

19<sup>th</sup> January 2009

## **Setting Up Your Own Business – A Means to Surviving Redundancy**



If you have recently been made redundant, and are thinking of starting your own business, but are not sure if this is the right move, what are the main issues you need to consider if you do decide to go ahead?

Jackie Masterson, Taxation Partner, Russell Brennan Keane, advises that starting a business can be daunting, but it can also be very exciting and rewarding. The first item you need to consider is your **Business Proposition**.

Before you start your business, you should ask yourself the following questions.

- Why do you want to start your own business?
- What product or service are you providing?
- Have you carried out market research?
- What is the market for this product or service?
- Who will your competitors be?
- Who will be your suppliers and customers?
- Do you need staff and equipment?
- Will you need finance?

Jackie explained “The answers to all of the above should be used to prepare a formal business plan. Given the current economic climate, this is a crucial requirement to source additional funds”.

Your business plan should summarise the following points about your business:

- Where your business will go into the future
- How it intends to get there
- Level of funds needed
- Key elements to make the business successful
- Threats/disadvantages to be overcome

The next step is to establish your business’ **Legal Structure**. “A new business can operate through a sole trade, partnership or limited liability company. The most appropriate structure will depend on the nature of the business and level of profit expected. This is an important decision as it also impacts on Companies Registration Office, funding and accounts/audit requirements”, said Jackie.

Another major area to consider is the **Cost and Funding** requirements of your business. As part of the business planning process, the key is to consider the amount and timing of the expected revenue streams, and the various costs associated with starting your business. “This should be a key driver in the decision making process, together with how these will be financed. Typical start-up costs include rent, marketing, employee recruitment and salaries, service installation, information technology, taxation, professional fees etc”, continued Jackie.

“If you decide to operate via a new company, a new relief introduced in this year’s Finance Act could mean that your new company may not have to pay tax for a period of three years! Put simply, if the company’s trading profits do not exceed €320,000 in each of the first three years, it will not have to pay tax on these profits. If the profits are between €320,000 and €480,000, tax will only be payable on a portion of the profits. This should be factored in to your funding/costing plan” says Jackie.

There are a number of conditions that must be met to avail of this relief and it is subject to a Commencement Order being introduced.

There are a number of sources of funds that can be used to finance your business. These include Personal funds, Bank finance and Grants from City and County Enterprise Boards.

**Personal funds:** You may have received a redundancy payment from your previous employer which consisted of a statutory payment together with an ex-gratia amount at the discretion of your employer. The statutory element of such a payment is tax-free and a certain element of any ex-gratia payment can be claimed tax-free.

“If personal funds are injected into the business a special tax relief known as seed capital relief may be available to an individual who invests in shares in a company carrying on a new business. A number of conditions must be satisfied to qualify for the relief. The relief is in the form of a refund of income tax paid in the previous 6 years to the extent of your total income in each of the years (subject to maximum of €100,000)”, explained Jackie.

**Bank finance:** A well thought out and presented business plan is a fundamental element of the application process, now more than ever, as securing bank finance in these troubled times is no easy task. It is important to demonstrate to the bank that the new business has the ability to meet its capital and interest repayments.

Jackie goes on to say “where bank borrowings are secured to finance trading activities, a tax deduction should, subject to certain conditions, be available for any interest paid, irrespective of the operating structure chosen and whether the borrowings are taken out personally or by the trading entity”.

**Grants from City and County Enterprise Boards:** Your local City/County Enterprise Board will be in a position to advise you about the financial and non-financial supports available.

Other items you should consider as your business begins to grow are **Business Insurance**, including fire, burglary/theft, public liability, product liability, employer's liability, redundancy cover and income protection. And finally, you should consider **Employment rights and employers' obligations** before you decide to recruit staff and find out what your obligations and duties as an employer are, as well as what rights employees have.

If you require any further information or assistance on setting up your own business, please contact Jackie Masterson at 01-6440100, 090-6480600 or E-mail [jmasterson@rbk.ie](mailto:jmasterson@rbk.ie)

**ENDS**

**About RBK**

Russell Brennan Keane is one of Ireland's leading business advisory and accountancy firms. With 50 years experience providing professional advisory services to a range of clients in the mid to large corporate market in Ireland, from offices in Dublin, Athlone and Roscommon.

**Press Contact:**

Gillian Mullan  
Tel: + 353 (0)90 6480667 / 0860585245  
Email: [gmullan@rbk.ie](mailto:gmullan@rbk.ie)

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