



GUIDE TO RUNNING A BUSINESS FROM HOME

Is your business suitable for running from home?

More and more people are choosing to run their business from home. Although its attractive to run a business from home, for example an ebay business there are practical and legal considerations.

This guide helps to prepare people who are considering running a home business to consider both the practical and legal requirements.

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Introduction

An increasing number of businesses are being run from home. Advances in technology mean it is becoming easier for businesses to stay in touch with customers, suppliers and colleagues from a home base. Another factor driving the increase is the economic climate, with many businesses operating from home to reduce costs. Whether it is due to choice or necessity, deciding to run a business from home is no longer unusual.

This factsheet describes the advantages and disadvantages of running a business from home and identifies key issues such as planning permission, business rates, mortgage and insurance. It includes hints and tips and sources of further information.

Is your business suitable for running from home?

Many businesses can be operated from home, although there are several important considerations. A home base may not provide the space, accessibility or location that a business needs. Not all types of business are suitable and any business that relies on customer footfall, a large storage area or the use of heavy machinery, such as a bricks and mortar retailer or a manufacturing plant, will require commercial premises.

In general, office-based work and that which involves visiting customers at their homes or premises are most suitable for running from home. Examples include online businesses, consultants, publishers and arts and craft makers. The size of the business is also relevant, and small businesses and start-ups can often be operated from home.

There are a number of advantages to running a business from home, including:

- Lower start-up and running costs.
- Reduced travelling time and costs.
- Flexible hours.
- Better home/life balance.

However, there are also a number of disadvantages, including:

- Reduced face-to-face contact with customers, suppliers and colleagues.
- Potential difficulty in separating work and home life.
- Possible perceived lack of professional image.
- Distractions due to other things in the home.

Can you legally run a business from your home?

If you are a homeowner you will need to check whether there is a clause in your mortgage agreement restricting the use of your home for business activities. If you do have a restriction you will need to discuss this with your mortgage provider and ask whether the terms of the agreement can be changed. If you are a tenant of a private landlord, council or housing association, you must get permission from your landlord before starting a

business from home. You must also check your home insurance policy for any restrictions with regard to home businesses.

There are also a number of other legal issues you need to consider including:

- Whether you will need to pay business rates.
- Whether you will need planning permission to use or adapt your home for business purposes.
- Whether you will need to register your business with your local authority before you start trading - for example in the case of a food preparation business.
- Which health and safety regulations apply to your business.
- What insurance cover you need.

Taxation issues

Before setting up you need to check whether running your business from home will have implications on your personal tax situation. For example, if you use part of your home exclusively for business purposes you may be liable to pay Capital Gains Tax if you later sell your home.

You should seek advice from HM Revenue & Customs (HMRC, <https://www.gov.uk/government/organisations/hm-revenue-customs>) and an accountant to determine your income and Capital Gains Tax position.

Business rates

If part of your home is set aside exclusively for business use you may have to pay business rates on it. The decision on how much you will have to pay is made on a case-by-case basis by your local Valuation Office. Go to

<https://www.gov.uk/government/organisations/valuation-office-agency> to find your local office if you live in England or Wales; www.saa.gov.uk.

If you are liable to pay business rates on part of your home, the domestic council tax bill for the rest of your home may be reduced.

Planning permission

If you need to extend your home or substantially change its use, you may need to obtain planning permission from your local authority. Converting an outbuilding into an office or workshop, or making your home primarily a place of business rather than a residential property, for example, needs planning approval before any changes can be made.

Trading licences

Certain businesses need a licence, regardless of whether or not they operate from home.

For example, child minders in England who work from home must be registered with the Office for Standards in Education, Children's Services and Skills (Ofsted) before they can work.

Hair and beauty therapists and food businesses may also need a licence from their local authority.

Insurance

Most domestic home and contents insurance policies do not include cover for business activities. For example, if you run a mail order business from home, you will need to protect your stock from theft or accidental damage.

If you store business equipment or stock in a garage or shed, you need to

check your existing insurance cover with your provider. Your insurance provider may require you to take out business and specific contents cover.

You also need to consider public liability insurance in case someone suffers an injury or illness either when visiting your home or as a result of one of the products or services you sell.

Any business (including those that operate from home) that has employees, apart from yourself or close family members, needs employers' liability insurance.

You should also ensure that your current vehicle insurance policy includes cover for business use and that the extent of the cover for goods in transit is sufficient. This is particularly important for the transport of valuable goods to protect against theft or damage in an accident.

Health and safety

It is a legal requirement for every business, including a home-based business, to carry out a health and safety risk assessment of the workplace, although businesses with fewer than five employees do not need to keep a written record of their assessment. This risk assessment should cover issues such as loose cables or fittings that could cause people to trip, the means of escaping the area in case of fire, the lighting and ventilation, and the design of the work environment in relation to minimising fatigue, discomfort and injury (ergonomics).

More information and advice about health and safety legislation and working from home is available from the Health and Safety Executive (HSE) and their specific guidance on home working can be found at

<http://www.hse.gov.uk/search/search-results.htm?q=working%20from%20home#gsc.tab=0&gsc.q=working%20from%20home&gsc.page=1>

Utilities

If you run a business from home you are entitled to claim an allowance for 'Use of home for business' in your accounts. This allows you to include a proportion of your utility bills, such as heating and lighting, as a business expense before tax. The simplest way to do this is to work out what percentage of the space in your home is used for business purposes and apportion the costs accordingly.

Your accountant can advise you on how much you can claim. Also go to <http://www.hmrc.gov.uk/manuals/bimmanual/BIM47800.htm> for more details.

Security

Before you start trading, you need to consider whether your home needs additional security, such as a burglar alarm or window locks. Setting up a home business may raise your insurance premiums and your insurer may require certain security measures to be in place before agreeing to provide cover.

If your business deals with high volumes of cash or cheques, make sure you have adequate storage, such as a small safe, and that you regularly deposit the money at your bank.

Document retention

Businesses must keep records of all receipts and expenditure for tax purposes. The exact records you keep depend on the type and size of your business, but they must be sufficient to enable you to complete a precise and accurate tax return. You need to record all sales and other business receipts as they come in and keep the records. Keep paper records under lock and key, preferably off site or in fire resistant cabinets.

If you are registered for VAT you must keep records of all the supplies you receive and sales you make and a summary of VAT for each period covered by your VAT return. You must keep these records for six years after the year they relate to.

If you employ staff, you must keep all wages, salary and National Insurance (NI) records for six years. As an employer you must hold employers' liability insurance and it is good practice to keep a record of all your insurance policies in case of claims against you in the future.

If you keep confidential or personal information you must comply with the provisions of the Data Protection Act 1998, which places obligations on all businesses to keep personal data safe and secure and not misuse it. Go to <https://ico.org.uk/> for more information.

Space and storage

You will need storage space for stationery, accounts and other documentation.

Your office should have enough power points for the machinery you need - this can be difficult if you've chosen to locate your office in a spare bedroom or another room without many power sockets. Overloading a single point is dangerous and may mean that your computer, fax, printer and answering machine are all crowded into one corner of the room. It is advisable to fit power surge protection plugs to this type of equipment.

Adequate ventilation is essential in the room or rooms you choose to use for your business, particularly if you will use a lot of electrical equipment. You need to ensure sufficient natural or artificial light to avoid eyestrain when using computers or reading.

IT and communications

At least one extra phone line will be useful in addition to your mobile phone. This means customers and suppliers can contact you on a dedicated number thus avoiding the possibility of a family member answering a business call. One option is to have a separate business line installed by your current provider. A benefit of this is that you can designate the cost of installing and maintaining the line as a business expense.

IT security is a crucial issue and you should make sure you have a firewall and antivirus software in place to protect your PC from attack by viruses or malicious software.

Administrative support

If you feel that you will struggle to find time to deal with day-to-day business administration but cannot justify the cost of an employee, you could consider employing a freelance 'virtual office assistant' to support you.

Virtual assistants (VAs) can undertake a wide range of administrative functions and provide tailored services to allow small business owners to focus on their core business.

Duties typically include telephone answering, secretarial and administrative tasks, bookkeeping, typing and filing, event or travel.

booking and data entry. Some VAs provide specialist services such as website updating and design, desktop publishing or marketing. They usually charge between £10 and £30 per hour, depending on the services you need.

You can obtain more information and a directory of UK-based VAs from the Alliance of UK Virtual Assistants (<http://www.allianceofukvirtualassistants.org.uk/>) or the International Association of Virtual Assistants (IAVA, www.iava.org.uk).

Transport

There are various options for arranging transport in your business, depending on what it is for. If you are planning to operate as a sole trader and plan to use your own car for business travel you should immediately start to keep detailed records so that you can separate your business from your private mileage.

You can claim the business proportion of all your motoring costs, including fuel, road tax, insurance and repairs. You can also claim the same

business proportion of the cost of the car as a capital allowance. The alternative is to use the HM Revenue & Customs (HMRC) mileage rates of 40p per mile for the first 10,000 business miles and 25p thereafter and claim this as an expense from your business.

The rules on this can be complicated, so you should seek advice from an accountant.

Receiving mail

Setting up a Post Office (PO) box number or commercial mail redirection service can be useful in order to restrict the amount of mail you receive at your home address. Go to

<http://www.royalmail.com/sites/default/files/Royal-Mail-PO-Box-Application-Form-with-Terms-and-Conditions-30-March-2015.pdf> for an overview of the options offered by Royal Mail for setting up PO boxes.

Hints and tips

- Consider outsourcing services instead of employing staff. Examples of tasks that can be outsourced include administration, accounting, sales and marketing as well as order fulfillment.
- Rent space for storage or meetings as and when you need it as this is usually more cost effective than paying for permanent premises.
- Select a dedicated space in the home from which to run your business, such as a spare room or garage, in order to help keep work and domestic life separate.
- Maintain as professional image as possible for your home-run business

by, for example, using a PO box and having a dedicated business telephone line (or even outsourcing telephone call management).

- Consider using social networking sites such as Twitter, Facebook and Linked In to help your home-based business maintain contact and network with customers and other businesses.

Small Business Resources

Add value to your brand by generating catch business and product names like Amazon, Google, Coca Cola, Yahoo, Blackberry and many more using the same business name generator used by top business and product naming companies: <http://www.businessnameidea.com>

Generate more leads, cash flow and profits for your business and pay only based on results. This web site connects small businesses with top traffic web sites like Google, Facebook, Youtube to generate constant flow of traffic and leads: <http://www.intelwebsolutions.com>

Information and tools for small business to help entrepreneurs develop and market their business and ideas: <http://www.2-small-business.com>