

[Insert picture – Consider options from marketing. Ensure its sport related and inclusive]

Building Your Business

Practical tips for professional athletes starting a business

Starting a business can help you generate income and establish a career beyond professional sport. It enables you to explore your personal interests, use your skills and experience and have a wider social impact.

There are many factors to consider when starting a business, such as structuring the business, getting investment, employing people, entering into contracts, managing property and complying with tax and accounting rules. We've set out some practical tips for athletes to consider when building a business.

Structuring the business

What are the different business structures?

Businesses can be set up in various ways. The main structures to think about are:

- **Sole Trader** - Minimal set up and administration mean operating as a sole trader is common for new businesses. However, there is more personal risk as the individual is liable for all the business' debts.
- **Partnership** – Similar to the Sole Trader structure, except that there are at least two of you. Flexible and simple, but involve high personal risk as the partners are liable for all the partnership's debts.
- **Private Limited Company (Ltd)** – Personal risk is minimal because the company is an entity in its own right, separate to the owners. This is known as **limited liability**. Company profits are taxed at 19%, which is another benefit. They come with increased filing and accounting duties though.
- **Limited Liability Partnership (LLP)** – Similar to a partnership, but comes with limited liability which reduces the personal risk. Involves more filing and accounting duties.

Why do they matter?

Different business structures have different strengths and weaknesses in relation to factors such as: flexibility and administration, personal protection, tax efficiency and growth. As a result, the business structure you choose will affect the way in which your business develops, pays tax, takes decisions and deals with liabilities.

It's important to structure your business in a way which fits your situation and goals, both now and in the future.

Across all business structures, it's advisable to have clear legal agreements in place to set out how the business will operate and what each person's key rights and duties are.

Getting investment

What are the options?

You might need to obtain some funding for your business, either at the outset or during its growth. This is known as **raising capital**. There are different ways that your business can raise capital. The main options are:

- **Debt financing** – This means borrowing money. Often this will be in the form of a loan from a bank.
- **Equity financing** – This means selling shares in your business to investors.

Which is the best?

The different forms of funding have different strengths and weaknesses to consider.

Debt financing is a way to obtain funding without giving away any control over your business. You continue to run the business and the lender won't get involved on a day to day basis. However, debt financing is expensive. You will need to pay the interest amount and repay the loan sum. If the repayment conditions aren't met, the consequences can be severe.

Equity financing is a way to obtain funding without taking on a significant financial burden. Shares are sold to an investor, meaning the business doesn't need to pay any interest or repay any amount. However, equity financing means that some control over the business is lost and any value created is for all shareholders. As a shareholder, the investor may be able to have a say in the major decisions made by the business. In addition, the investor may ask to be appointed as a director, which allows them to be involved in the day to day management of the business.

If unsure, seek advice on which form of financing works for you and make sure there are legal documents in place that protect your interests.

Employment

How do I employ someone?

You may want to engage someone to work for your business, either at the outset or as your business grows. You can engage someone in different ways:

- **Self-employed or contractor** – Someone who runs their business for themselves and takes responsibility for their success or failure.
- **Employee** – Someone who works under a contract of employment.
- **Worker** – Someone who is employed on a more casual basis. They usually have “contract for services”, are required to do the work personally and have very little obligation to receive or do work but do the work they agree to.

The basis you employ someone on helps determine their rights and your responsibilities to them. Employment status is detailed and can be complicated to confirm.

On the first day of employment, employees must be given a statement of certain terms and conditions of their employment.

Seek specialist advice if you're unsure about someone's employment status and your responsibilities to them.

What else should you be thinking about?

Businesses must comply with various duties when employing people. These are related to key areas such as:

- Discrimination.
- Holiday pay, sick pay and other special leave.
- Tax.
- Redundancy.
- Termination of employment.

It's important to be aware of your responsibilities in relation to these areas. Seek specialist advice if you are unsure.

Tax and accounting

You or the company must pay tax on the business profit which is the income minus allowable costs. The structure options have their own tax and accounting obligations:

- **Sole Trader and Partnership** – You must file a tax return with HM Revenue and Customs (HMRC) by 31 January each year to include your Sole Trader profit or share of the Partnership profit. The Partnership must also file its own tax return with HMRC. Income tax is charged at varying rates which depend on your other income (current maximum 45%) and national insurance is also payable. Payments are due in January and July each year.
- **Private Limited Company (Ltd) and Limited Liability Partnership (LLP)** – A company and LLP must prepare formal accounts each year which are filed with Companies House (and available to the public) and HMRC. A corporation tax return must also be filed with HMRC. Corporation tax is payable on the company's profit (currently at 19%). Filing dates and tax payment dates vary depending on the company year end.

Commercial considerations

Intellectual Property

Intellectual Property (“IP”) covers any original ideas, designs, names, products or creative work produced by an individual, group or business. Almost all businesses will have some form of IP and it's important to protect that IP so that it cannot be copied or stolen. IP is also a business asset which can provide a stream of revenue if properly protected. You can protect your IP by:

- Registering a trademark or patent
- Registering your domain name
- Entering into confidentiality or non-disclosure agreements with employees (or anyone with access to confidential information)
- Including a clause in employees' contracts which states who owns the IP

Terms and conditions

Before your business starts trading, it's important to have some terms and conditions in place which set out the terms on which you will trade. Your terms and conditions should cover key things such as: when contracts can be terminated; the consequences of late payment, the limit of your liability and which country's laws govern the contract.

Property

When setting up your business it's important to consider where it will operate from. Depending on the size and nature of your business, you might operate it from your home, an office or a retail outlet.

If operating the business from your home, you should check your title deeds (if you own the property) or tenancy agreement (if you rent the property) to ensure you have permission to use the property for business purposes. Often title deeds will state that the property can only be used as a “*residential dwelling*”. If that is the case, you will need to apply for permission to use the property for your business.

If you intend to operate your business from an office, retail outlet or other similar premises, you should consider whether you wish to licence, lease or buy the property.

- **Licensing** is typically suitable for small businesses or start-ups as it can be cheaper and it provides maximum flexibility, with the ability for short agreements and easy termination. On the other hand, licencing provides minimum security.
- **Leasing** is common as it provides greater security, with longer agreements available. On the other hand, leases are less flexible and often include restrictions on how you can use the property and obligations to keep it in good repair.
- **Buying** a property provides the greatest security but least flexibility. A business may buy property as a long-term investment.

How we can help

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