Starting Strong: The Essential Guide to Setting Up and Growing a Successful Business

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By **David Ambrose**, 21st July 2026

Introduction

Starting a business is an exciting milestone. Yet while many entrepreneurs focus on their product, service, or big idea, the reality is that building a successful business requires much more than simply generating sales.

The decisions you make in the early stages, from choosing the right structure to managing tax obligations and planning for future growth, can have a significant impact on the long-term success of your venture.

Whether you are launching a consultancy, professional practice, family business, or growth-focused company, taking the right steps from the outset can save time, reduce risk, and create a strong foundation for sustainable success.

Six Key Stages of Building a Business

Every business journey is unique, but most successful enterprises follow six core stages:

1. **Choose the Right Business Structure**

In order to successfully start a business, you must first determine the correct business structure that is best suited to the type or nature of business you wish to conduct. Most common UK business structures include:

- Sole-trade,
- Partnership,
- Limited Liability Partnership (LLP)
- Limited Company (Ltd)
- Unlimited company.

Your chosen structure will influence:

- Personal liability
- Tax obligations
- Administrative requirements
- Funding opportunities
- Future growth plans

While changing structures later is possible, doing so can create additional costs and tax implications. Taking advice at the start can help avoid unnecessary complications.

2. **Register Your Business Correctly**

Once a suitable structure has been chosen, you need to ensure the business is properly registered for the relevant taxation services. This may include:

- Registering with HMRC
- Registering for Corporation Tax (for companies)
- Registering with Companies House
- Obtaining VAT registration where required
- Seeking overseas registration advice if you have international operations or customers.

3. **Put the Right Financial Systems in Place**

The next step post registration is to identify whether additional tax compliance/services are required, such as

- Bookkeeping systems
- Cloud accounting software
- VAT compliance
- Making Tax Digital (MTD)
- Cash flow forecasting
- Funding and financing requirements
- Customer relationship management (CRM) systems

4. **Focus on Growth**

At this point, you should have a successfully registered and initially set up business that is now ready to begin trading attention turns to what matters most – growing the business.

This stage typically includes:

- Identify your target market
- Developing a sales strategy
- Building brand awareness
- Generating leads
- Developing customer relationships
- Recruiting staff when required

There is no universal timeline for growth. Successful businesses evolve at different rates, and the key is ensuring your systems, people, and processes can scale alongside demand.

5. **Plan How You Will Extract Profits**

The penultimate stage relates to how you can extract your hard-earned profits from the business to enjoy as you see fit. As your business becomes profitable, it is important to consider how profits should be withdrawn.

The method selected can have a significant impact on tax efficiency.

Options may include:

- Salary
- Dividends
- Interest payments
- Pension contributions

Business owners often focus heavily on generating profit but spend less time planning how to extract it efficiently. Seeking professional advice can help optimise outcomes while remaining fully compliant.

6. **Think About Your Exit Strategy**

And finally, once you have enjoyed a long, successful career with your business, you must consider your exit/succession planning.

Questions to ask include:

- Do you simply sell the business to another and reap the rewards of the sale (subject to capital gains tax)).
- Do you elect to hand over the reins of your business to a family member, for them to continue your business's legacy?
- Do you want to create a management buyout opportunity?
- How can the business be structured to maximise future value?

The earlier exit planning begins, the more options become available.

Choosing a Business Structure – Which Business Structure Is Right for You?

Choosing the correct structure is one of the most important decisions a business owner will make. Below is an overview of the most common options.

Self-Employment (Sole Trader, Partnership, LLP)

As mentioned above, the first step of starting a business is to decide which structure works best for you and the nature of the business you wish to conduct.

It is worth noting that once chosen initially, you can change the structure of the business, but this typically comes with numerous tax implications, so it is best to make the correct choice at the start to avoid issues down the road. The examples below represent the typical business structures that you could employ with your business.

Sole Trader

A sole trader is typically the simplest and most common way to start a business in the UK. This structure is often chosen by individuals who want to get set up quickly with minimal administration.

As a sole trader, the business and the owner are legally the same, meaning you keep all profits but are also personally responsible for any losses or debts. It is particularly popular with freelancers, consultants, and small service-based businesses.

Pros:

Operating as a sole trader is often appealing because of its simplicity, and the fact that it is quick and inexpensive to set up, with minimal paperwork, and straightforward registration with HMRC (as a result of you as an individual being the only required registration).

This structure gives you complete control over how the business is run, allowing decisions to be made quickly without the need for consultation from a board of directors.

In addition, all profits generated by the business belong to you personally, and ongoing administration requirements are relatively light compared to incorporated businesses.

A final note is that your financial information is not publicly available (on Companies House, for example), which can be attractive to those who value privacy.

It is worth noting however that sole traders and rental property business owners are Subject to MTD, which is dependent on your gross annual income, should you expect your profits for the tax year ending 5 April 2027 to exceed £20,000, it is recommended to enter MTD immediately to begin familiarising yourself with the new system, as opposed to learning the old system for one tax year only before transitioning to the new MTD system.

Cons:

However, the simplicity of being a sole trader comes with significant risk. As there is no legal distinction between you and the business, you are personally liable for all debts and obligations. This means your personal assets, such as your home or savings, could be at risk if the business encounters financial difficulties.

As profits increase, sole traders can sometimes find themselves paying higher levels of income tax and National Insurance compared to a limited company. In some cases, the structure may be perceived as less established or less credible by larger clients, suppliers, or financial institutions, and access to external funding can be more limited. So, it is worth considering if a sole trade is suitable for a business striving for longevity vs quick/easy establishment.

As mentioned previously, MTD is also an additional burden that falls upon sole traders, which does not impact limited companies, so it must be considered if your turnover is estimated to exceed £20,000.

Compliance & Records:

As previously alluded to, the compliance and record keeping within a sole trade business is the least complicated of the options listed in this article. Subject to MTD, only one annual self-assessment tax return is required to handle the taxation matters for the owner of the business. As such, only the business owner must register for taxes with HMRC personally.

Taxable income derived from the sole trade business is subject to class 4 NIC's (national insurance contributions) by the owner (class 2 has been removed from the requirement, but can be elected as an optional payment should profits be low enough).

Detailed records must be kept for at least 5 years to ensure any enquiry from HMRC can be quickly and effectively answered. It is also a lawful requirement to maintain good records for this very reason. The most effective way of doing so is to utilise cloud-based bookkeeping software, such as Xero and QuickBooks.

These software programs are extremely useful for recording all sales and expenses incurred by the business all in one place that is easily accessible. The older method of retaining physical receipts is cheaper, but far less tidy and far less accessible than modern cloud-based software.

General Partnership

A partnership is an arrangement where two or more sole traders run a business together and share responsibility for its management, profits, and liabilities. In the UK, partnerships are relatively easy to set up and are often used where individuals want to combine skills, resources, or capital.

Unless otherwise agreed, each partner is personally liable for the business's debts, including those incurred by the other partners, making trust and clear agreements essential.

Pros:

A partnership is an effective way for two or more individuals to pool their skills, experience, and resources. Sharing responsibility can reduce pressure on individual partners and allow the business to benefit from a wider range of expertise.

Partnerships are relatively easy to form in the UK and can operate flexibly, with profit-sharing arrangements and responsibilities set out in a partnership agreement. Like sole traders, partners are taxed individually, which avoids the need to pay corporation tax.

Cons:

That said, partnerships carry notable risks. Each partner is jointly and severally liable for the debts of the business, meaning one partner can be held responsible for the actions or financial commitments of another. This makes trust and clear agreements essential.

Disputes between partners can disrupt operations and, in some cases, lead to the dissolution of the business. There is also less continuity than in incorporated structures, as the departure or death of a partner may legally end the partnership unless otherwise agreed.

Critical Document:

A thorough and jointly agreed partnership agreement (profit split, decision-making, capital, drawings, dispute resolution, leaver provisions) is absolutely essential to ensure the partnership operates fairly between all traders involved. It also ensures that in the event of a disagreement, there is a clear procedure to follow.

Limited Liability Partnership (LLP)

A Limited Liability Partnership (LLP) blends elements of a traditional partnership, as mentioned above, with the protection of limited liability. It is commonly used by professional services firms such as accountants, solicitors, and consultants.

In an LLP, members are generally not personally liable for the debts of the business beyond their agreed contribution, while still benefiting from a partnership-style management structure and tax treatment.

Pros:

A Limited Liability Partnership offers a balance between operational flexibility and personal protection. As a separate legal entity, an LLP can enter into contracts and hold assets in its own name, while members benefit from limited liability, protecting their personal assets in most circumstances.

Taxation remains transparent, with profits taxed as income for each member rather than at corporate rates. This structure is particularly popular with professional firms, as it provides both credibility and flexibility in how profits and responsibilities are shared.

Cons:

The trade□off is additional formality and administration. An LLP must be registered with Companies House and is required to file annual accounts and confirmation statements, making financial information publicly accessible.

While it offers limited liability, it is not always suitable for businesses seeking external investors, as LLPs cannot issue shares. The setup and ongoing compliance can also be more complex than a traditional partnership, often requiring professional advice.

Compliance:

As mentioned, an LLP must be registered with Companies House and, as such, must file an annual confirmation statement declaring any changes in ownership. This is in addition to a set of annual accounts, which must be prepared in line with GAAP.

Another consideration is that from 1 April 2026, LLPs are now required to display turnover and profits on their annual accounts, which further dissolves the privacy of the LLP members.

Limited Company

A limited company is significantly different from the previously mentioned structures. Firstly, this structure is the first that is considered a separate legal entity from its owners, meaning the business can enter into contracts, own assets, and be responsible for its own debts. Thus, giving a greater sense of separation between the owners and the business entity.

This structure offers limited liability to shareholders and is often chosen by growing businesses seeking credibility, tax efficiency, or investment opportunities. However, it comes with significantly increased administrative requirements, including statutory filings with Companies House and greater transparency.

Pros:

A limited company is a distinct legal entity, separate from its owners and directors, which provides one of its biggest advantages: limited liability.

Shareholders are generally only liable for the amount they have invested, offering strong protection for personal assets. Limited companies often benefit from greater credibility in the market and may find it easier to secure contracts, finance, or investment.

Limited companies also offer far more options when it comes to profit extraction (a shareholder can elect for salary, dividend, interest, as opposed to sole-traders having no choice), succession planning, and employee incentives (typically via share schemes such as EMI, CSOP, SIP, etc.)

Cons:

On the other hand, running a limited company brings increased responsibility. There are strict legal duties for directors, along with more extensive reporting and filing requirements.

Annual accounts, confirmation statements, and certain company details must be submitted to Companies House and are publicly available. Compliance costs are typically higher, and decision-making may be slower due to formal governance requirements.

For very small businesses, this structure can feel administratively heavy, so it will need consideration if the extra burden is worth the offset of future transitional burdens between sole trade and limited company.

Compliance:

A limited company comes with substantially increased compliance. As the company is now a separate legal entity, it must be registered with HMRC for corporation tax, and as such must file an annual corporation tax return (typically filed alongside the annual accounts).

A company must also prepare annual accounts, which must be submitted to Companies House and, as mentioned previously, must also be included with the corporation tax return.

The owner of the company must also still register for self-assessment and file an annual tax return in order to report the income earned from the business (whether that be salary, dividends, or interest).

Should the company be paying salaries to either the owners or employees, a payroll scheme must be set up, and the associated monthly and annual compliance must be conducted on time.

Companies must also register for VAT once the turnover threshold has been reached, similarly to sole traders and partnerships.

One advantage here is the lack of MTD applying to Limited companies, and by extension, no requirement for the directors to enter MTD (unless they have rental income, or another sole-trade / partnership trade).

Records must also be kept for several years to ensure any HMRC enquiry can be quickly responded to.

Unlimited Company

An unlimited company is less commonly used in the UK, but can be appropriate in specific circumstances and, as such, has been included in the summary only for completeness.

Unlike a limited company, there is no cap on the liability of its members, meaning personal assets can be at risk if the company cannot meet its obligations.

Some businesses choose this structure for privacy reasons, as unlimited companies are not always required to file full accounts publicly, or where owners are confident in the financial stability of the business.

How Dixcart Can Help

At Dixcart UK, we work with entrepreneurs, business owners, families, and international groups to establish and manage UK business structures that are commercially effective, tax-efficient, and aligned with long-term objectives.

From incorporation and compliance through to business growth, profit extraction, and succession planning, we help business owners build with confidence.

To discuss your plans or explore the most suitable structure for your business, please contact: advice.uk@dixcart.com

Summary Comparison Table

Comparative	Sole Trader	Partnership	Limited Liability Partnership (LLP)
Separate legal entity to owner?	No	No	Yes
Number of owners	One individual	Two or more individuals	Two or more member

Personal liability for debts	Unlimited	Unlimited (joint and several)	Limited
How profits are taxed	Income tax	Income tax	Income tax
National Insurance	Class 2 (voluntary) & Class 4	Class 2 (voluntary) & Class 4	Class 2 (voluntary) & Class 4
Registration required	HMRC	HMRC	Companies House
Annual accounts required	Yes (private)	Yes (private)	Yes (public)
Public disclosure of finances	No	No	Yes
Administrative complexity	Low	Low	Medium
Ability to raise investment	Limited	Limited	Limited
Typical users	Freelancers, trades	Small teams	Professional firms
Credibility with clients/lenders	Moderate	Moderate	High