



**Box room  
BUSINESS**

**How to start a business  
based in your home in the  
High Peak.**



**High Peak Borough Council**

*working for our community*

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### **Disclaimer**

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## Introduction

*“When I decided to set up my own web design business two years ago, working from home was a great option. It saved me money and enabled me to focus on getting on with the business.”*

**Andrew Wearden, Buxton Web Design**

Working from home has never been more popular and statistics suggest that more than 5.5 million people in the UK use their home as their primary place of work. There are more than 2.1 million home based businesses in the UK, and more than 1,400 new companies are started from home each week. It is estimated that home based businesses are worth £364 billion in turnover to the economy of the UK. It is likely that this trend will continue which makes home based businesses a vital part of the UK economy

For many people, the current climate is one of financial uncertainty and pressure, and either through choice or necessity, more and more people are thinking about how to set up a home based business. A business from home can either be a way of providing additional income which fits alongside your employment, or can be your main occupation.

This guide has been written to provide you with some background on the issues that might affect you in setting up a business from home and to provide you with some basic guidance on the issues that you will need to consider. It is important to recognise that setting up a business from home is not always practical or possible in every case.

### **Further Information / Suggested Reading**

[Government business web information](#)

## What you need to do in order to run a successful business

Self employment is not for everyone and unless you are honest with yourself, the dream of running your own business can turn into a nightmare.

Before you make the decision to go self employed and start your own business, you need to have a long hard think about whether it's the right choice for you and if you have the right mix of skills and qualities to make a go of it.

*So what key skills and qualities do you need?* The list below, while not exhaustive, covers some of the key skills and qualities you need. These are not the skills and qualities specific to your business idea: but the general skills and qualities that are needed to run a successful business.

### Personal qualities

- 1. Self Belief** – You need to believe that you can succeed and that you are the best at what you do. If you don't, then nor will your potential customers.
- 2. Are you prepared for hard work?** – Making your business work requires effort and dedication. You will need to have your family on board for this, especially if you are fitting your own business around other responsibilities.
- 3. Staying power and self belief** – Things won't always go smoothly. There will be set backs. You need to view these as learning opportunities. One way to manage this is to build a network of support around you - not just friends and family - although they are vital –but also think about getting a **mentor** or join a **networking group**. This won't just be a useful way of getting business but will also provide you with support and guidance.
- 4. Be Organised** – This is vital. You need to manage your time effectively and this is especially important if you are balancing running a family and a business. You will need to make phone calls; reply to e-mails; write blog posts for your website; meet customers etc. If you don't respond quickly and effectively, you will lose business and when you self employed losing business means losing money.
- 5. Risk** – Running your own business means that you are taking a risk. The risk that you won't have enough work; the risk that you won't have enough money at the end of the week to pay yourself; and risk to the investment you have put in. You need to think about how and where you should invest your money and how much you can afford to spend. All businesses will require some financial risk.
- 6. Pressure and Stress** – This is part and parcel of running a business. It can be just as much an issue for a successful business as for an unsuccessful one. Are you the sort of person that thrives on pressure?
- 7. Personable** – If you run your own business you need to radiate enthusiasm. If you don't, then people won't buy from you or won't come back for a second and third time. It is a well worn phrase that people buy from people – meaning, that if your customers like you, they are likely to return or recommend you.
- 8. Customer Service** - This is linked to being Personable, but no matter how happy and jolly you are, if your product is poor or your customer service not up to scratch, then you will struggle. Whatever business you run, customer service must be at the centre of it. Remember that a happy customer will, on average, tell another 4 people what a great business you are; but an unhappy one will tell 8 or 9 how poor the service was. Most businesses rely on referrals and recommendations from customers for further business, so focus on building a great customer service and experience.

## Business Skills

As well as personal qualities, you need to have business skills in order to manage your business successfully. It's not just about being a great plumber or web designer, (the technical side of running a business) but you also need a range of business management skills.

- 1. Financial** – Running a business involves being able to keep financial records both for your own benefit - so you can measure your performance and make decisions about how much money you can take out of the business and how much you need to invest - but also to be able to account for any profits to the Inland Revenue. You will need to manage your cash flow; pay suppliers and making sure that you get paid from your customers. In addition, you will need to put some sort of budget and forecast together for your business. You can employ an accountant to do some of this for you but you will still need some level of financial understanding to help you manage your business successfully. **If you have not got the financial skills as you start your business then you need to find some support in the form of training to fill the gap in your knowledge.**
- 2. Organisation and Administration** – Whatever business you are running you will need organisational skills. You will need to set up systems and business processes to make sure that you can deliver your product or service. For example you need to have a procedure for dealing with enquiries; issuing quotes, taking orders; making sure that you invoice for all the work that you have done or receive payment in advance. It can be a time consuming task and you need to keep on top of it.
- 3. Marketing and Sales** – Marketing is about communicating the benefits of your business to your target audience, and satisfying your customers needs and wants profitably. This is where many small businesses slip up. They start off with a couple of customers and are busy, but they ignore marketing and the work dries up. So they start doing a bit of marketing and get busy again. It's called feast and famine, and the way to avoid it is to build marketing into your daily / weekly routine.

### Further Information

- [Derbyshire & Nottinghamshire Chamber Business Training](#)
- [Derbyshire Enterprise Agency](#)
- [High Peak Borough District Council](#)
- [Government information](#)

## The Advantages & Disadvantages of setting up a Home Based Business.

Not everyone can set up a home based business and there maybe reasons why you might choose to use separate premises even if you could work from home.

If you want to open a shop you will probably need separate premises, or there maybe legal reasons why you cannot set up your business from home due to noise, pollution or the number of customers coming to the premises. However, if you can set up from home then there are some advantages and disadvantages that you need to consider.

### Advantages

- 1. Cost** – There are clear costs advantages to setting up as a home based business. You are saving premises costs and costs associated with renting or buying a separate business premises as well as on travel costs to and from your place of work. Working from home keeps your overheads lower in the early days and this reduces the pressure and financial risk to some extent.
- 2. Flexibility** – You can manage family and other commitments, including taking and collecting the children from school. You can decide when you work, choosing when you are at your most effective. However you need to remember that the customer comes first and flexibility needs to go hand in hand with good organisational skills. You also need to think about how you can continue to run your business during school holidays if appropriate.
- 3. The Environment** – There is some evidence that working from home can have advantages for the environment as less travelling means less carbon emissions.

### Disadvantages

- 1. Distractions** - Working from home can make it difficult to separate work and home life. Distractions can make it difficult to focus on your business. You need to be disciplined and ensure that you set boundaries on where and when you work. Time management skills are vitally important to running a successful business at home.
- 2. Isolation** - Working from home can be a lonely business. There is a danger that you may become isolated. There are things that you can do to avoid this such as joining a business network, and having the support of family and friends can help too.
- 3. Customer perception** – Some customers may be put off by the fact that you are home based. However there are practical things that you can do to overcome this such as using a free PO address. In most cases if you need to meet customers, this should be either at neutral premises or at their premises, so in practise customer perception can be less significant.
- 4. Separation of work and home.** – In the same way that home life can be a distraction, some people find it hard to walk away from work and switch off. This is about being disciplined and

organised, otherwise work takes over and it can put a strain on family life. Having a separate office within the house is very important. You can close the door, and it provides a level of security and avoids business getting mixed up with family issues. At the very least, you need to have separate cupboards or filing systems to help you to keep organised.

***Some Tips to consider***

- If you can, set up your office in a separate room. You may want to put a lock on the door. Make sure you have a decent chair, a good sized desk and plenty of shelving space.
- Think about setting up a PO Box. See the [Royal Mail website](#) for more details.
- You may want to have a separate telephone line for your business. A mobile number is okay but if this is your only number think about what this says to your potential customers.
- If you can afford it, have a separate computer for your business. It means you can have access to it whenever you need it and it increases security and reduces the risk that data may be lost. Obviously backing up your computer on a regular basis is vital.

## Ideas for running a Home based business

There are lots of businesses that can be run from home. The choice is yours. Some questions to ask yourself are:

1. Is there something missing from the market? - Have you tried to buy a product or service and been unable to find it?
2. Do you have a passion or hobby that you can turn into a business?
3. Do you have a trade or skill that you can turn into a business?

Other things to take into consideration are:

1. **Your health** – running a home based business can be ideal for people with long term health conditions, allowing you to work to your strengths, and in an environment that suits you.
2. **Commitments** – Going self employed may seem attractive in that it can give you the freedom to manage your work / home life balance. However commitments may place serious restrictions on the hours you can work and if you let customers down you will lose business.
3. **How much do you need to earn?** - Is your home based business going to be the main source of income? You need to be realistic about this and look critically at your business idea. Is there a big enough market for your product or service?
4. **How much money do you need to start up the business idea?** How much money will you need to start and sustain it during the first few months? Almost all business starts require some sort of money to get them going. You may need some office equipment such as a desk and shelving. You may need a new computer. You may need to invest in a website and some leaflets. And once you are started remember that there may be a delay in getting paid so you may need some money to buy stock that you can sell. There maybe some funding, either in the form of grants or loans that you can access to help you start up, but this is not guaranteed. Most businesses require financial investment from the person starting up themselves.

### ***Further information***

[Business in you](#)

[Enterprise Nation](#)

[Start-ups](#)

[High Peak Borough Council – current funding and grants](#)



## Why it is essential to do Market Research

Once you have chosen your home based business idea, you need to do some market research to see if there is a big enough market to enable you to earn sufficient money for your needs.

Market Research will help you to identify if there are enough people who will want to buy your product or service and be willing to pay enough for you to make a profit.

Once established, market research needs to continue as an everyday business activity to ensure that you keep up to date with who your competitors are and what your customers want.

### Identify who will be your customers

It is important to think carefully about this. If the answer to the question is 'anyone' then you probably need to think again. You need to identify a gap or opportunity in the market where your product or service will meet a need or solve a problem for a specific group of customers.

Some of the ways of identifying your customer group are:

- Is your business idea serving a local community? If so, then you may look to target customers living within a defined area.
- Will your business idea appeal to customers of specific ages?
- Will your business appeal to a specific type of Customer? e.g. direct consumers, other businesses, public or voluntary sector organisations

Once you have identified your customer group, you need to work out how to make that group of potential customers aware of what you have to offer and how to make them buy. Understanding your target customer group helps you to develop a marketing plan, which will enable you to turn potential customers into actual paying customers.

For your business to succeed your customer group should:

- Have enough potential customers in it for you to be able to generate a profit.
- Be growing, so that there is the potential for growing or at least sustaining your business.
- Have problems that need solving or needs that need meeting -which your business idea can satisfy profitability.
- Need something sufficiently different from the rest of the competition – so that your offer is attractive for them

### *Sources of Market Research*

**Census Information** –There is a lot of information available based on the [2011 Census returns](#).

**The Internet** – There are plenty of sources of information online, however you need to ensure that it comes from a reliable source.

**Government Information** – Check out the [www.gov.uk](http://www.gov.uk) website. It has information on starting up

and running a business in the UK.

**Local Authorities & Local Enterprise Partnerships** – Local Economic assessments may provide useful information on local trends on housing, employment etc. These should be available online.

**Surveys** – Not always easy to do, but you will be getting answers directly from your potential customers. Once your business is established, customer surveys are an essential way of getting feedback about how you are doing and how you can improve your business.

**Competition** – Visit them, either on site or online. Get them to give you a quote. Understand what the experience is like for you as a customer and look at ways to improve and build on the service that they offer.

**Libraries** – your local library can be a great source of information. Trade Directories will help you to identify the competition. You can look through the adverts in the local paper to see who is offering a similar product or service to yourself. You can get hold of copies of trade magazines or journals that are specific to your industry.

**Banks** – Your local bank manager is a good source of local information. They may be able to access business guides and other sources of information.

## Weigh up the Competition

Every business has competition. It may not be directly for the same product or service, but other businesses will be competing for the money that your customers have to spend. So it is important to understand your competition. To make this assessment you need to:

- List your competitors and the products and services that they sell
- Identify gaps where you can become a market leader
- List your Business concept strengths – what makes your idea better than the competition?
- List your Business concept weaknesses – where is your idea more fragile than the competition?
- List potential Business Opportunities – where do your competitors not go? What do they not do that you could?
- List potential threats to your Business idea – what could impact negatively on your business concept – how can you minimise this?

Fundamentally, you need to identify -what it is you are offering customers and how is that different or unique from the competition – and this will form the basis of your marketing plan.

## What is marketing?

Marketing is much more than simply putting an advertisement in a newspaper or sending out letters to prospective customers. It is about developing a process that enables you to identify customers; understand their needs and problems; and to devise a strategy for reaching potential customers so that you can promote the benefits to them of using your business.

### ***Step 1: Set out your marketing objectives***

- Identify the potential customers that you need to target
- Decide which products or services you need to promote
- Aim to build up a market position or brand awareness with your potential customers

### ***Step 2: What do you need to do to promote your business***

- Formulate your message. Stress the benefits that your customer will get from your product or service.
- Decide how you are going to get your message out there. (Website, direct mailing, advertising etc.) Are these locations that your target customer group will see?
- Learn from others (see guide on networking)
- Find out how your competition promotes their business
- Discover what works. You need to have a process to gather feedback from your customers on where they heard from you and why they chose you. This will help you identify which of the ways that you promote your business work most effectively. In addition, feedback can help you develop new products and services for your customers and is a key way to grow your business and to keep customers.
- Explore how you could use business credentials and testimonials from satisfied customers as a means of promoting your business

### ***Step 3: Make marketing part of your business processes***

- Work on customer retention. It's easier to sell more to existing customers than to find new ones.
- Get personal recommendations and testimonials from your customers
- Make sure that you use every contact with a customer as a way to delight them
- Work carefully on developing your business image.

### ***Further information***

[Video guide to market research for business](#)

[Video guide to selling](#) to customers and what options are right for your business.

[Prince's Trust information on market research for business plans.](#)

## What is networking and how can it help me?

### Introduction

Networking is a powerful way of building your business and enabling you to overcome isolation. Networking can also be a low cost marketing method for developing opportunities and contacts based on referrals and introductions. It's the old cliché *"It's not what you know but who you know that's important."* Think about both face to face and social media networking.

### Face to Face Networking:

1. Provides you with an opportunity to get sales leads either directly from the people you are networking with, or indirectly through the people that they know in their other networks by making referrals to you. It is a two way process so you can gain recognition and credibility by referring leads to people in their network. You can build your visibility and profile in your local area cheaply and effectively.
2. It provides a support mechanism. You develop a network of other people in business who you can call on for support, advice and guidance.

### Tips

1. At Networking Meetings it is usual for everyone in the room to get a chance to do a sixty second slot about their business and what they are looking for. So it is important to work out what you are going to say before you attend a networking event. Sixty seconds isn't very long but if you can structure it properly then you can get your message across effectively. Imagine you are in a lift with someone and in that short space of time that you are together you have to get across what your business does, how it can benefit them and what you are looking for from them.
2. Decide on which of the various networking groups that you want to attend and then attend them on a regular basis. Going once will not yield results. You need to attend regularly and get known. It is a proactive process. You need to make things happen.
3. Be prepared to help others. This will bring you results. Follow the principle that what goes around comes around.
4. Follow up from each networking event that you attend. A simple e-mail or phone call will do.
5. Be positive. Leave your troubles and issues at the door.
6. Try and develop a specialism. Get known as a specialist for something within the group.
7. Be different in the way that you describe yourself and your business.
8. Keep your integrity; build trust and your reputation.
9. Be a good listener.

10. Finally, networking isn't just about selling – and always having a 'hard sell' approach may restrict the kind of people who talk to you informally at networking meetings – People are often very open and willing to share information on new developments, new housing or local issues – all of which could be potential leads.

A list of networks is available in our [business pages](#)

## Social Media

Using social media to network, promote your business and attract sales can be a powerful and effective way of developing your business.

The main ways to do this are:

1. Build a website either as an online brochure or as a tool to sell directly to the public with an e-commerce site. Writing relevant articles and posting them to your website. This is known as 'Blogging' and can be an effective way of building up interest and credibility and getting people to your website.
2. Have a business page on Facebook
3. Use Twitter to gain followers and build credibility and to direct people to your website.
4. Have a LinkedIn Profile. This is important if your customers are other businesses.
5. Use e-bay to sell your products.
6. Sell your products through Amazon.co.uk Marketplace or other online shop groupings.

Social media tools can be an invaluable way of staying in touch with your existing customers. Once they have followed you, you can provide updates about offers, new products or simply stay in touch by posting information or news.

It takes a bit of time and effort to use the various tools effectively and it's probably a good idea to seek some help to get you started.

A good place to start is at [e- business club](#) They run events around social media. There are also a number of workshops on marketing, networking and use of social media delivered by partner organisations including [Business Peak District](#) and [Derbyshire Nottingham Chamber](#)

## Frequently Asked Questions

**Question 1** – Can I set up a business while claiming job seekers allowance (JSA)?

**Question 2** – Do I need to notify my employer if I start a home based business?

**Question 3** – What is the difference between being a business and just making some extra money as a second income?

**Question 4** – I live in a housing association property. Can I run a business from my own home?

**Question 5** – I own my own home. Do I need to inform my mortgage provider that I intend to run a business from home?

**Question 6** – Do I need to apply for planning permission to work from home?

**Question 7** – Can I employ people from my own home?

**Question 8** – Do I need to register my business with the HM Customs and Excise?

**Question 9** – At what point do I pay tax?

**Question 10** – Do I have to pay Tax and National Insurance on my home based business earnings even though I am only making a small amount of profit?

**Question 11** – What is VAT and do I need to charge it?

**Question 12** – Do I need to pay Business Rates on my home based business?

**Question 13** – Do I need to pay insurance for my home based business?

### Question 1: Can I set up a business while claiming job seekers allowance (JSA)?

Yes you can. However there are a number of factors to consider. You need to be:

- Working less than 16 hours a week.
- Available for employment.
- Be 18 or over but under state pension age.

You will need to get an agreement with your local Jobcentre Plus, and it is discretionary on their part.

If you have been unemployed for 26 weeks or more you may qualify for the **New Enterprise Allowance**. Ask your local Jobcentre Plus Adviser for further details

#### Further Information and Guidance

##### Job Centre Plus

National Telephone number 0800 055 6688

##### [Website](#)

Website to find local [Jobcentre plus contacts](#) (you will need your post code)

### Question 2: Do I need to notify my employer if I start a home based business?

The key to this question is what your contract of employment has to say on the matter. Every employee has a contract of employment with his or her employer, though this may not be in writing. You are entitled to a written statement of your main employment terms within 2 months of starting your employment.

The key thing to think about is if there a conflict of interest between your employer's business and your business idea. Are they similar, will they be in competition or will working on your home based business interfere with your ability to do your job adequately? - This is likely to be an issue if you are in full time employment than if you are working on a part time basis.

If you are unsure as to your position then it would be worth considering taking some legal advice to get clarification.

#### Further Information and Guidance

There is information on contracts of employment and written statements at the [directgov.uk](#) website.

### Question 3: What is the difference between being a business and just making some extra money as a second income?

If your idea involves one or more of the following then you are running a business (trading);

- Selling items that you have bought for resale
- Making items yourself, either from raw materials or by adding value to something, intending to make a profit.
- Selling items for other people, either through a shop, website or as an agent.
- Selling your services for a fee.

If one or more of the above apply then you are running a business and you need to think about the legal form the business will take and inform the Inland Revenue and possibly other statutory authorities (i.e. local authority, Health and Safety Executive, Food Standards Agency).

If you are selling items that belong to you because you no longer require them then this would not be classified as a business, though depending on what you were selling and how much you were selling it for (above the original cost of the item), then there may be tax implications.

#### Further Information and Guidance

Have a look at the [HMRC website](#)

### Question 4: I live in a Council House. Can I run a business from my own home?

There may be conditions attached to your lease or conveyance that restrict the way you can use the property. These may include restrictions on business use.

The lease may only make restrictions where they could impact negatively on the property or your neighbours but some leases require you to check for any business use. In many circumstances, even if there are restrictions on business use, if there is no impact on your neighbours, it maybe possible to have these restrictions waived. You need to check with the Council or housing association in the first instance.

#### Further Information and Guidance

High Peak Borough Council Housing Tel: 0845 129 7777/01298 28400

### Question 5: I own my own home. Do I need to inform my mortgage provider that I intend to run a business from home?

In most cases there will be a clause in the mortgage agreement that requires you to notify your mortgage provider if you intend to run a business from home. You will also need to notify your insurance provider.



You will need to check the deeds to your home. There may be a clause in the deeds (a restrictive covenant) that states that you cannot run a business from your home. In practice this is usually intended to refer to businesses that will attract visitors and customers or will be noisy and therefore cause a nuisance to your neighbours. If you are running your business from home and it is simple office or somewhere where you do your administration then there usually isn't a problem, but it is always worth checking your documents.

### Question 6: Do I need to apply for planning permission to work from home?

Not necessarily. The key question to ask yourself is: Will the character of the premises change as a result of me setting up a business from my home?

A few things to consider when thinking about this question are as follows:

- Will there be an increase in traffic to my home as a result of my business?
- Will there be an increase in the number of visitors as a result of my business?
- Does your business involve activities that would be considered unusual to a residential district? E.g. noise or smells from business processes.
- Will your business create a disturbance to your neighbours either during normal working hours or at unreasonable hours? E.g. second hand car business that created parking problems in the neighbourhood by parking its stock on the street

If the answer to these questions is **YES** or if as a result of your business your property has no longer become mainly a home, then you then you will probably need to apply for planning permission.

### Further Information and Guidance

**High Peak Borough Council Housing Tel: 0845 129 7777/01298 28400**

Website links:

[Planning guidance](#)

[Business Issues including licensing](#)

[Business rates](#)

### Question 7: Can I employ people in my own home?

Yes you can. However you will need to consider the following issues:

- Tax and Payroll issues – You will need to register with the HM Revenue & Customs (Inland Revenue) to set up a payroll scheme. Their [website](#) has all the information and contact details.
- You need to be aware of the [National Minimum Wage legislation](#).
- Employment legislation is a complex area and beyond the scope of this guide. The [ACAS website](#) also has a lot of guidance and information as well as a helpline that you can use. **It is advisable to seek independent legal advice when you decide to employ someone.**

- Health and Safety issues – As an employer if you employ someone from home or from business premises you will need to adhere to certain rules and regulations concerning health and safety issues. The [Health and Safety Executive website](#) contains guidance

### Question 8: Do I need to register my business with the HM Revenue and Customs?

Yes. If you are running a business or working for yourself you will need to register with [HM Revenue & Customs](#). They also a series of [pages and leaflets](#) as a guide to working for yourself and also run 'webinars' (short online training sessions).

Alternatively you can call 0300 123 1083 - Lines are usually open from 9.00 am to 5.00 pm, Monday to Friday (excluding bank holidays).

If you are forming a limited company then you need to register with [Companies House](#) in the first instance. Companies House will pass on the details to the Inland Revenue who will send you an introductory pack. This will include form CT14G new company details that you will need to return to the Inland Revenue.

### Question 9: At what point do I pay tax?

This will depend on how you have set up your business. The options are:

- Sole Trader
- Partnership
- Limited Company

If you are operating as a **sole trader** then HMRC will send you a self assessment tax return every April. You will need to complete this return and submit it to HMRC by the following 31<sup>st</sup> October if you wish to submit it as a paper return; or by the 31<sup>st</sup> January if you are submitting the return on line. Any tax and NIC that are due must be paid by 31<sup>st</sup> January to avoid incurring a penalty.

The income and expenditure that you record on the return will be from the previous 6<sup>th</sup> April to 5<sup>th</sup> April. If you have made a profit then you will be required to make a payment on account which will be set against the tax that you owe for the following year.

**NB** that profit includes any monies that you may draw out during the course of the tax year. These are added back to arrive at your taxable profit figure.

The same rules apply to partnerships; however you should be aware that each partner is solely responsible for their own individual tax liability.

If you set up a **limited company** to operate your business then different rules apply:

- If you pay yourself a salary then you will need to register the company on [a PAYE scheme](#).

- You will be liable for [Corporation tax](#) on the profits that your company makes and must register **within three months** of starting business activity.
- If you are setting up a limited company then you may want to consider using an accountant to help you with the paper work and filing of returns.

### Further Information and Guidance

#### [Start up Information and links](#)

[Tax Fact Help sheets](#) are available to

#### **Question 10: Do I have to pay Tax and National Insurance on my home based business earnings even though I am only making a small amount of profit?**

The answer to this question depends upon how much income you are making from your home based business and what other sources of income you have. All your sources of taxable income have to be added together to arrive at your total income on which tax and National Insurance is due.

For each tax year, everyone has a personal allowance. If your total income for tax purposes is below this figure then there will probably be no liability to income tax, however you still need to complete the paperwork.

**National Insurance** is slightly more complicated. If you are an employee and you have tax deducted under the PAYE scheme then National Insurance contributions will be deducted from your weekly or monthly earnings. If you are self employed you pay your National Insurance in two parts;

**Class 2 contributions** are paid weekly at the rate of £2.70 per week (2013-14 rate). There is an exemption that you can apply for if you believe your earnings are going to be low, (currently below £5,725 per year). To apply for the exemption see [HMRC website](#).

**Class 4 Contributions** are paid on the proportion of your taxable profits that exceeds a lower limit (currently £7,755 and below £41,450 for 2013-14) at the rate of 9% and above the upper limit at the rate 2%. See [HMRC website](#) for further information

### Question 11: What is VAT and do I need to charge it?

VAT is a tax that's charged on most business transactions in the UK. Businesses add VAT to the price they charge when they provide goods and services to:

- business customers - for example a clothing manufacturer adds VAT to the prices they charge a clothes shop
- non-business customers - members of the public or 'consumers' - for example a hairdressing salon includes VAT in the prices they charge members of the public

If you're a VAT-registered business, in most cases you:

- charge VAT on the goods and services you provide
- reclaim the VAT you pay when you buy goods and services for your business

If you're not VAT-registered then you can't reclaim the VAT you pay when you purchase goods and services.

#### ***You must register for VAT under the following circumstances:***

You are a business and the goods or services that you provide to your customers are "taxable supplies" then you will need to register for VAT under the following circumstances.

- your turnover for the previous 12 months has gone over a specific limit - called the 'VAT threshold' (currently £79,000)
- you think your turnover will soon go over this limit

You can choose to register for VAT if you want, even if you don't have to. The decision to do this would depend upon your individual circumstances but it might be useful if all your customers were VAT registered businesses.

#### **Further Information and Guidance**

You can find out more about [VAT and how to register](#)

### Question 12: Do I need to pay Business Rates on my home based business?

If you work at or from home, you should be aware that the accommodation within your home used as an 'office' may be liable to business rates whilst the remainder of the property will continue to be liable to council tax (although an alteration may be made to its banding).

There are many considerations that we must make in deciding whether a room in a house used as an office should be liable to business rates and each case is considered on its own merits.

As a general rule if you are using *part of a room* to run your business then there is unlikely to be any charge to business rates. However if you have a dedicated home office then you may well be liable to pay business rates. The valuation office has some useful case studies to explain this difference.

If you have built an extension or modified an out building specifically for the purpose of running a business then you will need to contact the business rates department of the council so that they are able to determine how much you are liable to pay. It is worth noting that there are Business rate discount schemes – information is available for High Peak Borough Council.

#### **Further Information and Guidance**

**[High Peak Borough Council](#) phone number 0845 129 7777/01298 28400**

**[Valuation Office:](#)**

#### **Question 13: Do I need to pay insurance for my home based business?**

Yes. There are certain types of insurance cover that you need to have. As a general rule it is wise to inform your home insurance company that you are setting up a business from home. They will have a standard package for home based businesses.

**1. Motor Insurance** If you use your car or a vehicle for business purposes then in addition to having the car insured for personal use, you will need to inform the insurance company that you are using the vehicle for business purposes. Your personal driving insurance could be invalid if you have not declared this business use.

**2. Employers' Liability Insurance** If your business employs other people (whether part time or full time) then you are legally obliged to have employers' liability insurance.

**3. Public Liability** insurance covers you for damage you may cause to a third party or to their property in connection with your business. It is optional but if you are selling goods to the public such as food, toys, gifts or clothes then it is often necessary to cover associated risks. If you propose to sell goods at fairs, markets or via shops, the organisers of these events or premises may require you to have this type of insurance.

**4. Property Insurance** – is also optional but if you have expensive equipment that you are storing in your home then it is worth considering.

**5. Other types of insurance** can be optional and they will depend upon the type of business you are running and the associated risks.

#### **Further Information and Guidance**

The **[British Insurance Brokers Association](#)** will provide guidance and advice. You can contact them on 0870 950 1790

## Check list of Actions

Some of the legal and statutory things to consider if you are thinking about running your business from home. This list is not comprehensive but covers some of the main things to consider.

Ref	Issue	Guidance	Check date	Notes
1	Mortgage Provider / Landlord	Check your mortgage and or tenancy agreement to see that there are no restrictions on running a business from home.		
2	Insurance	Contact home insurance provider to see if need to do anything. Consider: <ul style="list-style-type: none"> <li>• Public liability insurance</li> <li>• Professional Indemnity insurance</li> <li>• Employers liability insurance (if you are employing people)</li> </ul>		
3	Valuation Office	Check any requirement for business rates		
4	HMRC – Inland Revenue	Register as self employed and follow any requirements regarding tax.		
5	Health and Safety executive	Check any health and safety aspects of working from home.		
6	Local Authority	Check if planning permission is required for change of use.		
7	Legal Advice	Consider talking to a solicitor to discuss aspects of your home based business. E.g. Terms and Conditions		
8	Neighbours	Consider talking to neighbours about any impact on them or their property.		
9	Impact on benefits if applicable. <i>There maybe some impact on benefits if you set up a home based business – however, in the longer term, this could enable you to move off benefits.</i>	Contact your benefits office and explain what are proposing to do before you set up your business from home.		

## Further information and where to go for help.

### General Business Advice

[Gov.uk website](#) contains guides and information on all aspects of running a business. It has some videos and case studies as well. An excellent resource.

[HMRC website](#) contains guides information and forms that you will need in addition to contact telephone numbers. You can also find out information on HMRC webinars for people thinking of becoming self employed.

[High Peak Borough Council 's](#) website has an extensive business section.

[Princes Trust](#) – for people aged 18-30. Provides support including mentoring

[Prime](#) - The Prince's Initiative for Mature Enterprise –Supports business creation by the over 50s

[Mentoring](#) -

[Health and Safety Executive](#) –

[Information Commissioner](#) –independent advice and guidance about data protection and freedom of information.

### Business Start Up Advice in High Peak

#### High Peak Borough Council

- [List of useful guides and up to date information on sources of support for start ups.](#)
- [A-Z list of current funding and grants](#)

[Being your own Boss](#) one-day workshop to help you understand how to start up with follow up sessions focused on developing your business plan and marketing. [Facebook page](#)

[Derbyshire Enterprise Agency](#) provide free and confidential advice across North Staffordshire for new businesses. Call 01782 202222 to request a meeting or use the link above to request a meeting via the website. <http://www.business.org.uk/>

### Markets in the Peak District

[Buxton farmers market](#)

[Castleton farmers market](#)

[Whaley Bridge Farmers Market](#)

Traditional Markets are held in Buxton, Glossop, New Mills and Chapel-en-le-Frith. Contact [markets@highpeak.gov.uk](mailto:markets@highpeak.gov.uk) or phone 0845 129 7777

[Pavilion Gardens Specialist markets & fairs](#)

### Environmental Quality Marks and Accreditation

[Peak District Environmental Quality Mark](#)

## Case Study



**Wiff of the Woods**  
wiffofthewoods.co.uk

**Heather Smith of Wiff of the Woods explains how she started her business. [www.wiffofthewoods.co.uk](http://www.wiffofthewoods.co.uk)**

**Wiff of the Woods** makes craft supplies and gifts created using a scroll saw.

**How I decided I was ready to start my own business?** – I felt that I could not work for an organisation anymore and needed a new challenge. Not being able to work on my business idea all the time was frustrating and holding me back.

**What I did** – I started by making a range of products in my spare time at home, and giving or selling them to friends. Creating my facebook page was an important step. This enabled me to reach a larger audience, share ideas and the things that I was creating; generate an interest in my business and reach a wider audience than just friends and family. To help me understand about business, I attended a business start up course. This was useful as it gave me information and practical help about starting a business and I also got to meet other people in a similar position. I also read books and did a lot of internet based research. Talking to other self employed people was really useful as well.

**Is there anything you would have done differently or advice you would give to others to help them avoid pitfalls?** - Have a plan but don't be afraid to change your plan to ensure success. I now make products that the buyer finishes, as this is easier, more cost effective and involves less equipment.

**Are there any 'top tips' you would give to another person thinking of starting a business?**

- Always buy the best equipment you can afford, but shop around. Always ask yourself if the purchase is entirely necessary. Search on eBay for second hand equipment
- Start a facebook page and engage with customers. 40% of my sales come from facebook.
- Network with local groups such as Totally Locally & other trading groups can give great free support and can lead to real sales and increase your profile with other businesses.

This guide was written by Simon Fussell. Simon Fussell is an experienced Finance Director and Business Coach with a track record of delivering and implementing successful business strategies in both a manufacturing, contracting and professional services environment. In addition to working at board level in industry, he ran his own project management company and has spent the last ten years working with and supporting business start ups and established businesses. E-mail at [simon@stepchangesolutions.co.uk](mailto:simon@stepchangesolutions.co.uk)

