

Starting a business?

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The legal tips and requirements you need to know.

Starting a business in England and Wales can be an exciting and rewarding endeavour. However, navigating the legal requirements and obligations can be complex and overwhelming. To help you on your journey, we have compiled a comprehensive guide to the legal tips and requirements for launching your business. From registering your business to understanding employment law and consumer protection, this article provides essential information to ensure compliance and success.

Choose your business structure

Before starting a business in England and Wales, you must decide on the appropriate business structure. The most common options include being a sole trader, a limited company, or a partnership. Each structure has its own legal implications and requirements. It is essential to consider each structure's advantages and disadvantages before deciding.

Sole trader

A sole trader is an individual who runs a business on their own. It's the simplest form of business structure, with the individual being the sole owner and responsible for all aspects of the business. The owner retains all profits but is also personally liable for any debts or legal issues the business may face. Many choose this option because it offers flexibility and minimal administrative requirements, making it easy to set up and manage.

Limited company

A limited company is a separate legal entity from its owners (shareholders). The company's liability is limited to the value of its assets, and shareholders' personal assets are generally protected from business debts.

Two main types of English limited companies exist: private limited companies (Ltd) and public limited companies (Plc). Setting up a limited company involves more administrative work and financial reporting obligations than being a sole trader. Shareholding determines the ownership, and businesses can distribute profits to shareholders as dividends.

Partnership

A partnership involves two or more individuals (or other entities) coming together to run a business. Partners share responsibilities, profits, and losses based on the terms outlined in a partnership agreement. There are different types of partnerships, including general partnerships and limited partnerships. In a general partnership, partners have joint and several liabilities, meaning they are collectively and individually responsible for the partnership's debts. Limited partnerships consist of general partners with unlimited liability and limited partners who are only liable up to the amount they invested.

Register your business

Once you have chosen your business structure, the next step is to register your business. This process will vary depending on the type of business structure you have selected. For instance, if you are a sole trader, you must register with HM Revenue and Customs (HMRC) for tax purposes. On the other hand, if you have opted for a limited company, you will need to register with Companies House.

Business insurance

Protecting your business is crucial, and obtaining the appropriate insurance coverage is an essential part of this

process. While certain types of insurance are mandatory, such as employer's liability insurance, which covers compensation costs for employee injuries or illnesses, other types of insurance, such as professional indemnity insurance, may be specific to your industry. It is vital to assess the risks associated with your business and consult an insurance provider to determine the most suitable coverage for your needs.

Acquire industry-specific licences

Certain businesses require industry-specific licences or permits to operate legally in England and Wales. These licences can vary depending on the nature of your business, such as selling food, playing music, or operating as a street trader. It is crucial to research and understand the licensing requirements specific to your industry and comply with them to avoid any legal issues or penalties.

Understand employment law

If you plan to employ staff for your business, familiarising yourself with employment law is essential. You must understand the rights of employees, anti-discrimination laws, and the obligations of employers. It is crucial to create written employment contracts or statements that outline the terms and conditions of employment, including pay, working hours, and holiday entitlement.

Additionally, you must comply with minimum wage laws and ensure that you have proper procedures in place for disciplinary actions or grievances. Our employment team can help you with all aspects of employment law.

Comply with data protection laws

In an increasingly digital world, businesses must adhere to data protection laws to safeguard the personal information of their customers and employees. The General Data Protection Regulation (GDPR), made part of English law, sets strict rules for businesses that collect, process, and store personal data. It is essential to have a comprehensive data privacy policy in place that outlines how personal data is collected, used, and protected. Additionally, businesses must obtain explicit consent from individuals before processing their personal data. They must take appropriate measures to ensure data security.

Develop internal legal documents

These documents can include a privacy policy, terms and conditions of service, employee contracts or handbooks, and any other policies or procedures specific to your business. These documents legally protect your business and provide clarity and transparency to your employees and customers, creating a solid foundation for your business.

Health and safety obligations

Creating a safe and healthy work environment is a legal obligation for businesses in England and Wales. You must have a written health and safety policy if you have five or more employees. This policy should outline the steps you will take to ensure the safety and well-being of your employees, identify potential risks, and establish procedures for reporting accidents or incidents. You should conduct regular risk assessments to identify and mitigate any hazards within the workplace. It is also essential to provide appropriate training to your employees to ensure they know health and safety protocols.

Other legal obligations

In addition to the above, there are various other legal obligations that businesses in England and Wales must comply with. These may include, but are not limited to, compliance with consumer protection laws, such as the [Sales and Supply of Goods Act](#) and the [Trade Descriptions Act](#). Depending on your industry, you may also need to adhere to specific regulations, such as the [Modern Slavery Act](#) or website legal obligations. Staying informed about the latest legal developments and seeking professional advice when necessary is crucial to ensure compliance with all relevant laws and regulations.

Conclusion

Starting a business in England and Wales requires careful consideration and adherence to various legal requirements. From choosing the correct business structure to registering your business, obtaining the necessary insurance, and complying with employment and data protection laws, you must take several key steps to ensure legal compliance and protect your business. By understanding and fulfilling these legal obligations, you can lay a solid foundation for your business and set yourself up for success.

Remember, it is always advisable to seek professional advice from legal and financial experts to ensure compliance with the latest regulations and to address any specific requirements that may apply to your business. Doing so allows you to confidently navigate the legal landscape and focus on growing your business.

Contact corporate partner [Victoria Holland](#) and her team today.

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Note: This article is not legal advice; it provides information of general interest about current legal issues.

