

STARTING UP IN BUSINESS

It is the ambition of many people to run their own business. Some may have been made redundant and find themselves with free time and financial resources. Others make the decision to start up in business to be more independent and obtain the full financial reward for their efforts.

Whatever the reason, a number of dangers exist. Probably the greatest concern is the possibility of business failure.

Read on for guidance on some of the factors which need to be considered before trading begins.

This fact sheet cannot cater for every possibility and any decisions should be supported by professional advice.

Initial Considerations

In order to make your business a success there are a number of key factors which should be considered:

- (a) Commitment: starting a business is demanding. Determination and enthusiasm are essential
- (b) Skills: you will need managerial, financial, technical and marketing skills. If you do not have these skills personally, they can be found in a partner or employee, or acquired through training
- (c) your product or service should have a proven or tested market, but must not conflict with the patent or rights of an existing business. the scheme will allow the foreigner and his family to reside in Mauritius as long as he holds the property.

The business plan

In addition to these general considerations there are a number of more specific matters.

The business plan is the key to success. If you need finance, no bank manager will lend money without a sensible plan.

Your plan should provide a thorough examination of the way in which the business will commence and develop. It should describe the business, product or service, market, mode of operation, capital requirements and projected financial results.

Business structure

There are three common types of business structure:

- (a) Sole trader: this is the simplest form of business since it can be established without legal formality. However, the business of a sole trader is not distinguished from the proprietor's personal affairs.
- (b) Partnership: a partnership is similar in nature to a sole trader but because more people are involved it is advisable to draw up a written agreement and for all partners to be aware of the terms of the partnership. Again the business and personal affairs of the partners are not legally separate.
- (c) Company: the business affairs are separate from the personal affairs of the owners, but there are legal regulations to comply with.

The appropriate structure will depend on a number of factors, including consideration of taxation implications, the legal entity, ownership and liability.

Business stationery

There are minimum requirements for the contents of business stationery, both paper and electronic, which will depend on the type of business structure.

Books and records

All businesses need to keep records. They can be maintained by hand or may be computerised but should contain details of payments, receipts, credit purchases and sales, assets and liabilities. If you are considering purchasing a computer to maintain your records, obtain professional advice.

Accounts

The books and records are used to produce the accounts. If the records are well kept it will be easier to put together the accounts. Accounts must be prepared for MRA and if a company is formed there are strict legal requirements as to their format.

A company may need to have an audit and will need to make the accounts public by filing them at Registrar of Companies within a strict time limit.

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Taxation

When starting in business, taxation aspects must be considered.

- (a) Taxation on profits: the type and rate of taxation will depend on the form of business structure. However, the taxable profit will normally differ from the profit shown in the accounts due to certain expenses which are not allowed for tax purposes and the timing of some tax allowances
- (b) National pension scheme (NPF)
The rates of NPF contributions are generally lower for a sole trader or partnership than for a director of a company but the entitlements can also differ. But in a company, it may be possible to avoid NPF by paying dividends rather than salary
- (c) Value added tax (VAT)
Correctly accounting for VAT is an essential part of any business and neglect may result in a significant loss.

When starting a business you should consider the need to register for VAT. If the value of your taxable sales or services exceeds the registration limit you will be obliged to register

Expect a visit from MRA within eighteen months of registration. This inspection of your records ensures VAT is being properly accounted for.

Employing others

For the business to get off the ground or to enable expansion, it may be necessary to employ staff. It is the employer's responsibility to deduct income tax and national insurance, and to account for student loan deductions. The balance must then be paid over to MRA and NPF. Payroll records should be carefully maintained. You will also need to be familiar with employment law.

Premises

There are many pitfalls to be avoided in choosing a property. Consideration should be given to the following:

- (a) suitability for the purpose
- (b) compliance with legal regulations
- (c) local by-laws
- (d) physical restrictions such as access

Insurance

Comprehensive insurance for business motor vehicles and employer's liability insurance are a legal requirement. Other types of insurance such as public liability, consequential loss, business assets, Keyman and bad debts should be considered.

Pensions

Putting money into a pension scheme can be a very attractive way of saving for retirement because of the favourable tax rules. Many companies have to provide access for their employees to a stakeholder pension.

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