

Linkilaw

**Entrepreneurs At Work-
Business Starting Point**



Content

- Choosing A Business Name
- Your Legal Business Structure
- Location, Location, Location

Introduction

As an entrepreneur, setting out to open your new business can be daunting at times; there's so much to do that it's difficult to get your priorities in order. We'd like to help make the path a lot easier for you!

Our journey here will outline the key requirements involved with a proper business startup - for self-employed owners, as well as partners and shareholders. To be clear, this content is meant to be an informative outline of legal concerns, not to replace the legal advice of business solicitors.

We all know that entrepreneurs are prone to jumping in with all fours. Not a bad thing – it's one of the characteristics that makes them so amazing in the first place. Fearless, committed, forthright decision makers – these trail blazers seize opportunities, where others may dream of castles but are more than content to build them in the sand.


That said, you should realize that the beginning is just the place to get it right. Surging ahead without a legally healthy foundation could toll the death knell for a brand new project. Equally important to inventing the 'next big thing' is taking the time to breathe, and consider the underpinnings which will be so integral to your organisation's growth and success.

In the following pages, we're going to take you through the **FIRST THREE STEPS** to a business startup. If you can, try to resist jumping ahead, as each step will affect the next. Taken together, this outline and the tips included provide you with an initial checklist.

Let's Get Started!

1

Choosing A Business Name



Selecting just the right name for your business isn't as simple a task as you may think. It is going to be identified with your services or products (or both), and if the name choice is too broad or too narrow it may miss the mark, now or in the not too distant future.



Research Existing Companies

Take the time to research name ideas through the **Companies House register**. Is your idea for a business name already taken, or do you see one so similar to yours that a customer might be confused? If so, your name will be disqualified when you attempt its registration. Be aware that you aren't allowed to merely insert punctuation either – such as a hyphen or intentional misspelling, to differentiate your name from another enterprise.

There are several **more regulations** defining a legal business name, such as whether you are mandated to include Limited, Ltd, LLP, etc. Additionally, there are restrictions against using what are deemed **sensitive words and expressions** within your chosen name.



Trademarks

Trademarks are other names you should explore before making a final decision. They are separately registered, and you may search **existing trademark names** listed with the Intellectual Property Office. You are also able to see those waiting in the **application stage or revisions queue**. All trademarks are searchable by owner's name, keywords, images, or their trademark number.



Researching the Internet

Another place to be searched for the name you plan to use is the world wide web. Why? Because it is going to be where you create an online business billboard (aka your website). Simply type: domain registrar into your search box, and select one; such as ukreg.com or nominet.org.uk. Next, do a search to determine whether or not a domain name matching your business is available.

Remember, the web has become an all pervasive resource for everything from shoe repair to original art. If you don't have a proper online presence, then you're sorely out of the loop. A customer's ability to discover you amongst your competitors, as well as to locate your shop – even when they already know your name – depends on your having an online website. If the site's domain address doesn't match your business name or primary trademarked product, the result could have the same impact as burying your 'open for business' sign in your back yard.

If the domain for your business name is already in use, put your imagination back into first gear and figure out something unique. Do not make the big mistake of just buying the .net or .biz if your .co.uk or .com is already being used by another company. Why not? Because the alternative extensions (think of them as rivals) don't carry the same search value.

And – big point – if the more popular extension is in use, and you go forward, you could possibly be infringing upon someone else's trade! Not to mention, you could lose your clients to the other company when their search for your name pops up with a competitor's site.

Of course, you can always try to purchase your desired domain from the original buyer at a large premium; domain brokers are fond of locking down popular names, then reselling them for several times their worth. Be cautious – brokered domains may have been in prior use, and currently 'parked.' There are many issues which can arise from taking on a previously used site, so we don't recommend it.

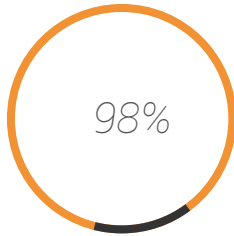
2

Your Legal Business Structure

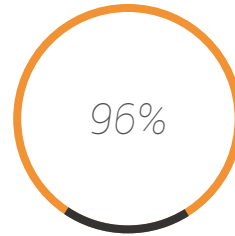
In the UK, there are specific types of entities you can create from which to operate your new enterprise. Different laws affecting business operations will come into play, so once again, legal counsel is unequivocally advised.

A few basics affecting the particular business structure you choose will be:

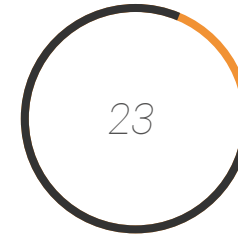
- the number of partners with which you share the work and responsibilities
- the taxes you must manage and pay
- limitations as to how you may take money out of the organisation



Since 2005, the top 3 corporate body types of Private Limited Companies, Limited Liability Partnerships (LLPs) and Limited Partnerships have remained unchanged, consistently accounting for over 98% of the Register.



Private Limited Companies dominate with 3,103,821 on the Companies Register.



The number of different types of corporate body held on the Register.

Source: Companies House Statistical release Companies Register Activities 2013 - 2014.

The more common legal structures available for your business formation are:

Sole Trader

You own and run the business as a self-employed person, with or without a staff of employees or independent contractors. The profits belong to you, and the debts are your sole responsibility.

The risk here is that a successful lawsuit or claim against your business may be a real threat to your personal assets. If you have much to lose, it may be more desirable to legally separate your business and personal finances with a Limited Liability Partnership, taking on a family member or trusted associate.



Limited Company

This corporation is set up to run the business and pay corporate taxes, then shares the profits with its shareholders. Directors are responsible for financial accountability, making certain the company's policies are adhered to, and are legally bound to make every effort to ensure that a profit is made.

The shareholders/members have liability only up to the value of shares they own, which they have yet to pay for.

Partnerships

There are 3 basic types of partnerships, and each of them gives the co-owners some responsibility. You will define between yourselves how the profits are split (percentages). All partners pay their own taxes on their share of profits. However, each different partnership has its own laws regulating its operations and financial decisions.

- **Business Partnership** – All partners are liable for payables and losses.
- **Limited Partnership** - These partners are only financially obligated for partnership debts up to the amount of their investment.
- **Limited Liability Partnership** – LLP partners are not liable for the partnership's debts. This incorporated entity does require a documented LLP Agreement with designated members assigned specific duties.

Social Enterprises

The social enterprise is defined as a community-based business with charitable intentions. Raising and distributing funds requires structure and record keeping, and there are **regulations as to set up** and accountability.

Choose your social enterprise structure from the following:

- Limited Company
- Charitable Incorporated Organisation (CIO) – a new structure for charities
- Cooperative
- Industrial and Provident Society – a registered organisation regulated by the **Financial Conduct Authority**
- Community Interest Company (CIC) – a special category of Limited Company, benefiting a community rather than private shareholders; must be approved by a regulator.
- Sole Trader
- Business Partnership
- **Unincorporated Association** - a small social or voluntary group formed with no profits intended; no registration or setup is required.



What about Co-Owner Agreements?

While we're on the subject of business structures, let's discuss the value of agreements between co-owners (whether partners or shareholders). Though not legally required, a Shareholder Agreement or Partnership Agreement is something no such startup should launch without.

It is fairly common that there will be differences of opinion - about operations, hiring, bringing in new shareholders or when to 'go public.' These and many more possible points of contention can pull the plug on a venture's success, unless there is a clear path defined at the beginning of the relationship. Even the closest of friends and family members can have a fall out, and could benefit from knowing just where they stand legally. A proper management foundation draws the line for you, preventing emotions from getting in the way of good business decisions.

Shareholders' Agreement

If your Company has more than one owner at the helm, you will want to have a corporate lawyer put together a Shareholders' Agreement in order to ensure protection of everyone's interests. It should clearly outline all the aspects of responsibility for the various owners; how the business will be run, who makes the decisions, and an outline of actions to be taken if a shareholder decides to leave.

Begin a conversation with your shareholders regarding:

1. Who will capitalise the Company?
2. Business plan
3. How will profits be allocated?
4. Conflicts of interest with external work
5. Resolution process for disputes
6. Exit strategy
7. Transfer of shares
8. Allocation of risk
9. Rights related to control and voting

Partnership Agreement


Many of the key provisions are similar to those of a Shareholders' Agreement, although a Partnership Agreement is a completely unique document. Partners who want to have a future with optimal success should have similar visions and ethics, as well as a clear understanding as to what each one is expected to 'bring to the table.' Your solicitor will further define the specific business partnership laws to be taken into account.

Meanwhile, a discussion with partners should include:

1. The Partnership name
2. Each partner's accountability
3. Distribution of duties
4. Expected financial contributions
5. Ownership percentages
6. Allocation of profits and risk
7. Who makes policy decisions?
8. Working vs. silent partners
9. Terms for change of partners

3

***Location,
Location,
Location***



If you are starting up a new business, ideally your location should be chosen prior to applying for licences and putting together your marketing materials. A commercial address may be required for your industry, but whether you plan to utilise a home office or an industrial facility, a stable business address is essential to building a credible presence.

Gauge the Business Environment

Is your startup one which will be largely dependent upon walk-in business? Would surrounding noises, from manufacturing or local pubs, affect the environment you wish to offer your clients? Take the time to research developments in the immediate area. There may be annoyance from months of ongoing construction, but perhaps incoming popular stores may increase your own sales - while you enjoy discounted rents for the inconvenience.

Is the Neighborhood Compatible?

Determine whether there are already similar businesses in the area, and take into account any ways they might impact your intended customer base. Opening a pastry shop in 'restaurant row' would be a great decision, while opening a beauty shop next door to a greasy auto repair service would be unlikely to appeal to your target female clientele.

Are there nearby points of interest that will complement your business? Think like a customer. Is the location close to flagship destination shops, walking trails, and close to easy-access roads and rail links?

Consider any Business Incentives

If your plans are to open your business in England, have you considered the **government-backed Enterprise Zones**? With business incentives of up to 100% business rate discounts, automatic planning permission for certain ventures, and superfast broadband, your enterprise could soon be a part of the economic boost these centres provide. Some of the industries clustering in these 'sectors of excellence' are financial services, bio-sciences, digital and creative services, engineering, automotive and renewable energy.

What are You Signing Up For?

One of the most important factors in choosing a location is the commercial lease you will be signing. The landlord has certain obligations to you, and in turn you will be assuming **specific tenant responsibilities** as well. You will want to research comparable properties for let, in the event that your terms may be negotiable; such as length of lease, cost of monthly rents and which maintenance and utilities are paid, and by whom. Before signing on the dotted line, be sure to have any lease properly reviewed by a lawyer knowledgeable in property contracts.



If you've found this book to be of help, please refer your friends to [Linkilaw.com](https://linkilaw.com) for a free book of their own. We are here for you, whenever you need assistance or advice from an expert lawyer. Remember, our system is trouble-free, transparent and trustworthy. Simply visit our quotes page, state your case, and receive multiple fixed proposals from experienced solicitors!

[Visit our quotes page](#)