

STEP 3 LESSON 6

PLANNING YOUR BUSINESS – THE LEGAL BITS

You have so far identified where you are, where you want to be and done some research on how you are going to get there. You ultimately want to set up your own road crew business, working with bands on tour. Setting up the business requires this planning, and requires that you comply with certain legal stuff. Don't worry though, none of it is too hard, or expensive, to do - if it was, there would be no small businesses!

All business books and sites tell you that you will have to do some, or all, of the following to start your business, depending where you live:

- Choose a business location
- Determine the legal structure of your business
- Register a business name ("doing business as")
- Register for state, local or national taxes
- And obtain business licenses and permits as necessary.

There are numerous online guides that you can read in order to find out specifically what you need to do for where you live. In the USA you should definitely go to the Small Business Administration (www.sba.gov); in the UK the SmallBusiness site has similarly useful information (www.smallbusiness.co.uk). You should make sure you have researched anything else you need to do to set up your business, again depending on where you live.

Here is a summary of what you need to do in order to make your business 'legal'.

Business location

You do not need premises (an office or workshop) to start your road crew business. In fact, I would totally advise against spending any money on any type of premises for a road crew business. Its money you don't need to spend, especially when you can work from home - as you are going to be touring and you just need somewhere you can receive mail, make phone calls from and that has an Internet connection. In fact, depending on where you live, you

may be able to claim use of your home as 'home office', and therefore save money on your tax bill. You should check with your local tax authority to see how this is done.

What business 'type' am I? - your legal trading form

You should choose a legal trading structure for your new freelance business. This structure is recognised by the relevant taxation authority and is dependent on the size and scope of your plans for the business.

Sole trader/sole proprietor

A sole trader is one person running their own business, and is definitely the simplest way to start. You keep all the profits but are also personally liable for any business debts. This means, that in the event you can't pay bills associated with your business, your creditors (people you owe money to) can seize your personal possessions (car, stereo, even your house) in order to get some money from you.

Partnerships

Like two or more sole traders running a company together. Profit is divided between the partners; each partner is also equally liable for any business debt (see 'Sole trader/sole proprietor' above).

Limited Liability Partnerships (LLP)

A partnership structure that protects the partners from any liability for the business's debt. LLC's are complex and have costly set-up fees. However, your personal assets (car, stereo, house) cannot be seized to pay for company debts.

Limited Companies/PLC's/Corporations

Very simply these companies are owned by the shareholders – the 'boss' works for those shareholders, does not directly receive the profits and cannot sell the company. However, management and employees are not liable for the company's debts. Limited companies/PLC's and corporations are expensive to set up and have onerous legal and taxation responsibilities.

Which business 'type' to choose

I would advise starting your freelance business as either a sole trader/proprietor or partnership. All you need is to choose a trading name, inform your taxation authority that you are now a sole trader (very important) and you are in business! As your business grows you can change the type and that should not be necessary until you perhaps have to employ other people in your business.

Register a business name ("doing business as")

Giving your business a name, other than your own, is tempting and highly unnecessary. You do not need to adopt a corporate identity - you will be a sole trader and therefore should trade as that. Besides, even adding 'Sound Engineer' or 'Crew Services' to your real name as part of your business identity will mean you will have to comply with certain legal obligations in order to let people know that you are 'doing business as' another name. For instance, if your name is Anna Golden, and you call your company, 'Anna Golden Tour Management,' you are 'doing business' as that name, and not as straight-forward Anna Golden; you may have to register that name which is time consuming and may cost money, depending on where you live. I would therefore avoid a fictitious name and simply trade as yourself, i.e. Anna Golden. This avoids confusion and the necessity to have to register your company name. It may also make domain name registration for your web site easier - one of this in a later step.

State, local or national taxes

Working for yourself, and running your own company, means that you are responsible for making sure you pay your taxes - there is no employer to take the tax out of your pay packet for you. Registering for income, state and local taxes should be straight forward - again, if it was not then no businesses would do it!

Once registered you should make sure that you put enough aside out of each payment you receive you for work done in order to pay your tax when it is due. For instance, here in the UK the basic level of tax is 20%. When I receive payment for a tour or show, I put 20% of that money in a separate bank account and do not touch it until my tax bill is due at the end of January each year. I can then pay any tax I owe, without worrying about it or being late with my payment. Failure to pay tax is usually an offence and can lead to fines, or prison. Please make sure therefore you have read and understood all the necessary information about income and business tax that is relevant to where you live.

The good thing about running your own business and being responsible for paying tax is that you 'pay yourself first' - that is, no tax is taken from the payments you receive. If you are careful, put some money aside and keep good records, you may be able to reduce the amount of tax you are due to pay - more money for you than if you worked for someone else!

Business licenses and permits

As well as a 'doing business as' permit, you may also need other license and permits to carry on your road crew business. Check with your local authority, state license office or chamber of commerce to find out what, if anything, you may need. Touring road crew work

does not need any kind of other business license or permit in my experience but you never know - so do the research and find out!