

# Prediction Profits

## LESSON TEN

by

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No experience required!

### Nuts and Bolts of Business

**This comprehensive ten-part course is a guide to earning big money from fortune telling. Discover secret techniques handed down through the ages, including how to predict lucky numbers that you can use in today's world for winning the lottery!**


**For legal reasons we are obliged to state the following:**

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Welcome and a huge ‘Thank You’ for purchasing Lesson Ten of ‘Prediction Profits’. Let’s continue with revealing ancient secrets and knowledge of the art of fortune telling so you can join the ranks of high earners in this billion pound worldwide industry.

## Business Basics

In this lesson you will be studying the basic elements of good business practice that will help you run a successful business in forecasting and prediction.

I cover important issues of choosing a business name, different types of trading status, business banking, accountancy, book-keeping, how to set up your own consulting rooms and all about business tax and the tax allowances you are entitled to claim.

## What You Will Achieve

By the end of this lesson you will have an extensive knowledge of all the basic commercial principles which are necessary in order to make a success of fortune telling and prediction as a business.

## Business Licences and Names

No business licence is required in the UK if you wish to trade as either a sole trader or partnership. If you wish to set up a limited company you will need both approval for your chosen name and to register your business with the Registrar of Companies in Cardiff before you begin trading. More information about incorporating a limited company is given later in this lesson.

## Choosing a Business Name

You should decide what name to trade under as soon as you have made the decision to establish your business. This will serve to provide a focal point for the many other basic tasks which must be completed before you can commence trading. A good trading name should project a professional image and also be easy for clients to remember.

You may use either your own name, or a business name which you make up. Many mantic artists do the latter since they feel it enables them to separate their private life from their work in forecasting and prediction. It is perfectly legal to use another name for business purposes in this way. However, certain legislation covers the choice and use of trading names.

The main restriction on choosing a name is that it may **not** be a trading name which is already in use. Unfortunately there is no longer an official register which enables this to be checked. However, an examination of the telephone directory will reveal if your chosen name (or a very similar one) is already being used by another similar business in your locality.



A search on the Internet will also help to reveal if your chosen name is already in use. Simply tap your chosen name into the search engine and see what results you get. It's probably okay to use it if it is currently in use by a cement company or something totally different from your business.

If you are trading as a sole trader or partnership you do not need to register your business name with any official register. If you intend to trade as a limited company then you must register it with Companies House. (In this event Companies House will also be able to tell you if the name is already in use.)

## Regulations on Using a Business Name

If the trading name of your business is not your own personal name then certain additional regulations apply to disclosure of the ownership of the business. For example, if you are trading as John Smith and it is your own name then no further information on ownership needs to be disclosed.

However, if you are trading as 'John the Astrologer', or 'Mystic John', or any other name that is not your own name then you are required by law to officially disclose your ownership of the business.

### This is simply done by:

- Stating 'Proprietor John Smith' etc. on all your business letterheadings, bills and other business documents.
- Displaying an official declaration of ownership notice at your place of business.

### The following specimen shows how this notice should be worded:

PARTICULARS OF OWNERSHIP OF:

**Mystic John**  
-----

As required by the Companies Act 1981 (section 29).

Full name of the Proprietor(s) and their Address(es) in Great Britain at which documents may be effectively served is/are:

**John Charles Smith 14 Station Road, Eckthwaite, AB1 2CD**  
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**Mary Angela Smith 14 Station Road, Eckthwaite, AB1 2CD**  
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(List name[s] of owner[s] and their official business address.)



## Limited Companies

The rules for limited companies are slightly different. A limited company must state its registered company name, company registration number and registered office address on business documents and at its place of business.

It is not necessary to disclose the names and addresses of the owners or shareholders. However, if one of the directors is disclosed on the company's business letterheading then **all** the other directors must be listed also.

## Sole Trader or Limited Company?

It is advisable to decide on the trading status of your business prior to commencement of trading. Although it is perfectly permissible to change the trading status of an enterprise (e.g. from sole trader to limited company or vice versa) once trading has commenced, it will simplify administrative and taxation procedures if the most suitable format is adopted at the outset.

Three types of business format are likely to be most appropriate to the new, start-up business.

**These are:**

- Sole trader.
- Partnership.
- Private limited company.

## The Sole Trader

Individuals trading on their own account are considered to be sole traders. A sole trader has full personal liability for his business and full control over it. The sole trader has a sole right to claim any and all profits generated.


However, he or she is also entirely personally responsible (up to an unlimited amount) for any debts they may incur in the course of their business activities. **A sole trader is not required to register his or her business in any way.**

The majority of fortune tellers work as sole traders.

## The Partnership

A partnership describes a situation where a number of individuals work together in the pursuit of profit. Other than this, their entitlements and responsibilities are the same as for the sole trader. Up to 20 individuals may trade as a partnership.

Each of the partners in a partnership is entitled to an equal say in the running of the business and to a share in the profits. However, they each carry unlimited responsibility for any debts that are incurred in the course of business.



Partners trading as a partnership are not required to draw up a legal partnership agreement by law. However, establishing a Deed of Partnership may avoid difficulties in the future; any solicitor can prepare such a document.

Few fortune tellers trade as partnerships. It can be a good choice if you intend to work with other people to provide a range of forecasting and prediction services – a spouse or some friends, for example.

## **The Limited Company**

A private limited liability company may be formed by any number of individuals wishing to set up in business; in practice at least two people must be involved. Unlike the sole trader or partnership **it is a legal entity in its own right**.

The main advantage of forming a limited liability company is that the financial liability of the owners or shareholders for any losses which the company might make, are limited. This liability is limited to the value of shares to which each individual subscribes, which is usually fixed at a token amount only.

Chief disadvantages to establishing a limited company are the accounting responsibilities which attach to this type of enterprise. Your accounts must be prepared by an accountant every year and filed with Companies House.

Secondly, since the company's liabilities are limited, suppliers may be unwilling to extend a significant amount of credit unless personal guarantees are forthcoming from the shareholders. This obviously negates one of the main advantages of being limited in the first place.


The shareholders of a limited company are entitled to vote on issues which affect the operation of the company in proportion to the number of shares to which they have subscribed. The shareholders elect some or all of their numbers to act as directors; the directors are charged with the day to day running of the company. In most small limited companies the directors are also employees of the company.

A limited company may be incorporated on application to the Registrar of Companies. It is customary to instruct an accountant or a company formation agent to complete the formalities.

### **The following documents should be filed:**

- A Memorandum of Association - Sets out the company's name, office address and intended business.
- A set of Articles of Association.
- Form 10: This gives details of the intended directors.



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- Form 12: A declaration that the legal requirements have been complied with.

The forms described above and other specimen documents suggesting suitable wording for the Memorandum and Articles are available from Companies House. Once these documents have been accepted by the Registrar, and a Certificate of Incorporation issued, the company can commence trading.

The name of a limited company must be approved by, and registered with, the Registrar. They can tell you if the name you are thinking of adopting is already in use.

A private limited company may be a suitable option if you are thinking of running a larger fortune telling business and extensively exploiting all the commercial options.

You can buy an ‘off the shelf’ pre-named and ready to roll company for well under £100. To do this, search on ‘Company Formation Agents on the Internet. Be aware though that they are likely to have terrible names such as “Cone Gate Developments” and “FieldShed Limited”.

If you have any doubts about which business format is most suitable for your intended business then you should take individual advice from a solicitor and/or an accountant.

## **Companies House Addresses**

### **England/Wales:**

- Companies House, Crown Way, Cardiff. CF4 3UZ; 01222 388588

### **Scotland :**

- Companies House, 100-102 George Street, Edinburgh. EH2 3DJ; 0131 225 5774

## **Checklist**

### **Key Points So Far:**

- Decide on whether to trade under your own name or a business name.
- Decide on the format of your business (limited, partnership, sole trader)..
- It is easier to organise these details from the outset than once you are trading.



## Business Premises - Setting up Consulting Rooms

This business is ideal for operating from home. However, some people decide to work from an office or consulting rooms as they are more correctly known.

**The chief advantages of running your business from home** are that you will reduce your operating costs and you will also be able to give your business close personal attention at all times.

**The chief disadvantages of running a business from home** are that it may not present the best professional image for your service, and you may also find you have clients calling at your door when it is inconvenient.

If working from home you should be aware that residential properties (for instance, houses) are not intended to be used for business purposes. However, a discreet business like this can be conducted mainly by phone or the Internet and attracting only a small numbers of callers. This rarely creates any problems.

**If you do opt to run your business from home you are supposed to check with:**

- Your local council's planning department to see if you require planning consent.
- Your building society, if your home is subject to a mortgage.
- Your landlord, if your home is rented.
- Your insurance company (house insurance does not normally cover any liability to business callers should they suffer some injury).
- Your solicitor, to check that your property deeds contain no restrictive covenants which forbid a business being operated.

## Rented Consulting Rooms

A significant advantage of working from rented consulting rooms is that your operation looks much more professional. You will probably find that you will pick up a certain amount of business from members of the public who pass your office.

However, to set up a professional office requires a larger capital injection – in addition to rent and rates you will also need to furnish and equip the premises suitably.

## Finding a Property

When starting out, renting is usually the most cost effective option. Suitable properties can be located using local newspapers and also by approaching local estate agents who deal in commercial property.





Choosing the right position is very important. If, for example, you are situated in offices close to a town or city centre you will benefit from more passing trade than if you locate in a side street.

Generally, the smarter your premises the better the opinion prospective clients will form about your business. If your offices are modern and prosperous looking you will probably find that you attract a higher standard of client who is prepared, indeed expects to pay you a larger fee, and your turnover will benefit as a result.

Choose premises of the right size, allowing for the size of your business at inception, and the amount of expansion you anticipate. Usually you'll need a comfortable waiting area and at least one consulting room. Ideally (although this is not always easy) clients leaving should not be bumping into clients arriving.

For most mantic arts which involve a personal consultation it is also important that your premises are quiet and relaxing, to allow you to concentrate on the subject in hand. So, while you'll probably want to be in an easy-to-reach location, check to make sure that your new premises won't suffer from a great deal of traffic noise, or noise from other businesses and local residents.

## **Business Equipment**

Whether you are working from home or in an office you will require a certain amount of office equipment. Decide on what is required at the outset, as savings can often be made by acquiring all the items you require as a package.

## **Purchasing and Leasing**

The main funding options for office equipment are either outright cash purchasing or leasing. The main advantage of purchasing is that you own the equipment outright and can sell and upgrade it as and when necessary.

The disadvantage of this method is that it will tie up a certain amount of your business capital. In addition, the purchase cost of capital equipment, which includes most office equipment, may only be claimed as a tax allowance at a rate of twenty-five per cent of its total cost each year (in other words, you can offset just one-quarter of the cost of your office equipment against your profits that year).

The chief advantage of leasing equipment is that it spreads the cost over an extended period, usually three, four or five years. There may be tax advantages in that you can reclaim one hundred per cent of the lease payments as a tax allowance each year. Some leasing schemes also include maintenance which makes it easier to budget for servicing and repairs.



The disadvantages of leasing are that the lessee never owns the equipment. Also, you must commit to a fixed period of leasing at the outset. If in mid-term you wish to return the equipment or update it, there may be a penalty to pay.

## **Choosing Suppliers**

There is a wide choice of suppliers for office equipment. Possible sources include local dealers (check in your 'Yellow Pages') or one of the national stationery superstores or mail order chains (such as Neat Ideas or Viking) offering next day delivery for office equipment.

Office suppliers like Viking, have websites so you can order online. Again, it is advisable to shop around as prices vary considerably for identical items at different suppliers.

Smaller local suppliers are often more willing to consider discounts if you buy several items at once. They may also have used or refurbished equipment available if you do not wish to buy new; this can also be leased in some cases.

## **Equipment Shopping List**

The equipment you will require depends on your budget and whether you're working from home or office.

## **Furniture**

Your consulting room will need a table with at least two chairs. It's also a good idea to have a sofa or a couple of easy chairs for more relaxed consultations.

Don't forget seating and a coffee table to create a welcoming waiting area, and a desk for your receptionist if you plan to have one. Filing cabinets are essential in any office. These should be secure as you will be storing confidential client information.

## **Telephones**

Plan a telephone installation which can cope with the amount of business you anticipate, plus some capacity for expansion. A single line is only adequate if you just intend to handle personal or postal consultations.

If you intend to offer telephone consultations then you will probably need a small switchboard system with several exchange lines and several extensions. These can be bought or rented from telecommunications companies. Note that if you intend to offer premium rate services you don't normally need any special lines or equipment, since the equipment is usually installed at the premises of the telecommunications company and calls are then diverted through your regular telephone lines.



If you intend to work from home then converting your residential telephone line into a business line will entitle you to priority attention on repairs and a listing in the 'Yellow Pages' free of charge. ('Yellow Pages' have an 'Astrologers' category!) A slightly higher line and equipment rental is charged.

BT have a free booklet covering telecommunications for new business called 'Your Way Through The Maze', call 0800 234500 for a copy.

### **Answerphone**

It is advisable to utilise an answerphone or Call Minder service for this type of business, since clients may wish to contact you at any time of the day or night.

Although it is true that some people do not like speaking to answering machines and will not leave a message, it has been proven that, having heard a recorded announcement, they are more likely to call back later than if the 'phone just keeps ringing out.

### **Fax Machine**

Although email has largely replaced the need for a fax machine, many companies still have one.

### **Mobile Phone**

A mobile telephone is, again, becoming an indispensable business tool. It will be especially useful if you only run your business part time. Also, regular clients will find it useful if they know where they can reach you each time they need your services.

I would not recommend, however, that you use a mobile telephone number in your business advertising. This tends to portray a 'here today, gone tomorrow' image to prospective clients.

### **Document Shredder**

You may find a document shredder useful for disposing of confidential information about your clients. Unless you have a need for keeping information about them (e.g. for future consultations) you shouldn't normally keep confidential information about your clients on file. Dispose of it by shredding and never simply put in into a dustbin where it could easily be retrieved by others.

### **Computer**

A PC is essential. A single machine can carry out a range of functions within your office including word processing, accounts and storage of business and client information within a database. If you're offering astrology you can



also use it to help calculate the astrological data and prepare readings.

If you want to use the Internet to promote your business, it can be worth having a second computer which is solely used for receiving enquiries and orders from your website and email address. This computer can also be used to fulfill orders from Internet clients and to sell daily, weekly or monthly horoscopes or an astrological newsletter that you write and sell.

## **Tape Recorder**

You will find it well worth having a recording system. There are several choices and the technology is so fast moving that if I suggest something, it will almost certainly be replaced by a newer system by the time you read this.

Whichever recording system you choose to record your readings, these can be sold or given away to clients as a memento of their consultation.

These recordings will also serve as a personal record to keep yourself and can be used for guidance if the same client consults you again, or for reviewing as a way of improving your technique.

It is advisable to have two copies of the same session (one for the client, one for yourself) simultaneously.

## **Checklist**

### **Key Points So Far:**

- This is the ideal home business, but using premises looks more professional and may enable you to charge more.
- Decide what equipment you will need from the outset.

## **Business Stationery**

Business stationery has a practical purpose, but it also has a use by way of the impression it creates for your fortune telling business.

It is wise to opt for the best quality business stationery you can afford. Cheap stationery is often a false economy since it suggests to the prospective client that you are unprofessional.

When buying business stationery you should certainly shop around, since printers' rates can vary a great deal, even for identical print. The main choices are between a small local printer, one of the franchise printing outlets (such as Prontaprint or Kall-Kwik) or the national mail order stationery companies (such as Neat Ideas). But do not choose a printer on price alone. Ask to see some samples of the printer's work before placing an order.





**These are the main types of stationery you will need:**

## **Letterheads**

Letterheads are used for writing letters, notes or memos. They are suitable for use for a variety of other purposes including sending mailshots, or writing reports of your readings.

The standard size for letterheaded paper is A4 (297mm x 210mm). Use good quality 80gsm-100gsm paper. White paper is most appropriate. Although one-colour print may be used for a letterheading, a two-colour heading can help to create a more professional appearance.

Here is an example of how to set your letterheading out:

JANE DE COURCEY  
Astrologer

Suite 10, Jupiter House,  
George Street, London. SE50 1AB  
Tel.: 020 800 0000  
Fax.: 020 800 0000

## **Compliments Slips**

These are useful for attaching to brochures and reports or any other literature which you mail out to clients. They can be prepared in the same style as your letterheadings, as follows:




## **Business Cards**

Business cards are not only used for introducing yourself at meetings. They are also a very good method of promotion and advertising. They can be clipped to letters, reports and brochures or handed out to clients and to prospective clients.

It is always a good idea to give out business cards to anyone and everyone you meet in business, or even socially, such as accountants, solicitors,





friends at the pub or golf club and even for example, your bank manager! This is known as ‘networking’ and a significant amount of business can be obtained from existing contacts and from people whom they may recommend your services to.

Your business card should be printed on good quality card of a minimum 150gsm weight. Use two colour printing if possible for a more professional finish.

All types of business stationery can be enhanced by the inclusion of a logo. These can be prepared for you by a graphic designer; see ‘Yellow Pages’ or ask your printer to recommend one.

## Checklist

### Key Points So Far:

- Using business stationery will help make your business look more professional.
- Ask yourself: What impression does my stationery give of my business?

## Banks and Banking


You should always keep your business funds in a business bank account. If you are trading under your own personal name then it is advisable to avoid transmitting business funds through your own personal account since this can give rise to administrative and accounting problems.

All the main High Street banks offer business bank accounts. Those branches which are situated in major towns often have specialised Business Banking Officers and Business Centres who will be better equipped to deal with your requirements.

When choosing a bank the best advice, as with so many areas of business start-up is to shop around. Most of the main banks offer a similar level of service and levy similar charges but the concessionary arrangements they have for new businesses do vary frequently.

Banks do not usually offer business banking free of charges. This concession is usually only offered to personal account customers. They will usually levy a monthly or quarterly management or maintenance fee plus a transaction charge per credit to, or debit from, the account.

Although the main banks have a very similar charging structure some bank managers are prepared to negotiate on charges. Most of the banks are prepared to extend a period of free banking to new businesses. Ask about this if it is not mentioned.



As a minimum you will require a Current Account and some form of Deposit or Savings Account which pays a rate of interest on your reserve funds.

You may find it helpful to be able to accept credit card payments from your clients. This is especially useful if you intend to offer telephone services. All the major banks offer card processing services. They normally charge a commission on all payments you accept by credit card, plus an initial fee and monthly membership fee.

It is also well worth setting up a Paypal account for your clients to pay you for Internet services. You can find PayPal at [www.paypal.com](http://www.paypal.com).

## Accountancy

**The main reasons for using an accountant are:**


- Your accountant will be able to advise you how to keep your books in order to provide the information you need for good management of your business, plus the information which is required for tax purposes.
- Your accountant will be able to draw up your annual accounts for you, present them to the Inland Revenue, and deal with any queries which result.
- Your accountant will be able to help you to present a proposal for a loan or overdraft to your bank, should you require one.
- Your accountant will be able to advise you on all the tax allowances and tax breaks which you can take advantage of.
- Your accountant will be able to help you prepare a business plan, if you need one.
- An accountant can also keep your books for you if you wish. However, most businesses find it more cost effective to handle routine book-keeping (up to trial balance) themselves.

## Choosing an Accountant

The best way to find an accountant is by following the recommendation of a friend or business colleague. If this is not possible, then look in your 'Yellow Pages' and in local newspapers. Try a few and see how helpful they are, and how interested they seem in your business.

There is no set fee structure for accountants – fees vary from practice to practice according to the ability of the accountants within that practice. Ask for a quotation of fees at the outset if you wish; some accountants will charge you on an hourly basis whereas others will quote you a set fee for a specific project, such as a tax return.

Your accountant will, as a minimum, require the following information from



you each year:

- Details of all your business sales, ie. takings from clients.
- Details of all your business purchases, eg. advertising costs.
- Details of wages paid to yourself or others.
- Your business bank statements.

## **Books and Book-Keeping**

Business record books should be kept for the following reasons:

- So that you can monitor the financial progress of your business.
- So that you can prepare your annual accounts, to be used for tax and other purposes.

You could decide to engage your accountant to do your routine book-keeping, but this may be prohibitively expensive. More cost effective alternatives are to do the work yourself, employ a part-time book-keeper, or give the work to a book-keeping bureau.

Books can be kept either manually (on paper) or on computer. If you use a PC you will also require a suitable software package.

If you wish to prepare your books manually you can buy ready made accounts books, sold under the Simplex name amongst others. These are pre-printed with the categories of information you should keep.

## **What Records Should You Keep?**

Whichever methods you use to prepare your books, these are the main records you should keep:


### **Sales Records**

You should keep careful records of all your sales, for example, money charged for consultations. It is good business practice to give a written receipt to each client and keep a copy of that receipt yourself.

Write down all your receipts in the Sales Ledger or enter them into your computer software. A manual Sales Ledger lists all sales made to your customers as a whole. At the end of each month total up all your sales and calculate figures for Total Sales, VAT Collected and Net Sales (total sales less VAT collected).

### **Purchase Records**

You should keep careful records of all you pay out for goods and services, from your telephone account to stationery. You should obtain an invoice or a receipt for all goods and services you purchase from your suppliers.



Your purchases should first be listed in the Purchase Day Book. This lists all purchases made as a whole. At the end of each month total up all your purchases and calculate figures for Total Purchases, VAT Paid and Net Purchases (total purchases less VAT paid). File your receipts and invoices with these records.

Your purchases should also be entered in a Purchase Ledger. This should contain a page for each supplier which should list the invoices received from each. Payments made to your suppliers are also listed here as they are made so you can see at a glance how much you owe any of them at any one time.

Again, if you are using software, you enter the information into your computer.

## Cash Records

You should keep records of all bank transactions to support your sales and purchase records. This includes details of movements of cash between current and deposit accounts and vice versa.

In a simple book-keeping system these records can be maintained simply by keeping your bank statements. Alternatively, every sum of money received, paid out or transferred within the business should be written down in a Cash Book.

## Wages Records

You should keep a written record of all money paid out for work carried out, either to yourself or to anyone you employ, on a monthly basis. This should include details of the Total Payment, Tax and National Insurance Deducted and the Net Amount actually received by the employee.

You should also keep a record of any money or profits transferred from your business bank accounts to your own bank account. This information will be required for your business accounts and your own personal tax return.

### Useful Book-keeping Terms Explained:

- **Annual accounts** - Summary of the records of the financial activities of a business.
- **Asset** - An item owned by a business which has a measurable cash value (e.g. a vehicle or machine).
- **Audit** - A check on the financial records of a company by an accountant. (Required for limited companies, optional for other business formats.)
- **Balance sheet** - A statement of assets and liabilities at any one point in time.
- **Capital** - The amount of money in a business which belongs to the owners or shareholders.






- **Capital employed** - Total assets less current liabilities.
- **Cash book** - A record of receipts and payments.
- **Cash flow** - The pattern of cash being paid into and out of a business.
- **Cash flow projection** - A prediction of future cash flow.
- **Cost of sales** - Costs incurred in making sales, e.g. labour costs, advertising.
- **Creditor** - An individual who is owed money by the business.
- **Debtor** - An individual who owes money to the business.
- **Facility** - An overdraft or loan.
- **Financial year** - Accounting year of a business and that which its profit and loss account reflects.
- **Fixed asset** - Assets such as buildings, equipment and vehicles which are used to run the business and not intended for resale.
- **Fixed cost** - Overheads, e.g. rent and rates which do not vary with the amount of business transacted.
- **Gross profit** - The difference between value of sales and the direct cost of achieving those sales.
- **Liabilities** - Money owed by the business to others.
- **Liquid asset** - Cash, or other assets which can be readily converted into cash, e.g. stocks and shares.
- **Net profit** - Profit remaining after all direct costs and overheads have been deducted.
- **Overheads** - Fixed costs.
- **Profit and loss forecast** - Statement of forecast sales, costs, expenses and anticipated profit or loss for the coming year.
- **Trading accounts** - A summary of sales and cost of sales showing resultant gross profit.
- **Trading profit** - Profit remaining after all direct costs and overheads have been deducted.
- **Variable costs** - Costs which vary according to the amount of business transacted.
- **Variable profit** - Profit remaining after all direct costs and overheads have been deducted.
- **Working capital** - Capital required to finance the business in the short term, e.g. to pay bills and buy stock.

## Registering for Income Tax

Your new business should be registered with the Inland Revenue as soon as you have made the decision to set up, rather than at the time trading actually commences.





This will allow you to take advantage of all the tax allowances to which you are entitled. Ask your nearest Inland Revenue or Tax Enquiry office for booklet IR28. This explains the procedure and includes a form which you can use to tell your Inland Revenue office that you have started in business.

## **How the Tax System Works**

If you are working on a self employed basis – this mostly applies to sole traders and partnerships – you do not pay tax under the PAYE system as employees do. Instead, you are taxed under the Self Assessment system.

Every April, your Inland Revenue office will send you a Self Assessment Tax Return form. You must complete this, giving details of your business income, business purchases, other income and allowances and business profits in your last financial year, work out what tax is due, and then return it to the Inland Revenue by 31 January of the following year together with any tax payable.

You can either do this yourself, or have an accountant or tax return service do this for you. Alternatively, the Inland Revenue will work out the tax payable for you, but in this case you must return the forms by 30 September each year. Further details of this system can be obtained by asking the Inland Revenue for booklet IR142.

You should forward your business accounts with your tax return. Accounts are not required if you have a turnover of less than £15,000 per year.

## **Limited Companies: Corporation Tax**


If your business is to trade as a limited company then the system described above does not apply. You will normally be paid as an employee of your company under the PAYE (pay as you earn) system. Your local Inland Revenue office will, on request, send the necessary instruction booklets, tax tables and forms to enable you to set this system up within your company.

Limited companies do not pay income tax on their profits, but are assessed for corporation tax instead. You will be sent a corporation tax return to complete and return each year. Most limited companies instruct their accountants to handle this work.

## **Tax Allowances**

It is very important to point out that you are entitled to claim all expenses which are incurred in your business as tax deductible business expenses.

In effect this means you may deduct these expenses from your business takings to reduce the amount of income which is liable to income or corporation tax. It is very important to keep a careful record of all the deductions and allowances you are entitled to claim.



**You may claim as a tax allowance all legitimate business expenses, these include:**

- Office rent and business rates.
- Gas, electricity and water charges for your office.
- Stationery.
- Buying a company car, to be used for visiting clients.
- Office equipment.
- Wages paid to employees.
- Travel.
- Accommodation.
- Subscriptions to newspapers, magazines and professional organisations.
- Books or courses (including this course!).
- Insurance.
- Interest paid on loans or overdrafts which are used for business purposes.
- Advertising and promotion.


If you are working from home you can claim that proportion of your household bills such as electricity, telephone or rent (if appropriate) which relate to the running of your business.

It is advisable to keep a record of your household expenses for this purpose. For example, if you own a six roomed house and use one room as a study or consulting room you will usually be entitled to claim one sixth of your relevant household bills as a business expense.

If you run your own car for business you can claim that proportion of your motor expenses which relate to business mileage. You are entitled to these allowances if, for example, you travel to see clients at home, or travel around giving talks and demonstrations about the mantic arts.

The easiest way to do this is to keep a record book listing all your overall motoring expenses and all the business journeys you make in your car each year. At the end of the tax year you can claim your business motoring costs in the same proportion that your business mileage relates to your overall mileage. For example, if your overall motoring expenses were £5,000 and 50% of your overall mileage was on business you should be able to claim £2,500 as a tax allowance.

If you wish to buy (or lease) a car for your business you can do so using the capital you have injected into your business and maintain and run the car direct from your business cash flow as you would any other business expense.



If you choose this option, however, you should note that if you also use your company car for private use, you will be liable to pay additional income tax on the basis of what the Inland Revenue decides this benefit is worth.

## Capital Allowances

If your business purchases are capital items (machinery, office equipment, vehicles etc.) you may claim only a capital allowance of 25% of their value each year as a business expense. Details of how to claim these allowances are given in booklet IR106.

## National Insurance

As well as income tax don't forget National Insurance Contributions. Self employed sole traders and partners in partnerships are required to pay Class 2 and Class 4 National Insurance Contributions or NIC's.

Class 2 contributions are payable monthly. Class 4 contributions are payable every year with your tax payments. They are assessed as a percentage of your taxable profit; the amount is changed from time to time in the Budget.

To register for Class 2 national insurance contributions contact your local Contributions Agency office (see the telephone directory). They are usually paid by direct debit from your bank account. Class 4 contributions are added to your tax return and are paid with your tax to the Inland Revenue.


If your earnings from fortune telling are only very small (e.g. you are only working part time) then it is possible to claim **exemption** from paying national insurance contributions. Ask the Contributions Agency for details.

If your business is a **Limited Company** then you must deduct national insurance contributions from all wages paid to employees. The Contributions Agency will provide information on how to do this; telephone them on 0800 393539 for details.

## Value Added Tax

Fortune telling businesses are not exempt from VAT (Value Added Tax) regulations. Businesses with a turnover over the statutory amount must register for VAT. You can find out what the current registration limit is by calling your local HM Customs & Excise VAT office (see the telephone directory). Ask for official form VAT1 in order to register for VAT. As a sole trader, you are most unlikely to exceed the VAT threshold and so you probably do not need to bother with VAT (either registering or charging it to your customers).

If you do register for VAT you must charge it at the current rate on all your business sales. You must account for the VAT you have charged your customers and pay it to Customs & Excise. If you are a VAT-registered business you can reclaim the VAT you pay on all your business purchases.



If you do not have to register for VAT compulsorily then you can often do so voluntarily, although HM Customs & Excise are entitled to decline to accept voluntary registration.

Ask an accountant to advise you on the desirability or otherwise of registration. The disadvantage of voluntary registration is that extra administrative work is involved and it also has the effect of increasing your fees to your clients. The advantage is that you will be able to reclaim the VAT on your business purchases.

## How the VAT System Operates

Once your fortune telling business is VAT registered you will be sent a VAT Return to complete. This is usually required every three months. On this return you must show your sales, purchases and amount of VAT either collected on sales or paid out on purchases. This must be returned to the VAT unit within a specified period or a penalty may be levied.

If you have collected more VAT than you have paid you must pay the balance to the VAT office. If you have paid out more than you have collected then the VAT office will send you a refund of the balance.

From time to time (which can vary between every few months and every few years) a VAT inspector will visit your company to check your books and records. If additional VAT is found to be due an assessment will be issued. Similarly, if you have overpaid VAT a refund will be paid. The inspector will also give you up to date advice on maintaining VAT records.

One of the most important points to note about VAT is that penalties or surcharges may be levied by the VAT authorities in case of late payments of VAT or underpayments.

These penalties may be imposed even if the mistake is accidental and the amount of the penalty may increase with the size of the late/underpayment. It is therefore important to ensure that your book-keeping system can account for VAT quickly and accurately. If you have any queries or doubts about the operation of the VAT system you should raise them with your accountant immediately.

## Checklist

### Key Points So Far:

- Don't forget to look after the money side of your business!
- Always keep accurate business books.
- Tax allowances apply to this business as much as any other – take full advantage of them!





## Business Insurance

The main insurance risks which apply to this type of business are as follows:

- **Property Insurance** - This will cover your office premises, furnishings and equipment etc. If you are using your home as a consulting room your household insurance policy will probably not cover any business items. Check with your insurance company and, if necessary, take out additional cover.
- **Public Liability Insurance (PLI) and Employer's Liability Insurance (ELI)** - This will cover your liability to employees, clients or other visitors who may be injured while they are on your premises. Your ordinary home insurance normally only covers social visitors to your home (e.g. friends and relations) and won't cover your clients, so you may need extra insurance.
- **Motor Insurance** - If you are using your own car for business then your private motor insurance policy will not normally cover your vehicle for business use. Your policy will need to be extended accordingly.
- **Health Insurance and Loss of Earnings** - This can be a useful form of insurance to have, especially if you are the sole employee of your business. If you are injured or fall ill it will enable you to have medical treatment at the most convenient time and cover any disruption to your income.
- **Pensions** - Now may also be a good time to take professional advice on a personal pension scheme, or a company scheme if you intend to employ others.
- **Professional Negligence Insurance (PNI)** - This form of insurance is available to cover your liability to pay damages and legal costs if you have given advice that later proved to be wrong and are subsequently sued by a client or other party. (Of course, it's better to avoid this risk by avoiding giving clients specific advice, a policy followed by most competent and professional mantic artists.)

## Sources of Further Help

Although forecasting and prediction may be a novel business opportunity remember that it still is a business. So, all the usual organisations who can help you with a business should be able to provide further help and advice.

Here are some organisations to try:

- Your local TEC (Training and Enterprise Council) or LEC (Local Enterprise Company)
- Your Local Enterprise Agency.
- Your Local Authority. (Some have an Economic Development Unit.)





- The Small Firms Service (usually operated by your local TEC).
- COSIRA: Council for Small Industries in Rural Areas (May be able to help if you are setting up in a rural area.)
- Federation of Small Businesses. (Tel. 01253 720911)
  
- Prince's Youth Business Trust: May be able to help those aged 18-29. (Tel. 0171 321 6500)
- Business Link organisations. Contact your local Business Link by calling 0345 567765.

Telephone numbers, where not shown above, can be found in the telephone directory.

Note: The information in this part of the course is believed correct at time of writing but is given for general information only. Readers are advised that they **must** confirm individual details with their own professional advisers before making commitments of any kind.

## Conclusion for This Lesson

Congratulations! You now have a basic knowledge of, business issues, knowledge of which is needed to run your operation as a successful business. This includes choosing a business name, different types of trading status, business banking, accountancy, book-keeping, how to set up your own consulting rooms and all about business tax and the tax allowances you are entitled to claim.

And that brings us to the end of the course. What I am hoping is that this course has got you excited about the possibility of your becoming a professional fortune teller. By giving you a taster of each of the mantic arts, I am hoping that one of them has called to you and that you are even now deciding to read and study that particular art in more depth.

I know one thing for certain. It is possible to make a very good living from practicing these arts as long as you are at all times thoroughly professional. It is also enormous fun and you get the satisfaction of helping people who come to seek your guidance.

Have fun in the fascinating and lucrative world of prediction and fortune telling and Good Luck!

*Sarah Rhinegold*