

Who can help you when you want to know more about the law?

Your legal duties as a business owner

Depending on what sort of business you're in, you may be affected by law on:

- health and safety (see **page 168**)
- fire precautions (see **page 168**)
- the environment (see **page 171**)
- employee rights (see **pages 125 and 126**)
- buildings (see **page 166**)
- intellectual property (business names, inventions and copyrights, for example) (see **page 130**)
- fair trading (consumer credit, consumer protection and competition law) (see **page 134**)

- providing services to disabled people (see **page 133**)
- keeping information about people (see **page 122**)
- licences (see **page 19**)
- insurance (see **page 174**).

You may want to consult a solicitor on:

- buying or leasing property
- terms of business to customers
- trademarks and brand name
- employment contracts
- any other contracts, such as franchise agreements.

LEGAL ADVICE Some firms are worried about consulting a solicitor on business or employment matters in case they get a large legal bill. Sometimes, however, putting off a visit may end up costing you more. To help firms get sound legal advice, The Law Society has created the 'Lawyers for Your Business' scheme. A network of 1,200 solicitor firms in England and Wales offer specialist advice to small and medium-sized businesses. Free half-hour consultations enable you to understand the basics of the legal routes you may want to follow.

See www.lawsociety.org.uk where you can email for a list of solicitors in this scheme in your area.

You're thinking of forming a limited company. It is not a step to be taken lightly, but for many businesses it is a prerequisite for growth, says Patricia Peter of the Institute of Directors.

Forming a company

There are clear benefits of incorporation:

- The company is a separate legal entity so business continuity is simplified – selling the shares rather than the assets.
- The shareholders, but not the directors, have limited liability.
- Limited companies are often seen as having more credibility, making it easier to raise money.
- There can be tax advantages, but these should be discussed with advisers.

But are you prepared for the burdens of incorporation?

- filing annual accounts – possibly requiring audit
- filing an annual return
- filing changes of directors, company secretary
- filing corporation tax returns
- paying tax on profits
- paying employer's and employees' national insurance
- having all the information filed at Companies House available to anyone.

If you think it's the way you want to go, what should you think about?

- the name of the company (see **page 20**)
- the registered office
- the first directors

- the first shareholders
- the company secretary
- the purpose of the company – do not constrain your ability to expand
- how the company will be run – the number of directors, the rights of shareholders, and so on; it is sensible to have a separate shareholder agreement between the founding shareholders.

Forming your company

The actual process of formation is not difficult, but you are recommended to take professional advice first. There are a number of ways of setting about it.

Do-it-yourself: Certainly the cheapest method (£20 at time of writing), but not for the majority. Read the company formation section on the Companies House website www.companieshouse.gov.uk. If that raises further questions, take advice before proceeding. Although Companies House and its staff are helpful and provide all the necessary forms, the process will be delayed if you make mistakes and you will be responsible if you get something wrong.

Buying an off-the-shelf company: Look online for companies offering this service. It is the quickest option for getting a fully-formed company (it can be completed within a few hours), but is more expensive

than doing it yourself. With Companies House offering online services, it is now possible to choose the name without delaying the process. You will get a properly formed company, but you will get a standardised product and will have to make a number of changes almost immediately. These include transferring the shares, changing directors and company secretary, and changing the registered office.

Using a professional service: Sometimes they will use an off-the-shelf company, but they may start from scratch. Either way, they will deliver to you a company that meets your requirements with the name you want, the correct directors and shareholders, registered office and memorandum and articles of association. It is the most expensive option, but for a simple company should be from about £200 upwards.

About PATRICIA PETER



Patricia Peter is Head of Corporate Governance at the Institute of Directors. A barrister and chartered secretary, she has many years' experience in the administration of companies in the UK and internationally. Her current role includes advocating directors' views on company formation and administration.

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