



TOP LEGAL TIPS FOR BUSINESS START-UPS

Starting a business is an incredibly exciting and fulfilling experience. But getting the basics wrong can be hugely damaging. Here we share our top tips for getting it right – by covering these bases you can be sure you're choosing the path to growth on your business journey.



Your business structure

Choosing your business structure is the first and arguably the most important decision you will make. Your business structure will determine who makes the management decisions, how much tax you'll pay, what records you need to keep, who has financial liability for the business and how you raise money. Read on to find out more.



Shareholders' or partnership agreements

If the chosen business structure is a limited company or partnership, and there is more than one shareholder (owner) of the company/ partnership, then a written agreement between the shareholders/ partners is strongly advisable. A common misconception is that a shareholders' agreement/ partnership agreement is used when there is a lack of trust between the parties. This is absolutely not the case. These agreements are used to establish the relationship between the parties and regulate that relationship. The future is unpredictable and the agreement is there to try to cater for unforeseen situations, such as where the parties cannot agree on entering into a high value contract. A shareholders' agreement/ partnership agreement is a private document and therefore will not require filing at Companies House.



Intellectual property (IP)

You must protect yourself from a third party claiming ownership of your ideas/products. IP is a vastly underestimated asset and should be protected from other people, including your employees, claiming ownership. It is important to identify what IP you own in your business so that you may take steps to protect it. Your IP can be protected in a number of different ways including:

- registering your IP at the Intellectual Property Office;
- putting relevant wording in your contracts with third parties and employees to ensure that IP created is assigned to you; and
- putting relevant wording in your contracts with third parties and employees to ensure that IP used remains owned by you and you are not assigning any IP.



Written contracts

Contracts between suppliers and customers are an essential element to any business whether they are verbally agreed or are documented in writing. If a contract is not documented, it is virtually impossible to discuss all relevant terms and, more importantly, remember what those terms are at a later date. A written contract does not have to be a 50 page document, it just needs to set out the agreed terms so that either party can refer to it in the future in the case of dispute or when renegotiating for a further period. The contract can protect your intellectual property, set out how a party may terminate the agreement and determine the duration of the agreement.



Insurance

Insure your business from as many unwanted situations as possible. Below are a few examples of the type of insurance ordinarily required:

Product Liability Insurance

If your business manufactures products for sale on the general market, product liability insurance is a must.

Professional Liability Insurance

This covers a business against negligence claims due to harm that results from mistakes or failure to perform.

Property Insurance

If your business is run from a premises, property insurance is imperative. If there is substantial damage to the property and there is no insurance in place to cover this, the sums involved could adversely affect your cash flow which could make or break your financial success.



Licences and consents

You will need to ensure that you have all the relevant licences and consents required by law to run your business. At the basic level for all businesses, you'll need a licensed version of the software you are using on your IT system. Other examples include registering with the Food Standards Agency if you're running an agricultural business, or complying with the Financial Conduct Authority if you're offering financial advice. We can advise you on the licences and regulations you need to comply with.



Your greatest asset – your people

When hiring employees, there are a number of decisions to be made including how much to pay someone (which must be at least minimum wage) and what their job role will be. You will also have to comply with certain matters such as registering the employee with HM Revenue and Customs (which can be done up to four weeks prior to the employee starting) and providing each employee with a 'written statement of employment particulars' within two months from the start of the employment. Employing people can be complex but we can help you stay on track.

Talk to us to find out more.



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