

# How To Set Up a Business in the UK



Want to set up a business here in the UK? Great!

Officially launching a UK-based business is quick and easy. But setting up a company is about far more than just incorporating your new business with Companies House.

This brief guide outlines everything you need to know about launching a business in the UK, delving into key considerations, outlining potential concerns, and offering crucial pointers (such as when to seek additional support).

Over the years, we've helped more than [4,200 businesses](#) to get off the ground and flourish. Read this guide and your company could be next.

# Contents

The UK Business Landscape	3
Key Considerations if You Live in the UK	4
Key Considerations if You Live Outside the UK	7
UK Incorporation Checklist	8
Sector-Specific Challenges	9
When To Seek Support in Your First Year	15

# The UK business landscape

**99.9%**

of all active UK businesses are SMEs (generally defined as companies that employ 250 or fewer people)

**5.58m**

estimated SMEs in the UK

**61%**

of all private-sector employment is in SMEs.

**52%**

of all private-sector turnover is in SMEs.

**6.5%**

of the UK's companies shut their doors for good from 2020 to 2021\*

\*according to the government's business population estimates 2021

**4.17m**

UK-based businesses are without employees. This is likely due to the increased popularity of zero-employee side hustles.

# Key considerations if you live in the UK

If you currently live in the UK and are considering starting a business, you'll need to go through the following steps.

## STEP 1

### Come up with a name for your business

First things first, you need to come up with a name for your business. As simple as it sounds, this might be surprisingly tricky, so don't simply rush into using the first name that comes to mind.

Your name represents your brand. Therefore, you need to think about how you want your brand to be perceived before identifying a suitable name. Disruptive startups might be able to get away with catchy, attention-grabbing names (such as Zapp), but if you're establishing a legal practice, then we recommend using something with a more serious tone.

When you have a potential name in mind, make sure to search Companies House to see if it's already been taken. It's also worth searching for domains at the same time—there's little point in picking a company name but having to use an entirely different domain for your website.

Last, double-check that your name is suitable for a global customer base (for example, that it doesn't mean anything rude when translated into different languages). This is crucial for businesses that want to sell across borders. Don't be like Mitsubishi, which released its Pajero car in South America without realising that this was a slang term for self-gratification.

## STEP 2

# Identify your company type and legal structure

Next, you'll need to settle on your company type and legal structure. There are three main options that you can choose from:

### **Sole trader**

This is the simplest structure to establish as there's technically no legal distinction between you and your business. It's ideal for companies that will only ever have one employee (i.e., you).

### **Partnership**

Partnerships are ideal if you're starting a business with someone else and want to split everything down the middle. However, it can be tricky trying to break free from a partnership if one partner decides they want to walk away from the business.

### **Limited company**

While this is arguably the most complex structure admin-wise, it's generally the best route for founders to go down as the business is entirely separate from its founders/directors.

Each structure has its own distinct benefits and drawbacks, not least when it comes to paying taxes. Take some time to read up about the different structures before deciding which is best for your new venture. However, note: setting up a limited company is usually the best approach for most businesses.

## STEP 3

### Decide where your registered address will be

You must provide a registered address when setting up a business here in the UK—this is where all written communication (i.e. correspondence from HMRC) will be sent. According to [GOV.UK](https://www.gov.uk), this address must be:

- A physical address in the UK
- Located in the same country as your company is registered in (e.g. if you register your company in Scotland, your registered office address must also be in Scotland)

These details will be publicly available on *Companies House*. Therefore, if you don't want to put your home address for privacy or security reasons, consider [appointing an agent](#) who can provide you with an address to use.

Alternatively, you can also use your accountant's address, so long as you've asked them for permission first.

## STEP 4

### Consider your funding options

If you want to know how much money you need to start a business, we've got some bad news: there's no clear answer. Construction companies might need millions to get off the ground, unlike sole traders selling homemade knitwear on Etsy. However, no matter what your business does, determine how much money you need to get started and where this money will come from.

Consider your initial outgoings. Will you need to buy any kit? How about importing expensive raw materials? Or, will you need to pay the first couple of months' rent upfront at a rented office space?

Make sure you have a firm grasp of how much you'll need to spend to get the business off the ground. If you find yourself a few pounds short, don't worry—there are tons of [small business grants](#) and [government funding](#) options out there to help get your business up and running.

# Key considerations if you live outside the UK

While the process is much the same for individuals located outside the UK, a few extra steps are involved.

## STEP 1

### Get a British Bank account

Technically speaking, business owners that live outside the UK don't legally need to get a British bank account. However, doing so makes tax and admin far simpler—so it's very much recommended.

When applying for a bank account, all key shareholders (i.e. those who own 10% or more of the business) will have to provide notarised translations of their ID (e.g. a copy of their passport) alongside documents that prove their addresses (e.g. recent utilities bills).

## STEP 2

### Pass the anti-money laundering (AML) checks

As part of the UK's Money Laundering Regulations 2007, British banks must first conduct customer due diligence before setting up a bank account for new customers. Note: you might need to be physically present at a branch for the AML checks so that the branch staff can verify your ID is correct.

## STEP 3

### Register your business at a British address

Overseas individuals must still register their UK-based company at a British address. Again, they can choose to partner up with a registered agent or accountant who can provide their business with an address to use.

# UK Incorporation Checklist



## If you live in the UK

- Come Up With a Name for Your Business
- Identify Your Company Type and Legal Structure
- Decide Where Your Registered Address Will Be
- Consider Your Funding Options

## Additional steps if you live outside the UK

- Get a British Bank Account
- Pass the Anti-Money Laundering (AML) Checks
- Register Your Business at a British Address

# Sector-specific challenges

Following the checklists above will help get your company off the ground quickly and easily. However, there are a number of additional sector-specific challenges that your business might face when first starting out. Below, we examine these hurdles for three separate industries:





It's a challenging time for retailers. If you're looking to start your very own retail venture, then you'll have to overcome the following challenges (among others).

## Finding a physical location(s)

All physical retailers need a brick-and-mortar presence. Make sure to consider your options carefully when picking a suitable location. While rent might be significantly cheaper in less popular areas of town, is the decrease in footfall worth it? Conversely, can you afford to rent a retail space bang smack in the middle of a busy city?

Don't simply go for the first available space—make sure you see plenty of options. This will allow you to get a feel for different areas and price points before settling on a suitable space.

## Managing utilities costs

Utilities costs are a perennial thorn in retailers' sides. Worse still, we're currently in the midst of an energy crisis, making this an even bigger concern than usual. UK energy prices increased by 54% in April 2022 while further increases might be coming. Therefore, retailers should search for a space that's not too big, that's energy efficient, and perhaps even has some form of renewable energy capacity (e.g. solar power cells on the roof).

# Insurance

Retailers should consider purchasing the following insurance policies:

**Loss of stock.** As a retailer, your stock is your livelihood. It's essential that you insure your stock from theft or damage.

**Illness and injury.** Accidents happen, whether it's a customer slipping on your floor and hurting themselves or someone with allergies eating something they shouldn't have. Proactively protect your business by taking out illness and injury insurance before opening your doors.

**Cybersecurity.** Retailers might not have the data that tech companies possess, but you must still ensure that your cybersecurity credentials are up to scratch—and that you have cybersecurity insurance in case a breach does occur.

## Setting up payment systems

This goes without saying. If you operate a retail business, you shouldn't just think about how you'll make money—you also need to consider how you'll accept payments. Ideally, you should partner with a versatile payment provider that:

- Accepts a wide variety of payments (cash, chip & pin, contactless, mobile payments, etc.) at a low rate with no sneaky hidden fees
- Processes payments quickly
- Is PCI-compliant
- Quickly deposits money into your account



eCommerce is big business here in the UK. In fact, the UK boasts the world's third largest eCommerce market, and the biggest in Europe.

But it's not all sunshine and rainbows. Bear the following hurdles in mind when establishing your UK-based eCommerce store.

## Supply chain management

Before you begin, map out your supply chain in precise detail. This should encompass five distinct steps:

- ① **Planning.** Work out which products you'll sell, in which quantities, to whom.
- ② **Sourcing.** Identify vendors, suppliers, and manufacturers that can provide the inventory you need to operate your business.
- ③ **Storing.** Set up warehousing operations so that you can safely and securely store your chosen goods.
- ④ **Fulfilment.** Decide how you'll fulfil goods, transporting products from your warehouse(s) to the end customer (both domestically and internationally, if you also sell to overseas markets).
- ⑤ **Handling returns.** Establish a system for accepting and processing returned goods, including sorting out refunds.

You must master your eCommerce supply chain management. Consumers have more choices than ever before. If you deliver a subpar customer experience, fraught with delays, hidden costs, or general confusion, then your customers will quickly go elsewhere and never return.

## **Work out your tax requirements when selling to the EU**

Brexit has added complexity for UK-based eCommerce sellers operating in Europe. Our guide, 'Everything Ecommerce companies need to know about Brexit', covers these new rules and regulations in detail—so make sure you give it a read before opening your eCommerce business.

These rules might well shape how you establish and manage your supply chain. For example, you might find that it's more cost-effective and sensible from an admin standpoint to import goods from further afield and avoid EU suppliers altogether.

## **Prioritise sustainability and ethics**

Sustainability and ethics are front of mind for today's consumers, especially in the UK. [Deloitte](#) reports that 61% of consumers have actively cut back on single-use plastics, 49% have an increased focus on seasonality and almost a third of UK consumers have stopped buying from some brands due to ethical concerns.

Therefore, make your eCommerce operations as sustainable as possible, and shout your sustainability credentials from the rooftops. If you only use local vendors, tell consumers. If you've partnered with a fulfilment company that use a fleet of electric vehicles (EVs), make sure you reflect this within your branding.

# Property

The property sector is currently facing a myriad of challenges, including adverse economic conditions, worrying labour shortages, and increasingly stringent sustainability requirements.

## Harsh economic conditions

Unsurprisingly, when the economy struggles, so does the property market. 90% of landlords expect inflation to increase property maintenance costs. Meanwhile, raw material costs will treble in 2022, spelling worrying times for property developers. The economic landscape has affected property players of all shapes and sizes, whether public or private entities. For example, back in May, the government announced that it won't hit this year's target of building 300,000 new homes.

## Meeting net zero expectations

As things stand, the government has yet to apply a net zero mandate specifically for the property sector. However, given that the UK has publicly stated it aims to be net zero by 2050, property companies need to act immediately—retrofitting existing properties where necessary and constructing new buildings by adopting a sustainable-first approach. The vast majority of new buildings will still be standing by 2050, so they must be fit for purpose in this new-look new net zero society.

As Emma Howard Boyd, Chair of the Environment Agency, says: *“The UK should be applauded for its leadership in setting a 2050 date, but to achieve success, everyone in the public and private sectors needs a clearer understanding of how capital is deployed - right now - to manage the transition to net-zero, prepare for climate shocks, and restore nature. If construction does not take into account mounting floods and extreme heat, the low-carbon infrastructure we need could itself become the stranded asset of the future.”*

# When to seek support in your first year

Going alone is exciting—but even the sharpest business minds need additional support to grow their new venture. Unfortunately, it's difficult for new business owners to know what they need, when. If you're unsure how to approach seeking out help, consider the following advice.

## When to get an accountant

We strongly recommend hiring an accountant as soon as possible. While many business owners think accountants are only there to file end-of-year tax returns, they can actually play a pivotal role throughout all stages of starting and operating a successful company. Accountants are an SME-owner's superweapon. They handle all financial and legal administrative duties, keep your accounts up-to-date, ensure you pay the correct amount of tax (and not a penny more than necessary), and offer proactive business-building advice.

Better still, by hiring an accountant, you don't have to waste hours per week poring over complex (and extremely dry) tax legislation. You don't have to focus on paperwork and admin, sacrificing time that could be better spent chatting with your customers or shoring up your supply chain. Most importantly, you don't have to worry about the boring, nitty-gritty, crossing the t's and dotting the i's to ensure you're compliant.

Instead, simply let your accountant handle this all on your behalf. Save time, money, and headache by partnering with an accountant as soon as possible. You won't regret it.

## When to forecast cash flow

Cash flow—or a lack thereof—kills SMEs. Late payments cause an estimated 50,000 UK small firms to go under each year, costing the economy £2.5BN. Indeed, 58% of British SMEs are currently waiting on late payments to arrive from unpaid invoices.

Cash flow forecasting is crucial if you want your business to survive. Business owners must maintain a firm grasp over their income (how much money they have coming into their business) and their outgoings (how much they're spending).

Continually update your forecasts based on the latest available data. Before you officially start trading, use estimates to create a rough cash flow forecast. This will help you budget appropriately and might even help you source investment—cash flow forecasts enable you to prove viability to potential investors.

Or, go one step further by partnering with an accountant and outsourcing this process to them. They'll use their accounting software to constantly analyse your cash flow on an ongoing basis, providing pointers on how you can increase it where possible.

## When to register for VAT

Not all businesses need to register for VAT. However, you must register if:

- Your business's taxable turnover over the last 12 months exceeds the £85,000 VAT threshold;
- You expect your annual turnover to exceed this limit over the next 30 days;
- You live outside the UK.

For more information on registering for VAT, check out the dedicated [GOV.UK page](#).

## When to file tax

Businesses must file a tax return within 12 months after the end of the relevant tax period. Imagine you established a company on the 30th of September 2020. In this case, your accounting period will be from the 30th of September 2020 to the 30th of September 2021, meaning you must submit your tax return for that year by the 30th of September 2022.

However, there's a separate deadline for Corporation Tax—this is 9 months and one day after the end of the accounting period. In other words, taking the above example, you'd need to pay your corporation tax for the 2020 - 2021 financial year by the 1st of July 2022.

Check out this page if you want to learn more about [UK business tax requirements](#). Alternatively, simply let your accountant take the reins—it's what they do best.

Osome facilitates business management for small and medium businesses. Its suite of services includes accounting, tax, business registration, corporate secretary services, and payroll management.

Osome's automation handles the routine, giving human experts more time to focus on complex advisory. It services over 5,000 SMEs in the UK, Singapore, and Hong Kong.