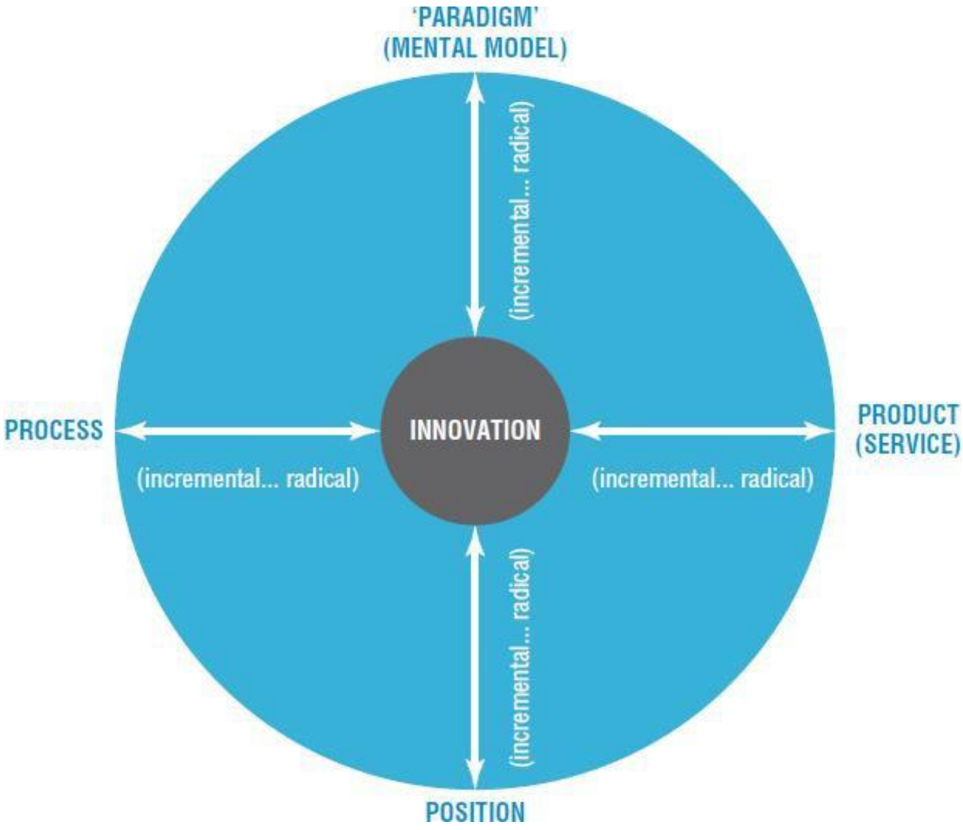
Entrepreneurs will typically generate an opportunity in two ways:

- Expand an existing idea and make it better or more innovative

- They create something completely new and different.

Tidd & Bessant's (2008) 4 P's of innovation (see diagram below) looks at ways existing or new opportunities can develop.

They argue that innovation can be either radical, or incremental. For example the Apple iPhone was a radical new product, however Dyson didn't 'invent' vacuum cleaners, he just developed a more innovative model. Similar to Bezos with Amazon, starting with books, he simply changed the paradigm of how we shop.



The Innovation Space, Tidd & Bessant (2013)

The 4 P's suggests that there are four key ways in which an opportunity can be developed.

Product Innovation Changes in the products/services that the organization offers.

Process innovation Changes in the ways in which these products/services are created and delivered.

Position innovation Changes in the context into which the products/services are introduced.

Paradigm innovation Changes in the underlying mental models which frame what the organization does.

Sources of start-up ideas

Coming up with a business idea can be a challenge. Some people have a brilliant idea they want to share with the world whereas other have the thought that they want to be in business for themselves but are not yet sure of an idea.

Here are a few ideas when thinking about a business venture:

Hobbies or interests: What are you current doing that you love? Singing? Art? Creativity? Love of food? Cooking?

Skills: Your current skills set or sport can be an immediate inspiration for a business. Are you a good coach? Are you good with children and enjoy encouraging others to be their best? Perhaps it is admin skills or organisational skills.

Social Trends: What is the next big thing? Using ZOOM or MS Team to create content? Are you good with Digital?

Wellbeing: Anything around physical, emotional, spiritual or mental wellbeing is big news right now.

Environment & Social Responsibility: Also big news. How we treat our planet, reducing waste (in all areas, food, plastic, wrapping, clothes, furniture, CO_2) or recycling items is becoming popular.

Technology: Finding solutions through technology in the physical and digital worlds.

Human Rights: Feeling respected, protected, and supported whether in our society or on an individual basis is becoming more important.

Experiences: Humans are always seeking new and different experiences, whether it is travel, learning a new skill, sport, sightseeing, anything seeking and discovering stimulation.

Problem Solving: Ask yourself "What's missing?", "I wish they would!" "Where is there a gap?" "What is badly done? I could do that better".

Where to find market trends

The following websites are great sources of information for UL market trends and target market profiling.

www.mintel.com

www.yougov.com

www.research-live.com

www.gartner.com

Evaluation of the start-up idea or opportunity

Market research is the process of determining the viability of a new service or product through research conducted directly with potential customers. Market research allows a company to discover the target market and get opinions and other feedback from consumers about their interest in the product or service.

This type of research can be conducted in-house, by the company itself, or by a third-party company that specializes in market research. It can be done through surveys, product testing, and focus groups. Test subjects are usually compensated with product samples or paid a small stipend for their time. Market research is a critical component in the research and development (R&D) of a new product or service.

Here are some ways to evaluate your idea:

- interview potential customers
- speak to industry experts
- crowdfund
- inexpensive social media polls/ads
- networking events
- trials
- focus groups
- surveys
- franchising

Competitor Analysis

Competitive market research focuses on finding and comparing key market metrics that help identify differences between your products and services and those of your competitors. Comprehensive market research helps establish the foundation for an effective sales and marketing strategy that helps your company stand out from the crowd.

Can you list your top 5 competitors and ask the following questions?

- Who are they?
- Where are they?
- What are they good at?
- What are their weaknesses?

Answering these questions will help you find where you stand in the marketplace.

Protection of the idea

Intellectual Property is the overall term that refers to all ways of protecting your ideas whether that is patents**,** design rights**,** copyright or trade marks.

Intellectual Property law can give the creator of music, literature, artistic works, discoveries, inventions, designs and logos certain rights.

Protecting an idea or product can be expensive so it is wise to check whether your idea can truly be protected or even if it is really necessary to do so before you proceed.

The Intellectual Property Office (IPO) is the official UK government body responsible for intellectual property (IP) rights including patents, designs, trade marks and copyright.

Patents

To apply for a Patent, your creation must be unique and something that can be made or used. It cannot be simply a modification to something that already exists (see Design Rights below).

The patent application is complicated, expensive and long, only around 1 in 20 inventions actually receive a patent and it can cost thousands of pounds. The IPO highly recommended that you use a Patent Attorney to apply on your behalf, therefore it is important to make sure it is the best (and only) way to protect your invention.

Patents must be renewed annually and defended if there is a breach of IP.

Design Rights

If how your product looks is more (or just as) important as what it does, design copyright might be an option.

In the UK, a 3D design is automatically protected (unregistered design) for up to 15 years after it was first created.

2D designs and appearance (shape, colour, texture and materials) are automatically protected for 3 years.

However if you want to protect your design for longer or stop anyone for using it permanently you must be able to prove when you created the design.

This usually involves signing and dating photographs and/or design sketches and it may be best to use an IP Professional.

If you use a design agency to provide design options for you check the Copyright section)

Trade Marks

A trade mark is the registered brand of a business. Having a registered trade mark can prevent others from using your unique name or logo, or create counterfeit goods with your brand on them.

Proof of a registered trade mark is identified by using the ® symbol.

You can trade mark, individually or collectively, words, logos, colours and sounds. You cannot trade mark singular descriptive words, anything offensive or state symbols or flags.

To protect your ideas before approaching another company or individual, for any level of discussion you should think about having a non-disclosure agreement (NDA).

IP Protection outside of the UK

To protect your intellectual property outside of the UK, you usually need to apply in each country you want protection in.

Regarding Patents, you can protect your patent in more than 30 countries in Europe using the European Patent Convention (EPC). For global protection you may need to apply to each country.

Trademarks already registered in the UK may be covered under the Madrid Protocol. The Madrid Protocol is controlled by the World Intellectual Property Organisation (WIPO), based in Geneva, Switzerland.

Their website provides a list of member countries that an international application can cover.

Further Resources

UK Intellectual Property Office

https://www.gov.uk/government/organisations/intellectual-property-office

IPO Healthcheck

https://www.ipo.gov.uk/iphealthcheck

The Design Council

https://www.designcouncil.org.uk/

Chartered Society of Designers

https://www.csd.org.uk/

Country Manuals for Overseas IP Protection

https://www.gov.uk/government/publications/trading-overseas-ip-enforcement-manuals-by-country

European Patent Office

https://www.epo.org/applying.html

World Intellectual Property Office (Madrid Protocol)

https://www.wipo.int/madrid/en/members/

Market Research

https://www.entrepreneur.com/article/217388

https://www.intotheminds.com/app/uploads/2019/09/White-Paper-guide-market-research-EN-FINAL.pdf

Managing Innovation

https://www.youtube.com/watch?v=tu7178mH3oo

Trade law

Fundamentals of trade law within the UK

Trading within the UK has few Trade Law restrictions, however in the wake of BREXIT the United Kingdom Internal Market Act 2020 was established to ensure fair trade within the four nation states.

There are also a number of laws and restrictions to ensure consumer protection, fair trading and sector specific regulations.

Rights and restrictions

The Consumer Protection from Unfair Trading Regulations 2008 – UK Legislation for legal duties to your customers.

Business companion: trading standards law explained – Chartered Trading Standards Institute guide for businesses, including useful quick guides.

The Bribery Act 2010: Guidance Government guidance on procedures to avoid bribery.

The Competition Act 1998 and Cartels Guidance – Competition and Markets Authority on how to avoid falling foul of competition law.

Goods or services not as described

Goods are not as described – Citizens Advice guide to fake goods and those that are not accurately described.

What you can do about faulty goods – Citizens Advice guide to refunds, replacements and repairs.

Alternative dispute resolution – how to resolve a dispute out of court.

Making a court claim for money – how to make a claim for compensation online or by post.

Sector specific regulations

Regulation – Government guide to business regulations and if you need a license.

Classification of types of trades

There are two main types of trade. Typically, internal (domestic) or external (foreign) trade.

Internal Trade

Internal trade can be wholesale, generally Business to Business (B2B) or retail, which is direct to consumers (B2C)

External trade

External trade is also known as foreign trade and can further broken down to Import, Export and Entrepot Trade.

Export Trade: When goods are exported from the UK to be sold in another country.

Import Trade: When goods are sold to the UK from another country

Entrepot Trade: When a UK trader purchases components or raw materials then sells re-constructed goods back into foreign trade.

Prerequisites for exercising trade

Trading within the UK has no specific legal requirements other than setting up your company (see section 3) and registration with HMRC (see section 4)

UK Basic Data Protection Regulation (GDPR)

GDPR Regulations

1. Lays down rules relating to the protection of natural persons with regard to the processing of personal data and rules relating to the free movement of personal data.

2. Protects fundamental rights and freedoms of natural persons and in particular their right to the protection of personal data.

3. The free movement of personal data within the Union shall be neither restricted nor prohibited for reasons connected with the protection of natural persons with regard to the processing of personal data.

Further Resources

United Kingdom Internal Market Act 2020
https://www.instituteforgovernment.org.uk/sites/default/files/publications/internal-market-act.pdf

GDPR
https://gdpr-info.eu/

Standard Trade Classifications
https://www.gov.uk/government/publications/standard-industrial-classification-of-economic-activities-sic

Legal Status of your Business

Legal forms

3.1 Unincorporated legal forms:

The distinguishing feature of unincorporated forms is that they have no separate legal personality.

There are three main unincorporated forms:

Sole Trader

This is the simplest way to set up and run a business: ownership and control of the business rests with a single individual. Being a Sole Trader is inherently risky because the individual is not separate from the business and has sole unlimited personal liability for the business, its debts and contractual obligations, and any claims against it.

They own all the assets of the business and can dispose of them as they wish, and may employ staff and trade under a business name. However it is unlikely that sole trader status will be suitable for businesses which need more than a small level of external investment – being unincorporated limits borrowing and prevents the business raising equity finance by issuing shares.

Regulation for the Sole Trader is minimal: there is no requirement for a formal constitution for the business, and no need to register or file accounts and returns with Companies House.

Sole Traders are treated as self-employed by HMRC and must register and make an annual self assessment tax return – profits from the business are treated as personal income subject to income tax and national insurance contributions.

Unincorporated Association

Unincorporated Associations are groups that agree, or 'contract', to come together for specific purpose. They normally have a constitution setting out the purpose for which the association has been set up, and the rules for the association and its members. They are typically governed by a management committee. All members of the management committee will again have unlimited personal liability, unless they are specifically indemnified in the constitution.

As for a Sole Trader, there is a limitation on raising finance, minimal regulation, and self-employed tax status for management committee members.

Partnership

A Partnership is a relatively simple way for two or more legal persons to set up and run a business together with a view to profit. A partnership can arise, without any formal agreement, when people carry on a business in common, but typically there is agreement to trade as a partnership.

Partners will usually draw up a legally binding partnership agreement, setting out such matters as the amount of capital contributed by each partner and the way in which they will share the profits (and losses) of the business.

Again the Partnership has no separate legal personality. Partners share the risks, costs and responsibilities of being in business. Because partners generally bear the consequences of each other's decisions, partners usually manage the business themselves, though they can hire employees.

Partners usually raise money for the business out of their own assets, and/or with loans, although again being unincorporated 2 limits borrowing in practice, and not being a company with a share capital prevents the business itself from raising equity finance by issuing shares. Each partner is self-employed and pays tax on this basis on their share of the profits:

The partnership itself and each individual partner must make annual self-assessment returns to HMRC, and the Partnership must keep records showing business income and expenses. Legal persons other than individuals – such as Limited Companies or Limited Liability Partnerships – can also be partners in a partnership. They are treated like any other partner except that they have additional tax and reporting obligations – for example companies must pay corporation tax rather than income tax on their profits from the partnership.

Limited Partnership

Not to be confused with a Limited Liability Partnership (see below) – a Limited Partnership has two sorts of partner: general partners and limited partners. The form is similar to a Partnership, with the main differences being that the limited partners may not be involved in the management of the business and their liability is limited to the amount that they have invested in the partnership.

Note that limited partners are different from 'sleeping' partners in a Partnership or Limited Partnership, who do not take part in running the business but remain fully liable for its debts.

Limited partnerships must register at Companies House, and do not come into existence until they are registered. Changes to the partnership must also be registered.

Trusts

Trusts are unincorporated and have no legal identity of their own. They are essentially legal devices for holding assets so as to separate legal ownership from economic interest. A trust holds assets on behalf of an individual or another organisation and governs how they are to be used.

A trust is run by a small group of people called trustees who are legally responsible for the administration of the trust and personally liable for any debts or claims against it that cannot be met out of the trust's own resources. Trusts make their own set of rules – enshrined in a trust deed – which sets the trust's objectives and may be used to ensure that assets and profits are used for a particular purpose. Trusts do not typically raise finance – they simply manage assets and do not distribute profits. Trusts are often used in conjunction with unincorporated associations, which cannot themselves own property.

Incorporated legal forms

Limited Company

The Limited Company is the most common legal form in use for running a business. Companies are 'incorporated' to form an entity with a separate legal personality. This means that the organisation can do business and enter into contracts in its own name.

On incorporation under the Companies Act 2006, a company is required to have two constitutional documents:

- A Memorandum, which records the fact that the initial members (the subscribers) wish to form a company and agree to become its members. The Memorandum cannot be amended; and

- Articles of Association – often just referred to as the Articles – which are essentially a contract between the company and its members, setting the legally binding rules for the company, including the framework for decisions, ownership and control.

The Companies Act 2006 provides significant flexibility to draw up articles to suit the specific needs of the company, provided it acts within the law.

A Limited Company is owned by its members – those who have invested in the business – and as the name suggests they enjoy limited liability – i.e. the company's finances are separate from the personal finances of their owners and as a general rule creditors of the business may only pursue the company's assets to settle a debt. The personal assets of the owners are not at risk.

There are two mechanisms for company membership: Company Limited by Shares Most companies fall into this category. Members each own one or more shares in the company and are therefore known as shareholders.

Shareholders' limited liability means that they only stand to lose what they have already invested or committed to invest (amounts unpaid on shares).

Company Limited by Guarantee Members of the company give a guarantee to pay a set sum if the company should go into liquidation. A company must have at least one member.

In a Company Limited by Shares, each share usually has a voting right attached to it so the members are able to vote on important decisions affecting the company. The arrangement is normally one share one vote, although many companies will create different classes of share with different voting rights attached.

In a Company Limited by Guarantee the arrangement is usually one member one vote (OMOV). Day to day management of a company is nominally separate from its ownership and undertaken by a director or board of directors, with the core principle that they act in the interest of the company and its members. However, directors may also be members, thus the simplest form of Limited Company is a single member who owns the whole company and is also its sole director.

A company must have at least one director (public companies described below must have two) and at least one director must be a real person.

In a Company Limited by Guarantee, finance comes from the members, from loans or from profits retained in the business as working capital.

A Company Limited by Shares can also raise capital from shareholders in return for a stake in the business – any profits from the business are usually distributed to shareholders in the form of dividends, apart from profits retained in the business as working capital.

Limited Companies have a greater capacity to finance themselves with loans than unincorporated businesses, as they can use their assets as security for loans, creating a 'charge' over the company's assets. These charges are registered at Companies House, providing transparency about the extent of a company's secured credit. Lenders, including banks and building societies will therefore typically make incorporation a condition of providing a business loan.

The Limited Company form is subject to stricter regulatory requirements than unincorporated forms: greater accountability and transparency is the price to pay for the benefit of limited liability. Accountability is both to the company's shareholders and also to the public who may wish to deal with the business.

Companies are registered at Companies House, and it is the directors' responsibility to maintain the company's public records – including annual accounts and an annual return about the company – and to file them at

Companies House. They must notify Companies House of changes in the structure and management of the business. If a company has any taxable income or profits, it must tell HMRC that it exists and is liable to corporation tax.

Companies liable to corporation tax must make annual returns to HMRC. A Company Limited by Shares is either a Private Limited Company (Ltd) or a Public Limited Company (Plc). The key difference is that the Public Limited Company is permitted to offer shares for sale to the public.

The Private Limited Company is the most common legal form used by the vast majority of businesses – ranging from a business with a single shareholder director to large companies which have attracted large investments of private equity capital.

Public Limited Companies

PLC's usually begin life as Private Limited Companies but later go public for the advantage that this provides in raising finance.

A Public Limited Company must have at least two directors and a qualified company secretary. It must have issued shares to the public to a value of at least £50,000. Public companies attract stricter regulation than private companies to ensure transparency and protection for the public investor, who is often more separated from the management of the company than in a private company.

A Public Limited Company may also become a Listed Company by floating its shares on a recognised stock exchange, creating a wider market for its shares. Listed companies are subject to even greater regulatory requirements in the form of listing rules and information disclosure requirements put in place to ensure the market works and maintains its integrity.

Limited Liability Partnership (LLP)

A Limited Liability Partnership is a body corporate with a separate legal personality similar to a company. Unlike in a normal partnership, the members of an LLP enjoy limited liability as the name suggests – liability is limited to the amount of money they have invested in the business and to any personal guarantees they have given to raise finance. Each member takes an equal share of the profits, unless the members' agreement specifies otherwise.

Much like a Partnership, each non-corporate member of an LLP needs to register as self employed with HMRC, and both the LLP itself and each individual member must make annual self-assessment returns HMRC. Non-corporate members of an LLP pay income tax and national insurance contributions on their share of the profits. Additionally, LLPs must register and file accounts and annual returns at Companies House. At least two members must be "designated members" who hold additional responsibilities – it is they who appoint auditors and sign off and file the accounts at Companies House.

Limited Liability Partnerships have much more freedom than companies over arranging their internal affairs, for example in the way in which decisions are made, and the way in which profits are distributed to members.

Community Interest Company (CIC)

A Community Interest Company (CIC) is a form of company (limited either by shares or by guarantee) created for so called 'social enterprises' that want to use their profits and assets for community benefit. CICs are easy to set up and have all the flexibility and certainty of the company form, but with several special features which ensure they serve a community interest:

First, all companies applying to be registered as CICs must submit a community interest statement to provide the CIC Regulator with evidence that they will satisfy a community interest test defined in law. The company must continue to satisfy the test for as long as it remains a CIC, and must report annually to the Regulator.

Second, a CIC must have an "asset lock" which restricts the transfer of the company's assets (including any profits generated by its activities) to ensure that they are used for the benefit of the community.

Third, CICs are subject to caps on dividends and interest payable – to strike a balance between encouraging people to invest in CICs and the principle that the assets and profits of a CIC should be devoted to the benefit of the community.

Charitable Incorporated Organisation (SCIO)

The Scottish Charitable Incorporated Organisation (CIO) is a new legal form which will be available to charities in Scotland from 2012. Currently charities wanting to incorporate normally do so as a Company Limited by Guarantee – which means dual registration with Companies House and the Charity Commission and dual regulation under company law and charity law.

SCIO status will offer the benefits of incorporation, but the organisation will only be registered with the Charity Commission and regulated under charity law. The new form is expected to be used primarily by small and medium charities. Like any charity the organisation's profits and assets will be locked in for charitable purposes.

Industrial and Provident Society

An Industrial and Provident Society (sometimes referred to as an I&P, or IPS) may take one of two forms: Co-operative Society (Co-op) A Co-operative Society is a membership organisation run for the mutual benefit of its members – serving their interests primarily by trading with them or otherwise providing them with goods, services and facilities – with any surplus usually being ploughed back into the organisation, although profits can be distributed to members.

A Co-operative Society may or may not be a social enterprise, depending on its activities and how it distributes its profits. A Co-operative Society is governed by rules, which must reflect the co-operative values and principles set out by the International Co-operative Alliance.

The Alliance defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise. A Co-operative Society is incorporated – and so has a separate legal personality – and must register and submit annual accounts to the Financial Services Authority (FSA) rather than Companies House.

As with a company, the members' liability is limited to the amount unpaid on shares. They have a principle of open membership and can therefore raise funds by issuing shares to the public. They are run and managed by their members, usually through a committee of officers, similar to a company's board, that manages on members' behalf. However, members always have democratic control on a "one member one vote" (OMOV) basis, regardless of size of respective shareholdings, under the co-operative values and principles.

Community Benefit Society (BenCom)

A Community Benefit Society (BenCom) is similar to a Co-operative Society except that it conducts business for the benefit of the community, rather than the members of the society. Indeed a BenCom must be run primarily for the benefit of people who are not members of the society and must also be in the interests of the community at large. Profits are not distributed among members, or external shareholders, but returned to the community. BenComs also often apply an asset lock, which protects their assets for the future benefit of the community. It is unusual for the BenCom to issue more than nominal share capital (eg one share valued at £1 per member.

If more than nominal share capital is issued or if members make loans to the BenCom, dividends and interest paid are capped at a reasonable rate needed for the business to retain the capital it needs. A BenCom can be established as a charity, providing it has exclusively charitable objects that are for the public benefit, allowing them to raise capital through public grants and charitable trusts.

If approved, they're known as exempt charities – reporting only to the Financial Services Authority (FSA), not the Charity Commission. Charitable BenComs must have an asset lock. 7 8 Financial Mutuals There are three other types of mutual form, not covered in detail here, that specifically exist to provide financial services. These are also registered with the FSA.

Building Society

Building Societies are mutual financial services institutions, primarily providing residential mortgage lending, but also other financial services such as other forms of lending and investment, money transmission services, banking and insurance services. They are funded substantially by their members.

Credit Union

A credit union is a cooperative financial institution that is owned and controlled by its members and operated for the purpose of providing credit at reasonable rates, and providing other financial services to its members.

Friendly Society

A friendly society is a voluntary mutual organisation whose main purpose is to assist members financially during sickness, unemployment or retirement, and to provide life assurance.

What legal structures should I choose?

When you start your own business, one of the first things you'll need to do is choose a legal structure. The type of legal structure you choose will impact on:

- the amount of tax you pay
- the amount of control you have over your business
- the amount of paperwork you'll need to deal with
- any profit your business makes
- your responsibilities if your business makes a loss.

Why does the legal structure matter?

The way in which the business is formed has a great effect on:

- the responsibilities of the owners
- the way in which funds are extracted
- the legal obligations for both the entity the individuals themselves
- the reporting requirements.

How should I choose?

Choosing a legal structure will be dependent on the kind of business you have (or plan to have) and there are pros and cons with any business structure.

It is recommended you speak to a professional accountant or tax advisor to ensure that you have the most appropriate legal structure to operate your business.

Can I change to a different legal structure in the future?

Yes, as your business changes/grows, a revised structure may be appropriate or as your personal circumstances change.

Further Resources

UK Guide to Legal Forms for Business
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/31676/11-1399-guide-legal-forms-for-business.pdf

Tax office and taxes

Tax in the UK is collected by Her Majesty's Revenue and Customs
www.hmrc.gov.uk

As a business owner, regardless of your business model (see previous chapter) you have a legal obligation to register your business activity at hmrc.gov.uk.

Currently, in Scotland tax is calculated at the rates shown below.

Band	Taxable income	Scottish tax rate
Personal Allowance	Up to £12,570	0%
Starter rate	£12,571 to £14,667	19%
Basic rate	£14,668 to £25,296	20%
Intermediate rate	£25,297 to £43,662	21%
Higher rate	£43,663 to £150,000	41%
Top rate	over £150,000	46%

Here are some guidelines regarding HMRC and your business status.

Sole trader/Self employed

As a Sole trader, you must register your business with HMRC at www.hmrc.gov.uk. Even if you intend to stay under the personal allowance, you still need to register and do your tax return on-line.

You must register your business as soon as you start trading.

HMRC are making it as simple as possible to complete an on-line tax return but please make sure you keep EVIDENCE of all business transactions (sales invoices, payment invoices, receipts etc). The more information you have the easier doing your tax return will be.

If you are also currently employed, you will need a P60 from your employer – which they have to by law give you every year. Your employer need not know that you are receiving other income from your own business activity but you may need to check

a. You are not breaching your terms of employment by taking on other work
b. Your current employer may notice a change in your tax code and be suspicious.
c. It would be best to inform them if you can.

Limited Company

As a limited company, you then become an employee of your business. (see Incorporated company above). As a Ltd, you will likely need an accountant for two key reasons:

a. By law, you must lodge your accounts annually with Companies House. www.companieshouse.gov.uk. They then become public record – which anyone can then access.

   These accounts must be prepared to the UK accounting standard, and to that end you may require an accountant to do that.

b. The other reason is that as an employee of your business you may be required to do payroll (Pay As You Earn – PAYE). Again unless you have a grasp of tax, NI & PAYE you will require an accountant to keep you right.

Be aware that Tax Legislation frequently changes so an accountant will keep you straight.

Top Tips regarding Accounting for small businesses

The following five accounting tips are examples of some small business practices required for success.

> Separate your personal and business finances
> Opening a new separate bank account for your business transactions is essential for organisation and preventing an abundance of stress when the tax deadline comes around.
>
> Every financial aspect of running a small business will be more difficult if you fail to separate your accounts. Invoicing, tax forms and bookkeeping will all become overly complex if you have to search through hundreds of personal transactions to find a particular piece of business.

Maintain neat and accurate accounts
Efficient bookkeeping not only makes day-to-day tasks more fluent and easier to handle; larger-scale financial tasks will be less stressful to organise. If you're a micro business or smaller company, you may well manage your finances in-house. Doing so may save you a small amount of money, but if you are not disciplined in your money management practices, you may wish to consider an accountant or bookkeeper.

Recruit a tax accountant for small business
Following on from the previous point is a piece of advice that small business owners are often reluctant to take on board: seeking the accounting tips, guidance and expertise of a small business accountant. Small businesses tend to work with a tighter budget and are less inclined

to pay for additional services. But in reality, the assistance of a tax accountant for small business can save you money in the long run.

> A small business accountant has the skills and know-how to organise your accounts efficiently, not to mention the familiarity with small companies and all of the issues that can occur.

Be aware of tax deadlines and stick to them

A looming tax deadline can be quite stressful, to say the least — even more so as a business owner, with more economic variables to consider. Tax forms that have been filled out incorrectly or missed the deadline altogether will result in late fees and fines, neither of which are good news for a small business with a tight budget. Also, the longer it takes you to send your tax return (after deadline), the more it costs, due to the delight of daily charges.

Embrace accounting software (see Making Tax Digital)

In the digital age, technology is an essential part of both everyday life and the business world. In fact, it's quite difficult to think of an industry that hasn't changed in some way during the digital age. Go on, try to think of one now.

> As a small business owner, finances and accounting are just one branch of a complexed tree. The accounting tips above aren't complicated and don't require a financial genius to take on board, but they are no less vital to the success of your business. The benefits of organised books, the genius of accounting software and the peace of mind provided by a small business accountant are all points you should consider and apply to your life as a business owner.

Making Tax Digital

Making Tax Digital (MTD) for Income Tax is a new way of reporting earnings to HMRC. You'll use software to keep digital records and send Income Tax updates instead of filing a Self Assessment tax return.

Currently, (Spring 2022) this programme is only in place for VAT returns however this is an important initiative which will provide a modern digital tax service for businesses and their agents through. It will make it easier for businesses to get their tax right, saving time which can be devoted to maximising business opportunities, and helping to foster good financial planning. The shift to digital also supports increased productivity. For example, the Enterprise Research Centre (2018) found that for micro-businesses web-based accounting software delivered productivity increases of 11.8%.

The current times scales for MTD are as follows:

	Period	Due date
1st return	Q/E 5 July 2024	5 August 2024
2nd return	Q/E 5 October 2024	5 November 2024
2023-24 return (previous year)	Y/E April 2024	31 January 2025
3rd return	Q/E 5 January 2025	5 February 2025
4th return	Q/E 5 April 2025	5 May 2025
5th return (final year-end report)	Y/E 5 April 2025	January 2026

Current HMRC accredited software

Software supplier	Product name	Platform	Suitable for
1Tap Receipts	1Tap Receipts app for self-assessment	iPhone, iPad, Android, web	Record keeping and simplified expenses
10 Minute Accounts	10 Minute Accounts	Web-based application	Record keeping and simplified expenses
123 Tax	123 Tax application	Windows phone	Record keeping
APARI Software Ltd	APARI	Cloud-based application - PC, Smartphone, Tablet, iPhone, Android	Self employed and landlord record keeping
BarTax Services Ltd	Cash book, VAT and Profit and Loss App	iPhone, iPad iOS	Record keeping
Bokio	Bokio Cloud Accounting	Web-based application	Record keeping, simplified expenses and raising invoices
BrightHR	PoP	iPhone, Android	Simplified expenses requests and approvals
Business Hound Telephone: 01383 667 078	Business Hound	Web-based application, Android, iOS	Record keeping and simplified expenses
Capium	Capium Hub Business App	iPhone, iPad, Android and web-based application	Record keeping and simplified bookkeeping

Clear Books Accounting Software Telephone: 0800 862 0202	Clear Books	Web-based application, iPhone, iPad, Android	Record keeping, income and invoices, expenses and receipts, tax
Debitoor	Debitoor	Cloud-based application – PC, Smartphone, Tablet, iPhone, Android	Record keeping, raise and issue invoices, track payments and manage expenses
Dod-dle Corporation Telephone: 03333 660 012	Dod-dle	Web-based application	Recording simplified expenses, raising sales invoices, tracking payments
FEXCO	Expense Manager	All/web based	Employee expense automation
Forbes Computer Systems Ltd	Forbes Receipt Keeper	Android	Record keeping
FreeAgent Central Ltd Telephone: 0800 288 8691	FreeAgent	Web-based application, Android, iOS, Windows phone	Record keeping and simplified expenses
Geode Software Ltd	Easy Books	iOS and MAC	Record Keeping and simplified expenses
GoSimple Software Limited	SimpleTax	iPhone, iPad, Android and Web	Self employed and landlord record keeping, receipt scanning

Software Limited		Android and Web	landlord record keeping, receipt scanning
Intuit	QuickBooks	Web-based application, Android, and iOS	Record keeping, simplified tax and simplified expenses
Kagazz Telephone: 0800 891261	Kagazz	Web Portal, Android, iPhone	Record keeping and simplified expenses
KashFlow from IRIS	KashFlow	Android, iPhone, web-based application, Windows phone	Record keeping and simplified expenses
Ledger One Telephone: 0208 152 9915	AccountEdge	MAC	Record keeping, banking and cashbook, income and expenses, invoicing, VAT, payroll and more
Monzia	Monzia	Android, web-based application	Record keeping, simplified expenses and Universal Credits reporting
MyFirmsApp	MyFirmsApp	iPhone, iPad, Android, web	A compliant App solution for accountants and bookkeepers that handles income, expenses and more
OrtoAccounts	OrtoAccounts	Desktop, tablet, smart phone and cloud	Income and expenditure, record keeping, simplified Payroll, VAT and Annual Accounting
Osu	Osu – accounting software	Mobile and web	Self-employed individuals and

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Pandle Telephone: 0203 393 7434	Pandle Free Cloud Accounting	Web-based application, Android, iPhone, iPad, iOS, Windows phone	Record keeping, simplified expenses ar simplified tax
PaperLess	PaperLess	Client based application	Record keeping
Psngr	Psngr Mileage Tracker	iPhone, iOS, Android, web	Business mileage reco keeping
Quick File Ltd Telephone: 0845 094 0107	Quick File	Web-based application	Record keeping
Sage	Sage One Start	Web-based application	Record and track income, expenses anc raise invoices
Sage	Sage Expenses and Invoicing	Mobile application, iPhone, iPad, iOS	Mobile app that enabl you to record and trac income, expenditure a raise invoices
Timetastic	Timetastic	Web, iPhone, Android	Record keeping, absence records, sickness and holiday allowance tracking, holiday pay accruals
Xero	Xero	Web-based application, Android, iOS	Record keeping and simplified expenses
Zoho Corporation Pvt. Ltd	Zoho Books	Web application	Record keeping and simplified expenses

Insurance

There are several types of insurance you will need for your business, however it does vary widely depending on the type of business you are running and, to a certain extent your attitude to risk.

Here are the most popular types of business insurance and the reasons why business owners may need them.

- **Public liability insurance**

Public liability insurance is a key consideration if your business comes into contact with members of the public, whether that's at your premises or elsewhere. It can protect you against compensation claims for injury or damage made by clients, customers, suppliers, or other third parties. Most shops, restaurants, hairdressers, builders, and tradesmen take out this insurance. Check your client contracts to see if a particular level of public liability insurance is required.

- **Professional indemnity insurance**

Professional indemnity insurance is important if your business gives advice or offers a professional service to other businesses, or if you deal with client data or intellectual property. If you make a mistake in your work and your client loses money and sues you, your professional indemnity insurance can cover the compensation claims and legal costs. Some professional bodies and regulators require their members to have this insurance, including bodies for surveyors, accountants, and architects.

- **Employers' liability insurance**

If your business employs staff, you're probably legally required to have an employers' liability insurance policy. This covers compensation claims made by a member of staff because they've suffered injury, illness or damage as a result of their work. Certain companies are exempt from the legislation, including some businesses that only employ close family members. To see if you're exempt, check the Health and Safety Executive (HSE) guidelines or seek advice.

- **Business buildings insurance**

Whether you work from home or have separate business premises such as a shop, office, or pub, business buildings insurance should be a priority. If you rent the premises, make sure to check with your landlord to see what's already covered.

- **Business contents insurance**

You can also protect the contents of your business premises, your business equipment and tools. If these are damaged, destroyed, lost or stolen, this cover will pay the cost of replacements or repairs.

- **Stock insurance**

If you hold any stock, whether on your premises or in storage, stock insurance will cover the cost of replacing it if it's damaged, destroyed or stolen.

- **Product liability insurance**

Product liability insurance protects you should a customer of yours suffer damage as a result of a faulty product you provide. You may be held liable for damage even if you didn't manufacture the product.

- **Personal accident insurance**

Personal accident insurance covers serious injury or death caused by an accident. It can pay out for lost income, medical costs and hospitalisation, up to the limit of the policy. The maximum amount is £10,000 for an injury and £20,000 for death.

- **Business interruption insurance**

If your business is disrupted by material damage caused by an event such as a flood or fire, business interruption insurance provides you with the financial cover you need to get back on your feet. For example, if a fire destroyed the contents of your business premises, business interruption insurance would cover your the consequential loss of revenue, as long as your contents are also insured.

- **Business legal protection insurance**

Business legal protection insurance - also known as business legal expenses insurance - covers your commercial legal expenses and provides protection against the potential costs of legal action brought by or against your business. A Google search will find you a reputable insurance agent or broker. Most standard insurance agents now offer small business insurance.

Start-up financing

(Adapted from R Harroch, Forbes Magazine
https://www.forbes.com/sites/allbusiness/2019/12/22/startup-financing-key-options/

No matter how great your business idea is, one essential element of start-up success is your ability to obtain sufficient funding to start and grow the business. While many people finance their new companies with their own capital or by borrowing money from family or friends, there are other options available. But start-up founders must understand that raising start-up funding is never easy, and usually takes longer than anticipated.

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Business Angel Financing

Angel investors are typically individuals who invest in start-up or early-stage companies in exchange for an equity ownership interest. Angel investing in start-ups has been accelerating, and high-profile success stories like Uber, WhatsApp, and Facebook have spurred angel investors to make multiple bets with the hopes of getting outsized returns.

The typical angel investment is £25,000 to £100,000 per company, but can go higher.

Here is what angels particularly care about:

- The quality, passion, commitment, and integrity of the founders
- The market opportunity being addressed and the potential for the company to become very big
- A clearly thought out business plan, and any early evidence of obtaining traction toward the plan
- Interesting technology or intellectual property
- An appropriate valuation with reasonable terms (angel investors are investing at an early stage when risk is highest, so they typically require lower valuations to compensate)

- The viability of raising additional rounds of start-up funding if progress is made

Crowdfunding

“Crowdfunding” is the practice of raising funding through multiple funders, often via popular crowdfunding websites.

Crowdfunding gives start-up entrepreneurs the opportunity to raise start-up funding for their business, and can help a company promote its products or services. Setting up a crowdfunding campaign is not very difficult. You set up a profile on a crowdfunding site, describing your company and its business, and the amount of money you are trying to raise. People who are interested in what you are trying to do can donate to your campaign, typically in exchange for some kind of reward for their donation (one of your products or services, a discount based on how much donated, or some other perk), or for some form of equity or profit share in your business.

The key to successful crowdfunding campaigns is to have a compelling story about your product, service, or company, and to offer a meaningful reward for donations. Some start-ups have been able to raise thousands to even millions of dollars via crowdfunding campaigns.

Rewards-based crowdfunding is a particularly attractive option for start-ups, as you are not giving away equity or part ownership in your company—you are just offering some of your products or services, or a discount on those products or services. And rewards-based campaigns are not burdened with interest or principal repayments the way small business loans are.

A crowdfunding campaign can also work to build a community of people interested in your company or products, and provides a sense of engagement for the donor.

Equity crowdfunding, a scenario in which you are selling stock or some other interest in your company in exchange for cash, requires strict compliance with federal and state securities laws, and you should not attempt to do this without help from a lawyer with relevant experience.

Each crowdfunding site charges some kind of fee to list your campaign, either a processing fee or a percentage of the funds raised. Some of the most popular sites include:

- Kickstarter
- Indiegogo
- Crowd Supply
- Crowdfunder
- SeedInvest
- Crowdcube
- Fundly
- GoFundMe
- iFundWomen

Small Business Credit Cards

A number of credit card issuers specifically cater to the small business market, and many come with special benefits: cash back rewards, airline mileage points, and other perks.

Some issuers require that the card be tied to the owner's personal credit score and credit history and a guarantee from the owner. This would mean, of course, that any defaults or late payments on the business credit card would affect your personal credit rating.

Interest on unpaid balances on the credit card can be quite high, ranging from 5% to 19.9%. Some issuers offer a low or no interest introductory charge for a few months.

Applying for a small business credit card can be made through your bank or online.

There has also been a new wave of credit card issuers that focus on the small business market and do not require personal guarantees, which means use of the card will not impact your personal credit score. The credit limits of these types of cards can be substantially higher than traditional credit cards, and they often provide valuable rewards.

Venture Capital

Start-ups seeking financing often turn to venture capital (VC) firms. These firms can provide capital; strategic assistance; introductions to potential customers, partners, and employees; and much more.

Venture capital financings are not easy to obtain. Venture capitalists typically want to invest in start-ups that are pursuing big opportunities with high growth potential, and that have already shown some traction; for example, they have a working product prototype, early customer adoption, etc.

It is important to know that venture capitalists typically focus their investment efforts using one or more of the following criteria:

- **Specific industry sectors** (software, digital media, semiconductor, mobile, SaaS, biotech, mobile devices, consumer, etc.)
- **Stage of company** (early-stage seed or Series A rounds, or later stage rounds with companies that have achieved meaningful revenues and traction)

Before approaching a venture capitalist, try to learn whether his or her focus aligns with your company and its stage of development.

The second key point to understand is that VCs get inundated with investment opportunities, many through unsolicited emails. Almost all of those unsolicited emails are ignored. The best way to get the attention of a VC is to have a warm introduction through one of their trusted colleagues, or another professional acquaintance of the VC, such as a lawyer or fellow entrepreneur.

A start-up must have a good “elevator pitch” and a strong investor pitch deck to attract the interest of a VC.

Start-ups should also understand that the venture process can be very time consuming—just getting a meeting with a principal of a VC firm can take weeks; followed up with more meetings and conversations; followed by a presentation to all of the partners of the venture capital fund; followed by the issuance and negotiation of a term sheet, with continued due diligence; and finally the drafting and negotiation by lawyers on both sides of numerous legal documents to evidence the investment.

The key terms negotiated in a venture financing deal include:

- Valuation of the company
- Amount of the investment
- Form of the investment (typically through convertible preferred stock)
- Liquidation preference of the equity investment (the right to be paid back first on sale of the business or its liquidation)
- Board of Directors composition and any Board observer rights
- Approval or "veto" rights of the investors, covering items such as future equity financings, sale of the company, or changes to charter documents
- Rights to participate in future financings ("pre-emptive rights")
- Rights to receive periodic financial reports and other information
- Vesting requirements for any founder stock
- Anti-dilution protection, protecting the investment from dilution if future rounds of financing occur at a reduced valuation (there are different types of formulas for this)
- Redemption rights (if any)
- Rights of first refusal or co-sale/tag-along rights on sales of any founder shares

- Drag-along rights (giving the company the right to force all shareholders to vote for a sale of the company if the sale has been approved by a specified percentage of shareholders)
- Registration rights (giving the investor the right to require the company to register their shares with the SEC in a public offering)

Small Business Loans

Small business loans are available from a large number of traditional and alternative lenders. These types of loans can help your business grow, fund new research and development, help you expand into new territories, enhance sales and marketing efforts, allow you to hire new people, and much more.

There are multiple types of small business loans available, and options vary depending on your business needs, the length of the loan, and the specific terms of the loan:

- **Small business line of credit.** Under a small business line of credit, your business can access funds from the lender as needed. There will be a cap on the amount of funds accessible but a line of credit is useful for managing a company's cash flow and unexpected expenses. There will typically be a fee for setting up the line of credit, but you don't get charged interest until you actually draw down the funds. Interest is typically paid monthly and the principal drawn down on the line is often amortized over years. However, most lines of credit require annual renewal, which may require an additional fee. If the line is not renewed, you will be required to pay it in full at that time.

- **Accounts receivable financing.** An accounts receivable line of credit is a credit facility secured by the company's accounts receivable (AR). The AR line allows you to get cash immediately depending on the level of your accounts receivable, and the interest rate is variable. The AR line is paid down as the accounts receivable are paid by your customers.

- **Working capital loans.** A working capital loan is a debt borrowing vehicle used by the company to finance its daily operations. Companies use such loans to manage fluctuations in revenues and expenses due to seasonality or other circumstances in their business. Some working capital loans are unsecured, but companies that have little or no credit history will typically have to pledge collateral for the loan or provide a personal guarantee. Working capital loans tend to be short-term loans of 30 days to 1 year.

- **Small business term loans.** Term loans are typically for a set amount and are used for business operations, capital expenditures, or expansion. Interest is paid monthly and the principal is usually repayable within 6 months to 3 years (which can be amortized over the term of the loan or have a balloon payment at the end). Term loans can be secured or unsecured, and the interest can be variable or fixed. These loans are good for small businesses that need capital for growth or for large, onetime expenditures.

- **Equipment loans.** Small businesses can buy equipment through an equipment loan. This typically requires a down payment of 20% of the purchase price of the equipment, and the loan is secured by the equipment itself. Interest on the loan is typically paid monthly and the principal is usually amortized over a two- to four-year period.

- **Large commercial banks.** The traditional lenders to the small business market are banks such as RBS, Nat West, Clydesdale Bank & Bank of Scotland. These lenders tend to be slower with more rigorous loan underwriting criteria.

- **Local community banks.** Many community banks are eager to make small business loans to local businesses.

To make sure the proposed business loan makes sense for your business, you will need to analyse the key terms proposed by a lender and compare them with terms available from alternative lenders. Here are the key terms to review:

- What is the interest rate on the loan and how can it vary over time? Many loans vary over time depending on the prevailing "prime rate" or some other index.

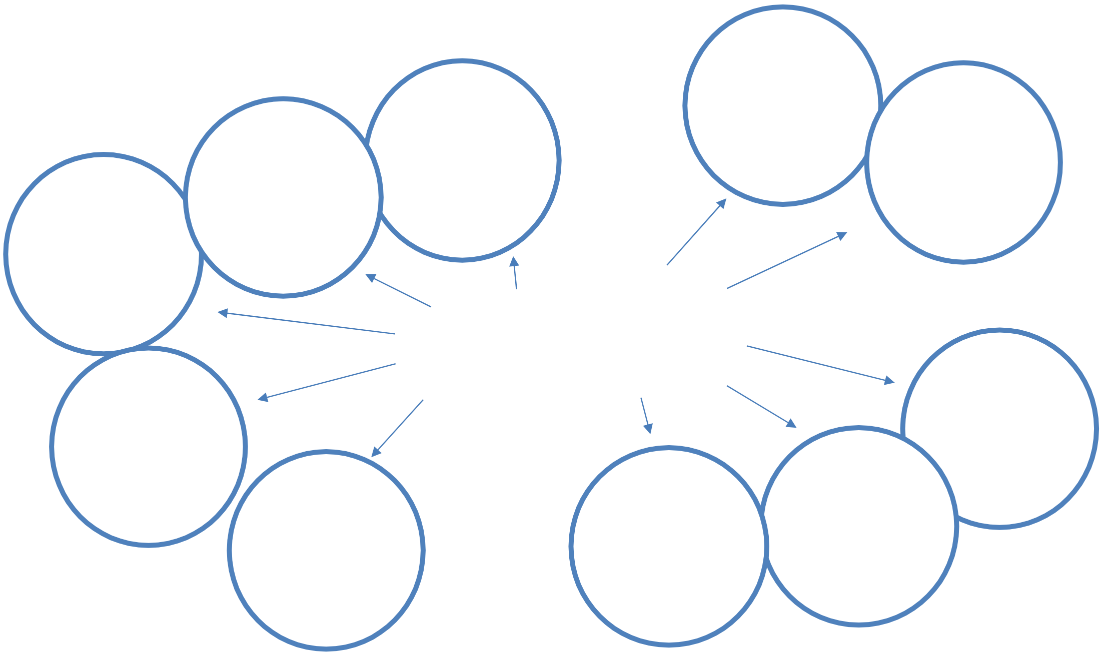
- How often is the interest payable (monthly or quarterly)?

- When is the principal due or how is it amortized over the life of the loan? You need to be comfortable with the combined interest and principal payments from a cash flow perspective.

- What is the loan origination fee?

- What other costs or fees are imposed (such as underwriting fees, administration fees, loan processing fees, etc.)?
- What operating covenants are imposed on your business (such as maximum debt-to-equity ratio or minimum cash amount required to be held by the company)?
- What are the circumstances when the lender can call a default on the loan?
- Is there any security or collateral required?
- What periodic reports or financial statements is the company required to provide to the lender?
- Are there limits on how the loan proceeds can be used?
- Can the loan be prepaid early without a penalty? And if there is a penalty, is the penalty reasonable?

Scottish Start Up Ecosystem



Further Resources

Government Funding

https://www.gov.uk/apply-start-up-loan

Find Business Support

Https://Findbusinesssupport.Gov.Scot/

Funding options

https://www.fundingoptions.com/knowledge/how-to-finance-a-startup

Start-up infrastructure

There are several organisations available for business support. Some are government run or subsidised and others are commercial – such as Banks and large corporations who encourage entrepreneurship. Some offer financial support whereas other offer training services and networking opportunities.

Below is a non-definitive list of organisations who support start-up businesses:

Start Up Support Organisations

Government Supported Agencies

Scottish Enterprise https://www.scottish-enterprise.com/

Business Gateway https://www.bgateway.com

Scottish Chamber of Commerce https://www.scottishchambers.org.uk/

Princes Trust https://www.princes-trust.org.uk/

Skills Development Scotland
https://www.skillsdevelopmentscotland.co.uk/

Find Business Support www.Findbusinesssupport.gov.uk

Creative Scotland https://www.creativescotland.com/

Unlocking Ambition https://www.unlockingambition.scot/

Federation of Small Businesses https://www.fsb.org.uk/

Banks

Scottish Edge (RBS and Various) https://scottish-edge.squarespace.com/

Virgin Start Up https://www.virginstartup.org/

Note that most banks have some business offering for Start-ups.

University Incubators

Most Universities have an incubator to support the entrepreneurial aspirations of small businesses

Bright Red Triangle (Edinburgh Napier's very own!) https://brightredtriangle.co.uk/

The E Club https://www.business-school.ed.ac.uk/

Not for Profit Support Entrepreneurial support organisations

Social Investment Scotland https://www.socialinvestmentscotland.com/

First Port (for Social Enterprises) https://www.firstport.org.uk/

Shell Livewire https://www.livewire.shell/

Entrepreneurial Scotland https://www.entrepreneurialscotland.com/

WeDO Scotland https://www.wedoscotland.com/

Foundation Scotland https://www.foundationscotland.org.uk/

Scottish Funding Portal https://funding-portal.scot/

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Women in Business

WES (Women's Enterprise Scotland) https://www.wescotland.co.uk/

BWS (Business Women Scotland) https://www.bwsltd.co.uk/

Back Her Business (RBS/Nat West and Various)
https://www.crowdfunder.co.uk/back-her-business

Tide https://www.tide.co/supporting-women-in-business/

Incubators and Technology Centres

Entrepreneurial Spark https://www.entrepreneurial-spark.com/

RBS/Nat West Accelerator https://www.rbs.co.uk/business/business-services/entrepreneur-accelerator.html

Code Base https://www.thisiscodebase.com/

Tech Cube https://techcu.be/

Venture Capital

As well as private businesses, most UK Banks have a VC department

Shackleton Ventures Ltd

Maven Capital Partners

Epidarex Capital Partners

Scottish Equity Partners

Panoramic Growth Equity

Business Angel Syndicates

Archangel

Tri Capital

Angel Academe

Apollo Informal Investment

Equity Gap

Gabriel Investment Syndicate

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Erasmus+ Sport – Collaborative Partnerships

PROJECT LEADER
FH JOANNEUM
University of Applied Sciences

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