



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Starting a business from home

If you are thinking of starting your own business you should consider the possibility of working from home.

Home-based businesses are a popular option for many types of smaller business. Generally the costs will be lower, you can avoid travel expenses and you have the freedom and flexibility to work the hours you choose in an environment that you create yourself.

Advances in technology mean that many kinds of business can be run from a home base. There are, however, several legal issues you need to be aware of.

This guide will help you decide whether starting a business from home is right for you. It also tells you what you need to do if you decide to start a home-based business.

Is starting a home-based business right for you?

Becoming a home business owner is an option if you don't actually need to run your business from rented or owned business premises.

It's a common choice for people who just need a small office, or who spend most of their time working on premises owned by their clients.

However, working from home may not be an option if it significantly changes the use of your home, or affects your local area, for example if you have lots of visitors. If you rent your home, your licence or lease may include restrictions on using it for business purposes.

Advantages and disadvantages of home-based business

The major **advantages** are that you:

- do not have a sizeable expenditure on office rental or office purchase
- save time and money by cutting your commute
- can be flexible around the hours you work

The **disadvantages** are:

- it may prove difficult to keep work and home-life separate, and there may be domestic distractions and interruptions
- a lack of contact with other people and businesses
- you might end up working long hours
- your mortgage, home insurance and tax situation may be affected - see the page in this guide on finance, initial costs and tax considerations when starting a home-based business

Addressing the disadvantages

It is important to keep your home and work life separate, especially if you have a family. There are simple steps you can take to make this separation - see the page in this guide on your work environment.

If you are feeling isolated from other people, Flexible Support for Business and other organisations can provide you with details of networking events. You can also get involved in online networking - see our guide on online networking.

Working 'five to nine'

You may want to consider starting a business whilst in full or part-time employment, using the evenings and weekends to build your business. This means that you will have money coming in whilst your business finds its feet. However, you might find it difficult to manage the extra hours and the extra work. See the page going into business part time in our guide on different approaches to starting your own business.

There are tax and legal issues you need to consider when starting a home-based business. See the page in this guide on things to check before you start your home-based business.

Things to check before you start your home-based business

There are tax and legal issues you need to consider when starting a home-based business.

Depending on the nature of your business, it is a good idea to check with some of the following:

- Your mortgage lender or landlord/freeholder - your mortgage or tenancy agreement may prevent you from using your home to run a business.
 - Your insurance provider, to see if you need to take out extra insurance.
 - The Valuation Office Agency (VOA), to see if you will be charged business rates. See our guide on business rates.
 - HM Revenue & Customs and an accountant, to see what your income tax, VAT and Capital Gains Tax position is.
 - The Health & Safety Executive or your local authority, to find out the health and safety aspects of running a work at home business and how to do a risk assessment. See our guide on risk assessment - an overview.
 - The planning department of your local authority, if you need to make structural changes to your home. Be aware that you may need planning permission. See the page in this guide on your work environment.
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Your business idea and your business plan

You need to develop your business idea into a business plan.

A business plan is essential if you are looking for finance from banks and other lenders/investors. It is also a useful document to help guide your business journey.

It can be a good indicator of how serious you are as a business owner, so it is good to have one and important to get it right.

Your business idea

If you do not yet have a home business idea, ask yourself three questions:

Is there a gap in the market? Have you tried to buy something that you just can't find? In which case, others may be looking for that product too.

What is my passion/skill/hobby? Can you find a way of making a living from it?

Can I do something better? Have you seen someone offer a product or service that you think you can offer better yourself?

Popular home business ideas

Consider opportunities in your local area for services such as child care, tutoring, translation, editorial services, dog walking and alteration services.

Other common home-based businesses include:

- consultants
- website designers
- arts and craft makers
- publishers
- caterers
- virtual assistants who provide professional assistance to clients from a home office

You could also consider investing in a franchise. The benefits of being a franchisee are that you are your own boss but also have the benefit of working with a central team. There are a growing number of home-based franchise opportunities that you can explore.

If you need more help developing your home business idea, see our guide research and develop your business ideas.

Your business plan

Once you have worked out a business idea, you need to create a written business plan.

This should include:

- The 'executive summary', or 'vision'.
- Your business idea.
- A marketing plan identifying your customers, competitors and your unique selling point.
- An outline of your business' operations, ie your personal background, your sourcing of the product/service and your sales and marketing plan.
- Details of the advisors and business support you are receiving.
- Financial forecasts - include information on any business rates and extra insurance amounts you will have to pay as a home-based business. For more information see the page in this guide on finance, initial costs and tax considerations when starting a home-based business.

For more information, see our guide on how to prepare a business plan.

Finance, initial costs and tax considerations when starting a home-based business

Once you have written your business plan, you will know whether you need to borrow any money to get started.

If you are looking for some extra funds, there are various options to consider, including bank loans, loans from friends and family and business start-up grants.

For more information, see our guides on how to choose the right finance when starting up and use your business plan to get funding

You can also Search our business support finder for grants, loans, expertise and advice for which your business may be eligible.

Initial costs

You will need to buy, lease or rent the equipment for your home office and any materials you need for the service you are supplying. Find out more in our on how to guide decide whether to lease or buy assets.

Finding and keeping in touch with customers is a major issue, so investing in a good computer with relevant software and a broadband connection will be a priority in most cases.

The most common costs to consider when starting out are:

- a computer or laptop
- broadband access
- mobile phone
- office desk or chair
- business cards
- stock - if you're supplying products

Use our interactive tool to find out which computer equipment you should buy for your business.

When you are factoring software packages into your start up costs, take a look at the much cheaper or even free options - open-source software such as OpenOffice, Zoho, Google Docs and StarOffice.

For more information, see our guides on computer software - the basics and open source software and the page in this guide on IT and home business.

Tax considerations

Your business will be able to claim tax relief on domestic bills for the areas of the house used for your business.

If your business is VAT registered, you may be able to claim back VAT on articles you buy for business use.

However, the room(s) of your property used for work may be charged business rates rather than council tax, depending on the extent of your business use of the room. You can contact your local authority and the Valuation Office Agency (VOA) to discuss your situation. For more information, see our guide on business rates. You can also download the fact sheet on working from home from the VOA website (PDF, 143K) - [Opens in a new window](#).

If you have set aside a room solely for working in, you'll have to work out if there's Capital Gains Tax to pay if you sell your house. Find out about Capital Gains Tax relief on your home on the HM Revenue & Customs (HMRC) website - [Opens in a new window](#).

Always consult an accountant or HM Revenue & Customs on taxation issues. See our guide on how to choose and manage an accountant.

Record keeping

It is vital to keep full and accurate records of your income and expenses from the start. Keeping records makes sound business sense and is a legal requirement. So it is important to get a proper system in place from the outset, and update the

information regularly.

Keeping good records helps you:

- complete your tax returns easier and quicker
- pay the right tax at the right time
- avoid paying unnecessary interest and penalties

You should keep invoices and receipts to show what you have bought or sold relating to your business.

If you are employing others, you must keep records of their wages and tax and National Insurance you have deducted and paid to HM Revenue & Customs (HMRC).

Keeping bank statements and building society books is vital, especially if you don't have a separate business account. You should be able to show clearly what you have spent personally and what is spent on business. If you use cash, you will need till receipts and a record book to keep track of it all.

If you are using part of your home for business then you should keep copies of the utility bills so that you can work out the amount spent in relation to your business.

If you have an accountant you might want to get his or her advice on what system suits your business and on how to keep your records up to date.

Keeping records is important as penalties were introduced in April 2009 for not taking reasonable care with records and tax returns.

For more information about taking reasonable care and the new penalties, download guidance on taking care to avoid tax penalties from the HMRC website (PDF, 265K) - Opens in a new window.

Making a first sale

You have got your business idea and have written a plan. Now it's time to focus on reaching your first customer. Here's how to go about it.

Design your brand

Good design makes a great first impression on potential customers. Think about what you'd like as your business' font, colours and layout. Have a go designing these aspects of your business brand yourself - or hire a designer or someone you know with relevant experience.

Make a list

Draw on your existing resources, including friends, family, colleagues and acquaintances you think might be interested in your product or service. Add local people and businesses to the list.

Make contact

Contact the people on your list and announce your new business venture. Consider this an opportunity to make your pitch, but don't be too pushy. And remember to address each recipient personally.

Follow up

Follow up in a few days time, either with another email or, better still, a phone call. If the potential customer sounds keen, arrange to meet him or her to show

Call. If the potential customer sounds keen, arrange to meet him or her to show your product or explain more about your service.

Meet up

Arrange a time and place to meet that's convenient for your potential customer. Be professional, but also likeable. If the customer agrees the deal, bring the meeting to a fairly speedy end. Your job is done - it's time to head home and deliver on the promise you made with your first customer.

Promote your sale

Once you have made your first sale - promote it. If your new customer agrees, include them in a press release or write about them on your website or blog, so other potential customers can see that you're in business.

IT and home business

The home business owner depends on technology - to find and keep customers and to keep in touch with suppliers, partners and contacts.

Email and the internet offer simple and effective methods of customer care and management, while IT can help you with almost every aspect of your business.

For more information, see our guide on the benefits of email and the internet and use our interactive tool to find out which computer equipment you should buy for your business

The benefits of a website

Websites have become a must-have marketing tool for most businesses. Websites are good for:

- attracting sales
- branding your product or service
- keeping in touch with customers through email updates

You might want to start by using an 'off the shelf' template site. These can come with in-built payment systems for selling online and Search Engine Optimisation (SEO) for pushing your site higher up in online search result listings.

For more information, use our interactive tool to investigate what kind of website is best for your business and read our guide on search engine optimisation.

If you are thinking of selling products online, remember that you can also do this through existing auction websites.

Building your IT confidence

Some home-based entrepreneurs have concerns about working with computers and other technology. Feeling confident about using IT or other technology can be a huge benefit to your business and there are plenty of short training courses available that can quickly get you up to speed.

Networking with social media

You can use social media like Twitter and LinkedIn to keep in touch with other business owners. This will alert you to business development opportunities and help overcome any feelings of isolation you experience as a home business owner. For more information, read our guides on online networking and web 2.0: a guide for business.

Making email and the internet work for you

More confident IT users can use email and the internet to network, posting comments and articles in relevant forums on websites like horsesmouth and Enterprise Nation. You can also blog on relevant topics on your own website or write articles and syndicate them to other sites your customers are likely to visit.

Working away from home

IT doesn't just allow you to build a professional office at home – it enables you to work on the move. Recent technology such as WiFi, USB dongles, smart phones and Skype means that you can work wherever you want. For more information, see our guide on mobile technology.

Cloud computing provides businesses with a way of managing data and software requirements over the internet - 'in the cloud'. This makes your business information accessible from any computer or mobile device with an internet connection and web browser. Cloud computing can provide a cost effective and flexible solution to your IT requirements. For more information see our guide on cloud computing.

Your work environment

It is important to create dedicated work space - it allows you to work without distraction and close the door on work at the end of the day.

Workspace priorities

The area that you use for work should ideally be clearly marked as such. A spare room with a lockable door or an outbuilding are popular choices enabling home business owners to:

- deal with clients in a professional manner
- resist demands from other members of the household
- keep work equipment separate from home equipment and therefore protected

Allocating part of your house as a workplace can have tax and insurance implications. See the page in this guide on finance, initial costs and tax considerations.

You can create a space to call your own by:

- using office equipment in a general area of the house and putting it away when not in use
- housing your workstation in a cupboard, wardrobe or under-stair space with lockable shutters or doors

Work equipment and workstation setup

When setting up your work area:

- your chair and desk should be fully adjustable and suited for computer use
- your desk should be big enough for your computer, keyboard and monitor
- use storage to keep office clutter free
- when sitting at your desk, keep your feet flat on the floor and your back straight - the top of your monitor should be at eye level

You must carry out a health and safety risk assessment on your work space. For more information, see our guides on meeting minimum workplace standards and risk assessment - an overview.

Home business and planning permission

If you are making substantial changes to your home to accommodate your business you should contact your local authority regarding planning permission.

However, if your house will remain primarily a house planning permission should not be required.

Ask yourself:

- Will my home no longer be used mainly as a private residence?
- Will my business result in a marked rise in traffic or people calling?
- Will my business involve any activities unusual in a residential area?
- Will my business disturb the neighbours at unreasonable hours, or create other forms of nuisance such as noise or smells?

If the answer to any of these is 'yes', then planning permission might be needed.

See our guide on planning permission and building regulations.

Managing your home-based business

Once you are up and running, it's important to manage your business properly.

You can do this by focusing your time in roughly equal measure across three key areas:

- business development
- customer care
- admin

Business development

The more you communicate with customers, suppliers and other entrepreneurs, the more business opportunities and new customers you will identify.

For example, developing relationships with suppliers and other businesses might enable you to bid for public procurement contracts - something that would be impossible on your own. See our guides on joint ventures and partnering and an overview of selling to government.

Stay in touch with customers and fellow entrepreneurs through networking, speaking at events, contacting local journalists and entering awards and competitions.

If you're going to stay ahead of your competitors, you need to identify and fill any skills gaps - for example in IT and management skills. See our guides on fit the training to your needs and learning through networking with others.

Customer care

Keep the customers you already have and develop your relationship with them. Consider using customer contact, feedback and loyalty schemes to retain customers and increase your sales. See our guide on how to manage your customer care.

Admin

Cashflow is the lifeblood of every business. You must do all you can to ensure that money owed is coming into the business. You can ensure prompt payment by

issuing invoices on time and having a system in place to alert you to non-payment. See our guide on getting paid on time.

Keeping up with technology is essential, especially if you are selling online. It is important to have an IT system that reflects the changing requirements of your business. See our guide on how to get the most from IT in your business.

Growing your home-based business

With sales coming in and profits taking off, you may soon be thinking about growing your business, which you can do whilst remaining a home-based business.

One popular option is to focus on what you do best and outsource the rest. This is how many home businesses grow - by sub-contracting and outsourcing to other experts, as opposed to taking on staff.

However, having staff is a good way of showing that your business growth is solid and under direct control of the owner.

Employing people

If you are thinking of employing people, you need to determine their employment status, for example whether you will treat them as employees, contractors or sub-contractors, or simply 'volunteer' family and friends.

There are basic tasks you need to do when you take on staff:

- register with HM Revenue & Customs as an employer
- make health and safety arrangements

See our guide on taking on staff - the options.

When you employ someone, you have extra responsibilities relating to health and safety. These responsibilities may differ, depending on whether the person is working from your premises or from their own home.

See our guide on your responsibilities for health and safety.

You can turn health and safety requirements into a powerful branding tool for your product or service by displaying health and safety certificates or relevant certification logos on your website.

Outsourcing

You can grow your business without increasing headcount or expanding your premises, by outsourcing, for example:

- accounts
- administration
- telemarketing - for generating leads
- PR
- design and copywriting

For more information, see our guide on outsourcing.

Meeting spaces

As your business grows, you may find that your home is no longer suitable for all your business needs, for example meeting with your customers. Remember that you can rent managed workspace and meeting facilities for occasional use through business centres. These can be found in central locations in many towns across the UK.

Welsh Assembly Government Business Information

03000 6 03000

Related guides on the Welsh Assembly Government Business website

Manage your personal list of starting-up tasks with our Business start-up organiser

Different approaches to starting your own business

Learning through networking with others

Online networking

Business rates

Risk assessment - an overview

Planning permission and building regulations

Use your home as a workplace

Prepare a business plan

Research and develop your business ideas

Buy a franchise

Search our business support finder for grants, loans, expertise and advice for which your business may be eligible

Use our interactive tool to find out which computer equipment you should buy for your business

Choose the right finance when starting up

Use your business plan to get funding

Use our interactive tool to assess what records you should be keeping and how well you are keeping them

Record keeping (self-employed)

Record keeping (individuals and directors)

Use our interactive tool to identify the sales channels most likely to benefit your business

Write a marketing plan

Planning to sell

The sales appointment

Closing and following up the sale

Branding: the basics

Use our interactive tool to investigate what kind of website is best for your business

Meet minimum workplace standards

Joint ventures and partnering

Manage your customer care

Getting paid on time

Get the most from IT in your business

Use our interactive tool to identify the areas your business will need to work on to grow successfully

Use our interactive tool to help you comply with the law when taking on staff

Assess your options for growth

Prepare a business plan for growth

Related web sites you might find useful

Networking community for home-based businesses on the Enterprise Nation website

<http://www.enterprisenation.com/>

Download the factsheet on working from home from the VOA website (PDF, 143K)

http://www.voa.gov.uk/publications/public_fact_sheets/workingfromhome.pdf

Download risk assessment advice for homeworkers from the Health & Safety Executive website (PDF, 247K)

<http://www.hse.gov.uk/pubns/indg226.pdf>

Business development resources on the British Library Business & IP Centre website

<http://www.bl.uk/bipc/dbandpubs/busres/index.html>

Business planning resources on the Businessballs website

<http://www.businessballs.com/freebusinessplansandmarketingtemplates.htm>

Capital Gains Tax relief on your home explained on the HMRC website

<http://www.hmrc.gov.uk/cgt/property/sell-own-home.htm>

Download guidance on avoiding penalties from the HMRC website (PDF, 265K)

<http://www.hmrc.gov.uk/about/new-penalties/new-penalties.pdf>

Record-keeping information on the HMRC website

<http://www.hmrc.gov.uk/startinup/keeprecs.htm>

Online business mentoring on the horsesmouth website

<http://www.horsesmouth.co.uk/>

Working from home guidance on the Planning Portal website

<http://www.planningportal.gov.uk/england/public/buildingwork/projects/workcommonworkingfromhome>

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