



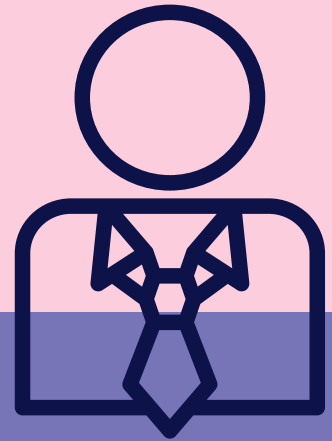
OFF THE RECORD

How to Start Your Own Music Company (from Freelancing to Limited Companies)

By Remi Harris

in association with **THE SKINNY**



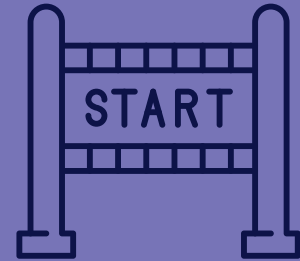


Whether you're aiming to be a music mogul, set up a side hustle or just don't fancy working for someone else, here's how to set up your own music business.

For people who are employed "the boss" or "the company" takes care of most of the admin – stuff like registrations, invoicing, taxes and making sure the work keeps rolling in - but when you are working for yourself that responsibility falls to you. And it's *really* important.

Getting Started

Typically, when people first set up their music business, they start working without registering as they are figuring things out. That's okay. In fact, since 2017 the UK tax authorities have offered a 'Trading Allowance' meaning you can sell up to £1,000 of products or services before you have to register as self-employed.



Even once you earn more than this, you also have a period of time from when you first start trading until you are required to register yourself as a sole trader (more about them coming up). What's called the 'tax year' in the UK runs from 6 April to 5 April the following year, and you must register by the October following the tax year that you start trading in. For example, if you start your business between 6 April 2020 and 5 April 2021 then you'll need to have registered by October 2021 at the latest.

These rules are helpful for anyone that is doing some casual work on the side, starting to operate but not generating any income yet or just figuring out what they're doing. It means you are fairly free to get on with running your business and unlike incorporated companies you don't have to register with the government before getting going.

Even before you register though, you need to keep accurate business records, so make sure you keep track of any income or anything you buy for the business by keeping receipts and giving receipts or invoices to customers.

Registering as a Sole Trader



A sole-trader is someone who is the owner and manager of their own business, doesn't have anyone else running or owning the business with them, and doesn't want to convert to a limited company (more about limited companies coming up).

If you're a sole-trader you will need to register with [HMRC](#) to tell them you are self-employed as a sole trader, and keep proper records of your income and expenses so that you can do a 'self-assessment' tax return and pay your tax and national insurance.

If you'd like to, you can use a business name instead of your own name. You can use a trading name such as, for example, Jane Smith T/A Rocket Ship Public Relations (T/A stands for Trading As). As long as you make it clear that you are a sole trader on your invoices you can set up a bank account, make contracts and set up your marketing material using your brand name or trading name. You can register for VAT, employ people and have an office all without setting up a limited company.

You can also take out insurance to manage some of the risks of going into business, so professional indemnity insurance if you're a freelance professional, public liability insurance and cancellation insurance if you're running events or employer's liability insurance if you're hiring people to work for you.



Where do Limited Companies come in?

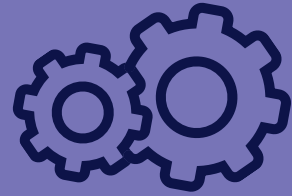
As explained above, you don't have to set up a limited company to have a business. The process of setting up a limited company is called incorporation, and, when you do this, you create a separate legal entity that separates your business.

There are a number of reasons to set up a limited company:

- You limit your liability or your exposure to risk, because the company is a separate entity – for example if you're running an events business and there's a cancellation it's the company that is liable, not you personally. If anyone wants to sue the business normally the claim can only be on the business assets or money, so if you were to have your own personal property or money this is protected. Any business losses or liabilities stay within the business. I'd definitely go for a limited company if I were running a festival or organising an international tour, but if I were selling my services as a freelance photographer it would not be so necessary.

- You can have multiple owners or shareholders. This is useful if you want to go into business with multiple other people or want to bring on board investors or give a stake in the company to someone else. You can also consider a Limited Liability Partnership which is often used by law firms, accountants and sometimes management firms or bands. This structure also makes it easier for you to sell the company if you ever want to.
- You are treated differently for tax purposes so for example you can pay yourself a share of the profits as an owner, or a salary, or both. In some cases, this can mean you are taxed slightly less than as a sole trader.
- Some organisations, especially in the public sector, may only want to deal with a limited company, so that could be another reason to incorporate.

Registering a Limited company



Companies House is the Government body that deals with the registration and reporting of Limited companies. There's a small incorporation fee that you pay to incorporate and register (prices start at £12).

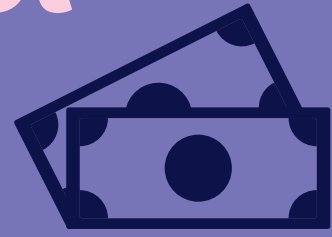
However, many people ask a solicitor or an agency to provide them with the paperwork and do this for them, particularly if they have a few shareholders and want more detail put into their Memorandum and Articles of association (paperwork that you need to provide when you register).

Each year you'll have some additional paperwork to do over and above what sole traders need to do. Not only will you have to do the self-assessment tax return, your accounts have to be prepared and filed in a very specific way and you'll almost certainly need an experienced accountant or bookkeeper to do this for you, to whom you'll need to pay at least £300-£1500 every year.

You'll have to pay corporation tax on your profits. You'll also have to file something called a confirmation statement once a year.



Do I Need to Set Up a Business Bank Account?



Yes, 100% . If you're setting up a Limited company as the money belongs to the company and not you personally. I'd also highly recommend if for a sole trader. It may not be necessary in that you could get money from customers through your personal bank account or via PayPal or in cash, however it's quite straightforward to do this and means you'll have an accurate record of the money you've taken in and spent out right from the beginning, and it will be much easier to do any taxes or match your expenses up with your receipts down the line.

Banks such as Starling, Coconut, Tide and Mettle have improved the ease of setting up business banking by creating apps that allow you to set up your business bank account from your mobile, and get approval within 2 or 3 days.

These accounts are free, and include extras like the ability to categorise your payments or send an invoice from within the app, making it much easier to manage your business money on a day-to-day basis, and quicker to do the end of year accounts as well.

What about an Accounts Package... and an Accountant?

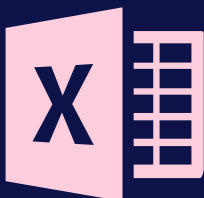
It depends on how complicated your business is – if you're running a limited company, you'll almost certainly want an accountant.

If you're a sole trader you'll probably be able to do it yourself. You need to keep accurate records though, and be able to calculate your taxes so the worse you are at doing this the more one or both of these can help you.



Accounts packages now come with phone apps, ways of photographing all your receipts and automating your invoicing so they can actually save you time.

I particularly like FreeAgent (which you can get for no charge currently if you set up banking with NatWest or Mettle) and Xero, QuickBooks and Sage are other market-leaders with online cloud-based systems and apps for your phone.



Alternatively, some people prefer to keep all their records in a spreadsheet of income and outgoings, the choice is yours.

What do I do about Paying Tax?

You'll need to set aside money from your profits to pay tax and national insurance, which you can either pay to HMRC monthly or at the end of the tax year, so after 5 April when you add up how much you earned and deduct off all your expenses. Here's the [Musicians' Union advice](#) on what expenses you can deduct from what you earn before your tax is calculated.

After the end of your tax year, you have up until the January of the following year to pay (so for 6 April 2020 – 5 April 2021 your bill is due in January 2022). So, you have a long time to pay, but don't fall into the trap of not setting your tax money aside. Paying taxes is no surprise, so you should put money away for this every month (or set up a payment arrangement to HMRC from the start if you can't keep your hands off it). After your first tax return, you'll also have to start paying what's called a payment on account every 6 months. So, by January 2022 you'll be well into the 2021/22 tax year and you'll need to pay 50% of your previous year's payment with a further 50% in July 2022. This can really catch people out, so it's something to be aware of early on.

The website [Employed and Self Employed](#) is great if you want to estimate your profits and work out how much tax and national insurance you need to set aside. It allows you to put in what you earn in any employed jobs you have as well, to give you an overall total. When you do your self-assessment tax return all of your income is added up together to give you your overall tax bill. It will also give you an estimate of how much tax you'll pay if you set up a limited company.

Accounts packages can also be helpful here as, if you keep them up to date with all your expenses, they will estimate your tax bill as you go along.

How do I Find Clients?

Your network. You'll probably find that your first clients will come from close to 'home' so the company you are leaving could be your first freelance client, then the companies your friends work for, or your family members. As you build up a portfolio of work you have done on your own you can talk about the work you are doing, and people will understand better what you are offering. Initially you may need to go out of your way to do a lot of emails, phone calls, coffees and conferences to connect with your network and let them know about your business. Then once you have done this, keep in touch with them regularly; find out what they are up to and how you could help them. Think about setting up a website, regularly updating your social media channels with your latest work, or perhaps setting up a newsletter.

You probably won't be going into 'cold calling' or pitching from day one, this organic approach is more natural and more likely to win you your first clients.

What if I want to set up a partnership, charity or CIC?

These are other alternative business structures which you could set up, for example if you want to run a business that is benefitting your community or are going into business with other sole traders, but don't want to go for a Limited company. There's more information [here](#) and [here](#) from Companies House.



OFF THE RECORD

Remi Harris MBE is founder of Remi Harris Consulting.

Remi Harris runs consultancy Remi Harris Consulting where she uses her experiences of working with small businesses and her MBA degree to train and advise creative businesses and people in business skills like planning, fundraising, governance, strategy, freelancing and finance. She also writes and speaks about parenting in the music industry. Formerly Remi was General Manager of AIM, Director of Operations at UK Music, Chair of the Alliance for Diversity in Music and Media. She is co-founder of the Young Guns Network for young professionals in music and was awarded an MBE for Services to the Music Industry.

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