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Elmhurst's
guide to...

Setting up your Energy Assessment Business

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Introduction

Congratulations, you've completed your energy assessment training, and are now ready to face the world as a fully-fledged Energy Assessor. You have the technical knowhow and the skills to go and do the job, but you may be left wondering; what do I need to do next?

If you were thinking of going self-employed then this guide will outline some of the initial choices you may have when it comes to setting up a new energy assessment company/business.

Support

Elmhurst's technical support is pretty good at answering all your energy assessment related queries. However, if you want to obtain specific business support and advice, we would recommend using the support information provided on the .GOV website.

<https://www.gov.uk/business-support-helpline>

Disclaimer

The information presented in this guide is issued in good faith and was correct at the time of release. Before making a decision we strongly suggest you consult with a qualified lawyer or accountant to ensure that the choices you make are right for you and your business.

Useful Links

As well as reading this guide. We recommend visiting the government websites which provide a great step-by-step overview of the actions you can take when setting up a new business:

<https://www.gov.uk/set-up-business>

<https://www.mygov.scot/starting-business>

<https://www.nidirect.gov.uk/articles/starting-your-own-business-and-becoming-self-employed>

Setting up as a Sole Trader

A sole trader is a self-employed person who owns and runs their own business as an individual.

Advantages

Over half of businesses in the UK's private sector are set up as Sole Traders (the same can also be said for Energy Assessors). The main reason for this is due to how straightforward it is to get started as one, with typically less legal responsibilities, and minimal administration.

You also won't need to register your company with Companies House or file company accounts each year. You will however, need to complete a self-assessment tax return each year, detailing your income and expenses.

Disadvantages

As a sole trader, you will have to pay income tax on any profits your business makes, as there is no separation between you and your business. Ah well, every business pays tax, so what's the issue?

The issue here is that because there is no separation between you and your business, you will be personally responsible/liable for any business debt or losses if something goes wrong.



Quick and easy to set up



Less admin



You keep all profit after income tax



You're personally responsible for business debt/losses - high risk



You will need to keep records of all business sales and expenses for tax purposes



Steps to become a sole trader

1

Register for Self Assessment

You will first need to register for Self Assessment. This informs HM Revenue and Customs (HMRC) that you're self-employed and will ensure that tax can be calculated based on the income from your energy assessment work.

You will need to complete a self assessment tax return each year. You can submit this online or can send it to HMRC via post. It is worth keeping an eye on deadlines for tax returns to avoid any penalties.

Register for Self Assessment:
<https://www.gov.uk/log-in-file-self-assessment-tax-return/register-if-youre-self-employed?step-by-step-nav>

2

Name your business

You can trade under your own name, or can choose another business name. Any business name you choose as a sole trader must not:

- Include the word 'limited', 'ltd', 'limited liability partnership', 'LLP', 'public limited company', or 'plc'
- Be offensive
- Be the same as an existing trademark

You do not need to register your business name but you can register it as trademark to stop people using your business name.

3

Register for VAT (optional)

You don't need to register for Value Added Tax (VAT) unless your VAT taxable turnover in a 12-month period, exceeds or is expected to exceed, the threshold of *£85,000.

You can choose to register for VAT voluntarily as there is a chance you can reclaim some VAT and could build a positive impression amongst clients. However, the amount you charge for your energy assessment services will likely increase, as will the paperwork and accounting that is required.

*Correct at the time of release but subject to change. Please check with HMRC.



Setting up as a Limited Company (Ltd)

If you would like your energy assessment business to be legally separate from you (the owner) then a limited company structure may be the way to go.

Even if a company has only a single individual involved with it and that person is the only shareholder and director, the company can still be considered as a separate legal entity.

Advantages

The simple reason why many consider the limited company route is due to the added protection and lower risk that it brings with it.

As a limited company your own personal finances are separate from the company's, which means if things go wrong, you won't be personally responsible/liable for any of the company's financial losses.

Being a limited company may also give you more credibility when approaching clients and banks, allowing you to win bigger contracts and gain easier access to finance.

Disadvantages

The main drawback of this business structure boils down to time and potentially cost.

More documentation is required to initially set up as a limited company, and there is greater legal responsibility and administration required for maintaining the company records as well as the financial & accounting records.

As a result of this, you may need to spend money to ensure that bookkeeping activities and accounts remain up to date.



Your's and the company's finances are separate



You will not be personally liable for business losses



The company keeps all profit after corporation tax



The company can have shareholders



More time and money likely to be spent on administration and accounting



Not quick to setup



Need to keep company records



Need to keep financial and accounting records



Steps to become a Limited Company

1

Name your company

As a limited company, you must choose a name for your business. To avoid any complaints, it is best to ensure that your business name is not the same as/similar to another company name or trade mark, and it should not be offensive in any way.

Your business name must also end in either 'Limited' or 'Ltd' (if your company is based in wales then the welsh equivalent is fine to use here).

You can check the availability of a company name through the 'Companies House Company Name Availability Checker'.

2

Pre-registering your company

There are a lot of decisions which need to be made before registering your limited company. This includes:

- Deciding who will be the directors, shareholders and person with significant control (PSC)
- Completing documents which state how you're going to run your limited company (memorandum and articles of association)- agreed and signed by shareholders and directors
- Deciding how your company and financial & accounting records will be managed, as well as who will be responsible for them

Much of the above may become easier if you are the sole director and shareholder of the company.

More information available here: <https://www.gov.uk/set-up-limited-company>

3

Register your limited company

Once step 2 is complete, you can register your company online through a government website for a small fee (other options for registering are available). At the same time as registering your company you will also be able to register for corporation tax.

When registering you will need to supply some personal information (examples online) about yourself and your company's shareholders - so it's worth having this to hand.



4

Register for VAT (optional)

Registering for VAT is the same regardless of whether you are a limited company or sole trader. You must register your company for VAT when:

- The VAT taxable turnover of the business is expected to exceed *£85,000 in the next 30 days
- Your business had VAT taxable turnover of over *£85,000 over the previous 12 months

You can also choose to register for VAT voluntarily.

*Correct at the time of release but subject to change. Please check with HMRC.

Part time/free lancing

It is common for individuals to undertake energy assessments on a part time basis; either to fit in with their lifestyles or perhaps to supplement income from employment elsewhere.

If you are running a business for yourself, either part-time or full-time and are earning more than £1,000 a year from your energy assessment services, you are considered to be self-employed by HMRC and will need to adopt a business structure mentioned in this guide.

Both employed and self-employed

In some circumstances you may be considered both employed and self-employed. This may occur when an individual is employed by a company, but still undertakes energy assessment work for their own business. If you are considering this it is worth reviewing your contract and speaking with your employer first to ensure there is no conflict of interest.

One thing to note here is that even if your income is taxed through the Pay As You Earn (PAYE) system, HMRC will also expect you to file a self-assessment tax return for the income from your own business.

Partnerships

A partnership arrangement is similar to that of a sole trader, with one big difference; the business has more than one owner.

All partners gain a percentage of the profits, and they must pay income tax on that percentage. There is also less risk with partnerships due to the shared responsibilities for bills/purchases and business losses.

When setting up a partnership, you may want to put a partnership agreement in place which establishes clear terms and conditions. Having a legal document such as this can help partners avoid future disputes and conflicts

More information about Partnerships:
<https://www.gov.uk/set-up-business-partnership>



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For further information about the services
that **Elmhurst Energy** provides please visit:

www.elmhurstenergy.co.uk

or call:

01455 883 250