

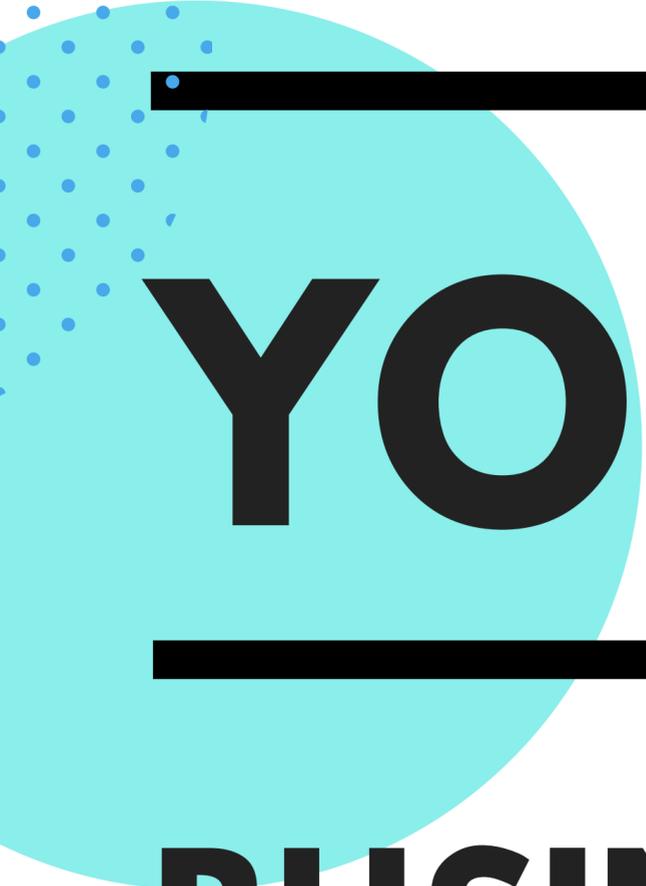
Michael Rossman  
Co-Founder, MachFast.com

# STARTING



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# YOUR



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# BUSINESS



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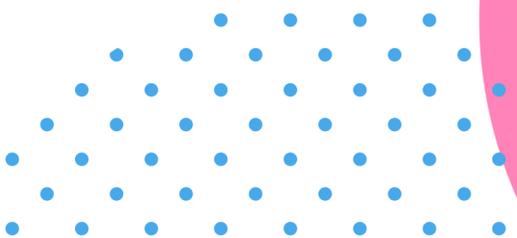


A simple & practical guide to  
getting your business and  
company going

**MACHFAST.COM**



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## **Introduction**

I founded MachFast.com to help every entrepreneur in the United Kingdom to get going quickly and grow their businesses. Starting companies is fantastic. Small and Medium Sized businesses generate most of the economic activity in the UK and employ the most people.

Passion for a particular craft, profession, or calling is what drives many people to start their own businesses. That is certainly my case. I believe that technology should make our daily lives easier, personal and professional. We created this guide based on my professional experience in banking and startups, with a few academic insights from my alma mater, The University of Chicago.

The reality is that small businesses often do not get the best service or price. Most small business owners are short on time and financial resources to grow their businesses.

At MachFast.com we are making life easier for small businesses. This guide is designed to help you to get going. We focused our guide on how you can get going quickly. Going from zero to starting is one of the most challenging steps in any business venture.

In this guide you will learn about different business structures, how to research your ideas and how to think about money.

I hope you enjoy this guide and wish your new business fantastic success!

Michael Rossman  
Co-Founder  
MachFast.com

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*"Success is liking yourself, liking what you do, and liking how you do it." – Maya Angelou*

# Different Business Types

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Sole Traders, Limited Companies &  
Partnerships

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## Chapter 1: Business Types

Many people have often dreamed of starting a business, but they also find it daunting. There are long working hours, irregular income, or even doing your own accounting. It might seem too much.

Becoming self-employed has its advantages. You will be working for something that you are passionate about. You can have control over your work hours and your income. You will have time for your family and be your own boss. Starting your own business provides you with more versatility compared to choosing employment under someone else's supervision.

Businesses can take different forms. You can be a Sole Trader, a Limited Company or a Partnership. Each has its own advantages and disadvantages.

### 1. Sole Trader

A sole trader is one of the most simple business structures. For this reason, many self-employed people prefer to use this because it is convenient to set up.

All you need to do is to [register as self-employed](#) with HM Revenue & Customs (HMRC).

As a Sole trader, you will run your own business as an individual. You can get to keep any of your after-tax profits.

A key thing to consider is in this business structure your personal and business assets aren't separate. If you have debts connected to your business, you will be responsible for those personally. You can get insurance if you want to lessen the risk.

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## Chapter 1: Business Types

### 2. Private Limited Companies

Private Limited Companies (Ltd) have their own legal entity. This means they are separate from the people who own and operate the business.

In addition to being a separate legal entity, your liabilities as an owner (shareholder) is limited by the share capital.

#### The top 5 limited company benefits are:

1. Limited Liability Protection;
2. Ownership structure;
3. Separate legal status;
4. Business credibility;
5. Branding & intellectual property.

Limited companies are not just for complex businesses or fancy startups backed by venture capitalist firms. Many sole traders, contractors and small & medium-sized businesses may benefit from being a limited company. Limited companies often get special business deals from service providers.

If your business provides products & services to other businesses, then your customers may want to deal with a limited company rather than a Sole Trader.

Limited companies are very popular in the UK. 600,000–700,000 new limited companies are formed every year in the United Kingdom.

Visit the [MachFast Limited Company blog](#) to read more. You can also use our [free limited company registration app](#) and get a free bank account if you are ready to launch your company.

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## Chapter 1: Business Types

### 3. Partnerships

Partnerships are very popular among certain professions, such as solicitors, accountants, architects. When you enter into a partnership, you go into a business with one or several partners. You and your partners will then have a shared responsibility for the business.

In this business structure, it is important that a Partnership agreement exists. The contract determines everyone's share in the profits. All the members of the agreement shall be equally liable in a Partnership. This refers to how all partners will be responsible for any debts, either in full or individually.

The members will need to give a Self Assessment tax return for their own share of the profits. For the nominated partner, they will have to send a Partnership of Self Assessment for the business. You can register as a partnership with HMRC by following this [link](#).

#### Limited Partnership

In a Limited Partnership, there must be at least one general partner and one limited partner. The former has the duty of running the business and handling the debts. The latter is only liable for the amount originally invested in the business.

#### Limited Liability Partnerships

In Limited Liability Partnerships (LLPs), you'll find a mixture of a Partnership and a Limited Company. Similar to Partnerships, several people can start the business. Like Limited Companies, it needs registration with Companies House. It must have an appropriate name and address, and at least two shareholders. To read more about limited liability partnerships check out our [blog](#) on the topic.

# YOUR BUSINESS STRUCTURE OPTIONS



## SOLE TRADER

Get going quickly

Being a sole trader has many advantages. The one big disadvantage is your unlimited liability.

## LIMITED COMPANY

Get going quickly + limited liability

A limited company is a great way to start with limited liability. A great option if you are selling to businesses. This is the most popular form of business in the UK after Sole Traders.



## PARTNERSHIPS

Great for many professions

A partnership is a great option for many professions such as lawyers, accountants etc...



## LIMITED PARTNERSHIPS

A hybrid of partnerships & limited companies

Limited partnerships are more complex to set up, but can deliver great benefits that combine the flexibility of partnerships with the benefits of limited companies.



### A PRO TIP

If you are starting a business with partners, then a Limited Company or a Limited Liability Partnership are the better options.

*"Luck is where opportunity meets preparation" - Seneca*

# Preparing to Start

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Budget, Taxes, Insurance

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## **Chapter 2: Preparing to Start**

There are a lot of things to consider when becoming self-employed or starting a business. First up, let's talk about budgets.

### **1. Budgets & Business Plans**

#### **Determine Your Budget**

Before beginning with anything else, you need to figure out your budget. Identify all the required costs to get your business off the ground and become operational.

These expenses might include renting a business location, purchasing a company vehicle, and more. You need to budget your expenses. You should know how much of your own money you can afford to invest. If you don't have enough budget, you can consider getting a business loan.

#### **Create a Business Plan**

You must make a business plan. It will help you develop ideas and set out your objectives. By using a plan, you'll figure out what you want for your business.

Another benefit of business plans is that you can present them to potential investors or banks. If you want to raise money for your business, you need to impress them with a well-rounded plan. You need to be transparent and realistic about your business' costs and earning potential.

See Chapter 4 where we cover business plans in more detail.

**A PRO TIP**

Only register for VAT if you have to do it for your business. Many businesses are not VAT registered.

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## Chapter 2: Preparing to Start

### 2. Taxes & VAT

#### Remember to Pay Your Taxes

When you set up your own business, you will need to register for Self Assessment. This is so you can pay your own taxes. For self-employed people, they pay taxes and National Insurance on self-employed earnings in arrears. So, this means you'll have time to prepare for substantial bills. In limited liability partnerships or private limited companies, you will need to pay for corporation taxes.

#### Register for Value Added Tax (VAT)

Businesses that are VAT registered, charge VAT on the services and goods they supply. You should register for VAT if your business has a taxable turnover of at least £85,000 or more. But it doesn't mean that businesses who have a turnover below this cannot register. Some businesses might benefit from registering.

#### Maintain record-keeping

Those who will be self-employed for the first time need to understand record-keeping. This is how you will keep track of what you are charging your clients and any business-related expenses.

These records include receipts, invoices, till rolls, and bank statements. There's no requirement to send records when you submit a tax return. However, you must keep them for five years.

A tip is to use cash basis accounting as a sole trader or partnership. You must also have a combined annual turnover of less than £150,000. This accounting lets you pay tax and claim expenses the moment the money leaves or enters your account. This is important since it could change the year you pay tax on an income.

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### A PRO TIP

Hire accountants that use standard cloud/internet software, like Xero. It will save you time & money.

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## Chapter 2: Preparing to Start

### Consider an accountant

The choice is up to you on whether to hire an accountant. For businesses that are brand new, you might be able to manage it yourself in the short term.

However, we believe that hiring an accountant is crucial. You'll need proper advice on tax planning and offsetting expenses against income. Choose an accountant from a relevant trade body such as the Institute of Financial Accountants (IFA).

### Use Bookkeeping Software

If you want to do the bookkeeping yourself, to make it easier for you, use bookkeeping software. This will automate your records and make it easier to handle. There are various commercial software suppliers you can check out. You can try out those listed on the HMRC website [here](#).

### 3. Insurance

An absolute must for operating your business is to have insurance. There is a variety to choose from. For instance, if you use different equipment for your business, you can get those insured. Besides that, since you don't have an employer to depend on, you can get personal insurance.

# Your Preparation Cheat Sheet

Use this simple cheat sheet to get going

## Budget

Determine your budget and how much money you will need to survive to start your business and survive until you generate sales.

STEP  
01



STEP  
02

## Business Plan

Write down how you will get your first sales. What resources do you need?  
How much time?

## Taxes

Don't forget to register with HMRC when you get going. Make sure that your tax affairs are in order.

STEP  
03



STEP  
04

## Record Keeping

Good record keeping is good for your business and tax compliance.

## Insurance

Make sure that you have a proper business insurance.

STEP  
05



*"A moment's insight is sometimes worth a life's experience." - Oliver Wendell Holmes Jr.*

# Business Idea Research

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Target market, Customers, USP,  
Competition

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## Chapter 3: Research

When you research a new business idea, you may want to answer a few basic questions. When you are thinking of starting your own business, research plays a very important part. After all, you want to know who your customers are, what they want, who are your main competitors and how much you can charge for your products & services.

### A PRO TIP

Business research is not a school exercise. Focus on the practical bits- sales & marketing - real numbers - real customers - real problems to solve. Avoid theorising.

Top MBA schools spend a lot of time teaching their students basic & more advanced principles of research. Among the most famous and often quoted business school frameworks are [Porter's five forces](#).

Systematic research of your business idea is a complement to your knowledge, skill and expertise that you may already have in your industry and sector. In some cases, you may already have clients and provide services (for example lawyers often set out on their own and take their clients with them). In that case, market research is a bit faster & has to do with 'growing' your business rather than starting from scratch.

Assuming that you are starting from scratch, below are a few pointers on how you may structure your research. These are basic foundational ideas that you may want to explore further. Each industry has its own nuances that may require a unique approach.

For example, if you wanted to start a coffee house, you may want to stand in various city corners to measure foot traffic at existing coffee chains etc....

To begin structuring your research, ask yourself these questions:

**A PRO TIP**

Check out your competitor reviews to see what your ideal customers are happy about and what they are frustrated with.

---

## Chapter 3: Research

### 1. What is your Target Market or who are you selling to?

Are you selling to businesses or to individual consumers?

Are you selling a service, a product or both?

When you do your business idea research, start with a deep understanding of your target market. That will create a great foundation for your business.

### 2. Who is your ideal customer and how big is the marketing opportunity?

When you research a new business idea, quickly figure out who your ideal customer is.

For example, for [MachFast.com](https://machfast.com) our ideal customer is a UK resident who is keen on starting a business and incorporating a limited company to get going. Our customers are short on time, & prefer a simple easy way to complete admin tasks.

#### Know your customer demographics

If your product or services are aimed at individual consumers, then you may want to have a demographic profile figured out.

A demographic profile is a simple description of various customer characteristics that may apply, on average, to your ideal customer.

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# EXAMPLES OF HOW TO DEFINE AN IDEAL CUSTOMER

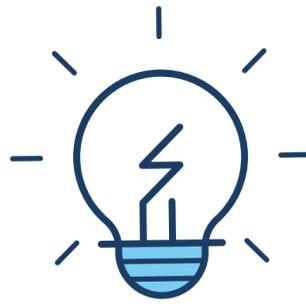
## HOW OLD IS YOUR IDEAL CUSTOMER?

Age and life experience make a big difference in your customer's purchasing decisions. If your customer is a business, what level of seniority are you selling to?



## WHAT PROFESSION IS YOUR CUSTOMER?

Are you selling to tradespeople, the general public, scientists? If you are running a high street store or a restaurant, this may make a difference. For example, many fast-food restaurants cater to different professional demographics. This also impacts your price points.



## KNOW WHAT YOUR CUSTOMERS LIKE

What do your customers like about existing products and services? What do they not like? This is important as you will need to understand how to market & sell your services vs. the competition.



## RUN SURVEYS, TESTS AND EXPERIMENTS

The best way to get to know your customers is to talk to potential customers (or existing if you happen to have them). Ask them about their experiences; show them test products. Ideally, you want your customers involved in regular feedback



### A PRO TIP

Be systematic talking to your customers. Get detailed feedback and reviews for your business.

**A PRO TIP**

Regularly review and test competitor products & services. You may be surprised.

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## Chapter 3: Research

### 3. How big is the market opportunity?

Figure out how big your market opportunity is. Are you targeting a small niche market or a national/international client base? For example, MachFast.com is built for nearly 700,000 new companies that get started every year in the UK; but we built the technology that can work in other markets as well.

Answering the basic questions above will allow you to figure out how your product and/or service may be useful to your ideal customer in a way that fits their lifestyle service and product preferences.

### 4. Know your competition

Unless you are a theoretical physicist or mathematician, and your ideas are in the realm of artificial intelligence, you will likely face competition from other products and services.

The best example is restaurants. Thousands start and fail each year. Despite Covid-19, many restaurants will continue to open and close. Diners have an amazing choice of where to dine or order delivery from.

If you don't know your competition, and what makes you different from them, you are unlikely to succeed. For example, if you are thinking of setting up an electronics shop, will you be able to beat Amazon.com? Or Argos around the corner?

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## Chapter 3: Research

### 5. What is your Unique Selling Point (USP)?

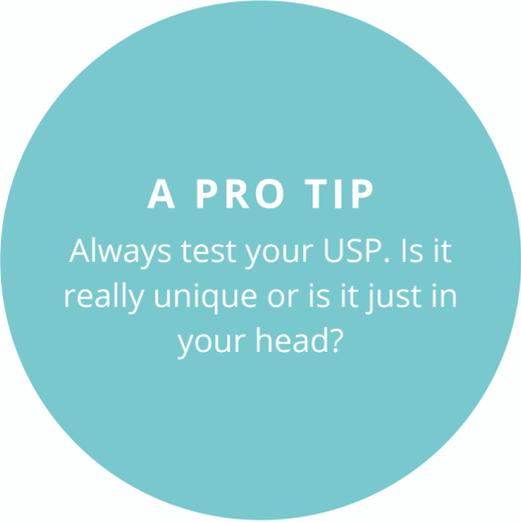
#### Every business needs a USP!

You must have something special in your business that attracts customers. Your sauce is the spiciest in the market, your strawberries are the sweetest, your mousetrap is better, your car is faster, your quality is the best and/or your price is the cheapest.

You may be the only expert in the field, or you may have a patent and nobody can replicate what you have without paying you money.

For example, Sir James Dyson completely reinvented a vacuum cleaner; patented his ideas, and became a billionaire on the back of a very unique design, an appeal to aesthetics and exceptional engineering.

As Steve Jobs famously said: "You've got to start with the customer experience and work backwards."



#### A PRO TIP

Always test your USP. Is it really unique or is it just in your head?

*"Everybody has a plan until they get punched in the mouth." Mike Tyson*

# Business Start Check List

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4

Are You a Doer?

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**A PRO TIP**

Try to avoid creating solutions chasing for problems to solve.

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## Chapter 4: The Check List

Now that you've made your considerations and have the necessary infrastructure in place, it's time to start taking action and put your plan into action.

### Know what you are selling

Know what you are selling, or planning to sell. If you are thinking about starting your business, you may already have an idea of what your business will be selling. We all come from different walks of life. That influences what business ideas we may have and how we arrived at these ideas.

For example, if you are a property solicitor, a plumber, an accountant or a doctor, your new business may be directly linked to your profession (and perhaps you already have a few clients).

Ask yourself the following questions:

Am I solving a specific problem in the market?

Do potential customers want my products and services?

Do I have skills/capital/partners/time/energy etc... to make this business a reality?

Can I make a decent living from this business?

Challenge yourself, ask others, speak to friends, family and colleagues (or ex-colleagues) whose opinion you value and trust. You do not have to agree with them- just listen to what they have to say. Don't forget to research your competitors, as this will help you position your business within your niche.

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## Chapter 4: The Check List

### Are You a Doer?

One of the most important questions you may want to ask yourself – are you a doer?

That may seem like an obvious question. Sometimes, the most obvious questions are the most important ones. This question is very specific to the practical side of running a business.

Are you interested in learning new skills/information/ technology?

Are you prepared to 'burn the midnight oil' and work long hours to get your business off the ground?

Are you able to deal with failures, frustrations, dead ends etc...?

Are you prepared to do work that you may consider beyond your immediate abilities, experience, or professional status? (e.g. if you are a Barrister who wants to start a business, do you need a Clerk at your side to do the admin work for you?).

### The Business Plan

When you set out to set up a new business, make sure basic business planning is in order. Write down business objectives, what resources you need to get your first sale and how much time you will need until your first sale. Attach pounds and pence next to each item. Try to be as precise as possible– it is important to know what you are getting yourself into financially.

Unless you are a tech start-up or looking to raise significant money, your business plan does not need to be very complicated. A basic business plan helps you to get organised & manage various bits that need to get done.

### A PRO TIP

A business plan should always evolve. Regularly adjust your planning as your business develops.

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## Chapter 4: The Check List

Frankly, you can do it on the back of the envelope, a napkin or any other way you find easy for you to use.

We put together [10 Business Plan Questions](#) you need to answer to help you get going.

We also have a one-page business plan template that you can use. Check out the next page.

### Advanced Business Planning

If you are seeking to raise outside funding, [StartUp Loans](#) has an excellent business plan template that is slightly more detailed than a 1-pager.

If you are seeking to raise money to start a business, then investors and/or banks will want to know & track your progress. Always remember, that 'cash is king'. Regardless of how well you plan, if you're not able to manage your finances, the best plan in the world will not help you.

### Real Life & Business Plans

Consider your initial plan as a roadmap that will change daily, but will help you keep focused & organised. Starting a business is the art of zig-zagging, experimenting, failing & finding a formula that works well for your particular circumstances. A business plan simply helps you to keep track of all the zigs and the zags.

We have a sample [vending machine business plan](#) that you can check out if you need some inspiration.

# BUSINESS PLAN

ONE PAGE THAT IS ALL YOU NEED

## WHAT ARE YOU SELLING?

Try to be as specific as you can describing your business. Where do you want to see the business in 1, 2, 3, 4 years?

## HOW DO YOU PLAN TO OPERATE AND GROW THE BUSINESS

Will you hire employees, open up branch outlets or take the business public? What operations do you need to set up?

## MARKET ANALYSIS

Who is your competition? What are their products and services? What do customers like or not like about existing solutions?

## MARKETING & SALES

How do you plan to sell and market your products and services?

## MONEY

How much do you need to survive the first x months or x years? How much will you need to spend / month before the first sale?

### A PRO TIP

Double all your estimates. If you think it will take 1 month to get a sale, make it 2 months. If you think you need £10,000 make it £20,000

Information source  
<https://MachFast.com>

*"You don't have a business until you have a paying customer", Chicago Booth Business School Professor.*

# Money & Business Finance

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## Chapter 5: Money

First, figure out how much money you will need to start and run your business. If you have done all your homework and budget planning, you should have a good estimate of the amounts.

You can use basic math to add up all the expenses that you are likely to face (don't forget that you will need to feed yourself and your family).

### A PRO TIP

Always be on top of the amount of money that you need and where that money is coming from.

The above is how much money you may need to finance. Let's call this money your Startup Capital.

The next big question is where is the Startup Capital coming from?

Before launching you need to quickly figure out how you will fund our business. Ideally, you can finance your business yourself.

Many small businesses do not require large capital expenditure. Savings and sales revenue is the most efficient way to fund your business. If you have sufficient savings and are comfortable with the risks, go ahead. If you can get revenue into the business quickly – that is the best form of financing.

If you are not able to finance the business yourself, or if you have a limited budget then you have to look where else you can get the funding you need for your new venture. Ask yourself:

Do you want to borrow money from your family or a bank?

Do you want to get money from investors?

Are there government grants or loans that you can access?

# TOP TIPS FOR FUNDING

## 01 BOOTSTRAPPING

Bootstrapping is the quickest way to get going. You fund yourself, but remember you have to eat!



### A PRO TIP

Make sure you understand how cash flows in your business! Review your daily accounts, know your projected spending & revenue.



## FRIENDS & FAMILY

## 02

Friends & family are usually your first port of call. They know you well and believe in you.

## 03 LOANS, INVESTORS

If you are looking to grow your business and are aiming to capture the world, investor capital is often needed. UK Government's Start Up Loans are a great place to start.



## GOVERNMENT GRANTS

## 04

If you are a tech company or doing innovation in your field, then UK Innovate is a great source of UK government funding for your business.

## 05 EIS, SEIS, R&D TAX RELIEFS

Make sure to get all the tax relief that you can get. EIS & SEIS are great reliefs for your investors. R&D Tax Relief is great for your business to get cash from the government.



**A PRO TIP**

Try to bootstrap as much as you can. If you can get sales going without outside funding, you will be in a much stronger position to get financing.

---

## Chapter 5: Money

### Bootstrapping

Bootstrapping is when you mostly use your intellectual and practical skills to get a product/service to market with limited amounts of capital. This approach works particularly well when you do not need a physical store space or an expensive prototype.

Silicon Valley is full of garage stories – Apple was built in one, and apparently, Microsoft got its start in a shed. In fact, Bill Gates still takes trips into secluded areas to get his thinking done. As an example, if you have an idea for an app and you happen to be a coder, you may be able to build your app by yourself and get your first customers. Perhaps you are an interior designer, you may be able to set up your website by yourself etc...

But bootstrapping is not for the faint-hearted. You must really believe in your product, and be more than 100% dedicated to getting it off the ground as your resources are limited (time, money, people).

### Friends and Family

This is the most popular way to get initial capital for starting a new business. Friends and family know you well and are likely in the best position to give your business initial financial support.

If you are going to ask your friends and family to lend you money, please be clear with them about the risks and the possibility that you may not be able to pay back the money if your business fails.

Ideally, you will want to formalise the borrowing, so that you keep the borrowing as business-like as possible.

**A PRO TIP**

If your friends & family are funding your business, make sure to get the documents right! Take advantage of EIS/SEIS programs (see later in the chapter).

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## Chapter 5: Money

[NetLawMan](#) has put together an excellent guide on how to manage your friends & family borrowing & the documentation that you may want to have.

Friends and family know you, have an understanding of who you are and will likely support your efforts. When you get financing from friends and family, you will need to choose whether they are your investors or your bankers.

That means, either you are committing to returning their money with interest (or without) regardless of how your business does (borrowing) or they become your fellow shareholders in the business.

If they are shareholders, that means you do not commit to repaying the money, but promise to work very hard to make your business a success and increase the value of their shares.

Remember that you can always start new businesses, but finding new family & friends is a much harder endeavour. Hence, best to ensure that everyone is clear on the lending & borrowing relationship that you may have.

### UK Government Startup Schemes

The UK government has been very active in supporting startup loans & grant schemes both on national & local levels. Check out our [start up loan guide](#). The UK Government has a great startup loan scheme. You can read more about it [here](#).

Across the UK, local governments have set up a number of grant support programs. SO check with your local [Chamber of Commerce](#) and local government business support grants to see what grants are available.

**A PRO TIP**

Make sure all your financials are in order and your business plan is clear before applying for a bank loan. Check your personal and business credit scores!

---

## Chapter 5: Money

### Bank Loans

Banks are very reluctant to lend money to new businesses without clients or revenue. Banks will likely require credible personal guarantees, collateral and other forms of security against the loan.

If you have assets and/or other businesses that you are willing to pledge as security then this option may be open to you. The process usually takes a long time and requires a lot of administrative hassle with forms etc...

[British Business Bank](#) has a good guide as to the reasons why loans may get rejected and various government support loans that you may be eligible for.

### Non-Bank Financial Institutions

The UK has many non-bank companies that lend money to businesses. These loans tend to be more expensive than bank loans (higher interest rates, shorter period to repay loans) etc...

They will likely have similar requirements as banks or alternatively will charge very high interest rates if you are not able to provide assets or other security against the loans.

### Crowdfunding

Crowdfunding is when you ask 'crowds' of people to fund you. This is very useful when you already have customers and at least a prototype of your service or product.

Check out the [UK Crowdfunding Association](#) to learn more about your crowdfunding options.

### A PRO TIP

Getting 'free' grant money is great. Check out UK Innovate competitions to see if you can get UK government funding.

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## Chapter 5: Money

### Investors and Equity Funding

Unless you are a repeat entrepreneur, part of a university innovation centre or spinning a company out of a larger company, you may need to find individuals who will back your business idea.

Alternatively, you may find an innovation or accelerator program that may help you to build a prototype, find investors & potentially find new business partners. The most likely source of initial investments are your friends and family (just like with borrowing).

### Accelerators/Incubators

Accelerators and incubators help start up businesses to get going with financial and non-financial support. They 'incubate' commercial ideas, and tend to specialise in specific areas- for example, insurance or financial technology. There are quite a few incubators in the UK across different sectors.

Nesta, an innovations agency, has a very good [guide](#) to incubators and accelerators you may want to check out.

### UK Innovate Grants

[UK Innovate](#) is a government-run grant giving organisation.

Throughout the year UK Innovate runs various funding programs that provide grant money (meaning you do not have to pay it back) for innovative companies throughout the UK.

For the most part, these grants are targeted as science and technology. Sometimes, UK Innovate has general business grants as well. If you decide to apply for one of these grants, you need to fill out extensive forms.

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## Chapter 5: Money

### EIS & SEIS

If you are raising money from outside individual investors (including friends & family), make sure to check the [Seed Enterprise Investment Scheme \(SEIS\)](#) and [Enterprise Investment Scheme \(EIS\)](#).

#### A PRO TIP

Get a professional tax accountant to help you with EIS & SEIS as the rules are quite detailed.

The UK government offers very generous tax reliefs to individual investors who invest in start ups and growing businesses. Subject to certain requirements, your potential investors can get cash back from the government, deduct losses (if your business fails) and earn capital gains tax-free (if your business does well and they sell their shares in your business in the future. Investors can claim:

- Up to 30% income tax relief on investments up to £1 million per tax year (for SEIS this goes up to 50%.)
- Gains are Capital Gains Tax (CGT) free if the shares are held for at least three years.
- Defer CGT payment of CGT when the gain is invested in shares of an EIS qualifying company.
- Shares that are disposed at a loss can be set against any income tax of that year or of the previous year.

Ideally, you'll want to talk to an accountant to make sure you do this properly. You can read HMRC guidance on this [here](#).

You can get an advance assurance from HMRC that your business qualifies for the EIS and SEIS programs. Fill out this HMRC [form](#) to apply.

### A PRO TIP

R&D Tax Refunds are a complex area of tax law. Make sure to use a good accountant and ideally agree a fixed fee rather than a % of the refund.

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## Chapter 5: Money

### Research & Development Tax Refunds

If your business is spending money on Research & Development then the UK government has a very generous tax benefit for your company.

If your company is loss making, then you can get cash refunds for a % of your Research spend during your tax year. That means, in practice, that the UK government is helping UK businesses with cash grants to innovate via the tax system.

HMRC has a very good [guide](#) on these reliefs. Many companies miss out on this source of cash funding, but it can make or break a business early in its development.

According to HMRC, the work that qualifies for R&D relief must be part of a specific project to make an advance in science or technology. It cannot be an advance within a social science – like economics – or a theoretical field – such as pure maths.

The project must relate to your company's trade – either an existing one or one that you intend to start up based on the results of the R&D.

To get R&D relief you need to explain how a project:

- Looked for an advance in science and technology
- Had to overcome uncertainty
- Tried to overcome this uncertainty
- Could not be easily worked out by a professional in the field

Your project may research or develop a new process, product or service or improve on an existing one.