

A Checklist for Running a Business from Home

Business Information Factsheet
BIF017 · October 2017

Introduction

There is a range of different types of business that can be run from home, all of which are subject to different regulatory requirements and practical considerations. Typical types of home-based business include arts and crafts, home baking, talking therapies, hair and beauty, pet care, bed and breakfasts, various freelance services and those that have been developed from hobbies.

This factsheet describes the legal and practical aspects of running a business from home. It identifies key legal issues including tax, business rates, planning permission, trading licences, insurance and health and safety. It also highlights practical considerations relating to security, document retention, IT and administration.

Legal issues

Landlord and mortgage provider permission

Anyone intending to trade from a home base should inform their mortgage company or landlord and check that they are allowed to do this under the terms of their mortgage or tenancy agreement.

Landlords may be unwilling to grant permission if, for example, there will be nuisance to neighbours caused by unreasonable noise or parking problems due to frequent deliveries to the property.

The Small Business, Enterprise and Employment Act 2015 amended the Landlord and Tenant Act 1954 to allow tenants to run a home-based business from a rented residential property under a specific 'home business tenancy' granted by their landlord, as long as it is the kind of business that someone could reasonably be expected to run from their home. Go to www.landlordsguild.com/consenting-to-carrying-on-a-home-business for more information.

Planning permission and building regulations approval

In most cases it is not necessary to seek planning permission or 'change of use' permission to run a business from home. However, if it is necessary to extend or adapt part of the home or substantially change its use, planning permission may be required, in which case an application should be made to the local authority planning department in the area where the property is located. Converting an outbuilding into an office or workshop, or making a home primarily a place of business rather than a residential property, for example, needs planning approval before any changes can be made.

Building regulations approval may also be required if the property is to be adapted or extended. Building work, including alterations to property, is strictly regulated under a range of legislation, which varies across the UK.

The Building Regulations 2010 (as amended) set the standards for building work in England and Wales, the Building (Scotland) Act 2003 and the Building (Scotland) Regulations 2004 and amendments set out the requirements of the building standards system in Scotland, and in Northern Ireland, the Building Regulations (Northern Ireland) 2012 (as amended) apply.

See BIF031, *A Guide to Applying for Planning Permission*, for more information.

Insurance

Most domestic home and contents insurance policies do not include cover for business activities. For example, anyone running a mail order business from home will need to insure their stock against theft or accidental damage. If it is intended to store business equipment or stock in a garage or shed, it will be necessary to check that this can be covered.

Insurance providers may require the home owner or occupier to take out specific business and contents cover, either as an extension to the existing home insurance policy or under a separate policy. Existing home contents insurance cover may also be invalidated and claims refused (even if the loss claimed is not connected to the business) if the insurance provider has not been informed that a business is being run from the property.

See BIF006, *Insurance Cover for Business*, for more general information about business insurance.

Business rates

If part of the home is set aside exclusively for business use, it may be necessary to pay business rates. The decision about how much is due is made on a case-by-case basis by local valuation offices or assessors depending on where in the UK the business is based.

The Valuation Office Agency has more information about rates for a home-based business in England and Wales at www.gov.uk/introduction-to-business-rates/working-at-home. Guidance for Scotland is available at www.mygov.scot/business-rates-guidance/do-i-need-to-pay-rates-if-i-work-from-home and guidance for Northern Ireland can be found at www.nibusinessinfo.co.uk/content/rates-and-your-business-premises.

If part of the home is liable for business rates, domestic council tax will be charged for the rest of the home. However, in some circumstances only council tax is applicable, such as when only a small part of a home is used for business purposes; when the home-based business does not employ anyone else to work from the property; and when goods are posted to customers, rather than collected in person. Homes used for providing bed and breakfast accommodation for six guests or fewer are not usually liable for business rates.

See BIF061, *An Introduction to Business Rates*, for more information.

Trading licences

Certain types of business need to be either licensed or registered, usually by the local authority in the area where they are located, or by a specific regulatory authority. This applies regardless of whether or not the business is run from home.

Examples of the types of licence or registration that are required for different types of home-based business include:

- **Taxi and private hire licence.** The driver, the vehicle and, in most cases, the business operator all need a licence from the licensing department of their local authority. When applying for a private hire licence, it is necessary to designate an 'operating centre' where the vehicle will be kept, and many self-employed private hire drivers use their home for this purpose.
- **Skin piercing licence.** Anyone who offers skin piercing treatments, such as tattooing, ear and body piercing, electrolysis or acupuncture, must apply for a premises or practitioner licence from their local authority before starting to trade.
- **Massage and special treatment (MST) licence.** Business proprietors who intend to offer treatments such as massage, facials, manicures and waxing from their home may need to apply for a premises or practitioner licence from their local authority before starting to trade.
- **Animal boarding or home boarding licence.** Anyone whose business activities involve providing accommodation for animals will need a licence from their local authority. Business activities that are often carried out at home and normally require a licence include pet sitting and boarding kennels.
- **Food Business Registration.** All business premises (including home-based kitchens) where food and drink is produced, prepared, handled or stored must be registered with the environmental health department of the local authority in the area where they are located. The business proprietor must submit an application for registration at least 28 days before they begin trading.

See BIF152, Business Activities Regulated by Local Authorities, for more information.

Liability for tax

Before starting up it is important to check whether running a business from home will affect liability for taxation. For example:

- 'Use-of-home' deductions are available to sole traders and partnerships that use their home for business purposes. The deductions allow expenses incurred when using a home for business purposes to be offset against taxable income.
- Anyone planning to use their own vehicle for business purposes needs to keep detailed records so that they can separate their business from their private mileage and claim for business miles as a business expense.
- If part of a home is used exclusively for business purposes, a Capital Gains Tax (CGT) liability may arise in future when the home is sold.

It is important to seek advice from HM Revenue & Customs (HMRC) and an accountant to determine the tax allowances and deductions that can be claimed, the amount of income tax payable, and any CGT liability that may arise.

Health and safety

Anyone running a business from home may have legal obligations under health and safety legislation, depending on the type of business they run, their work activities, and whether or not they employ any staff.

In England, Wales and Scotland (Great Britain) under the Health and Safety at Work etc Act 1974 (General Duties of Self-Employed Persons) (Prescribed Undertakings) Regulations 2015, self-employed people who run their business from home and do not have any employees, and whose work activities pose no potential risk of causing harm to other people (apart from themselves) are exempt from complying with health and safety law. There is no equivalent legislation in Northern Ireland that exempts any self-employed person from complying with health and safety law.

Under the Health and Safety at Work etc. Act 1974, and the Health and Safety at Work (Northern Ireland) Order 1978, anyone running a business from home who is not exempt from health and safety law has a duty of care to protect the health and safety of their employees and anyone else that may be affected by their business activities.

The Management of Health and Safety at Work Regulations 1999 also require employers to carry out a risk assessment of their workplace and work activities and to provide adequate health and safety training for employees. In Northern Ireland, the Management of Health and Safety at Work Regulations (Northern Ireland) 2000 apply.

More information and advice about health and safety legislation and running a business from home is available from the Health and Safety Executive (HSE). Specific guidance about home working can be found at www.hse.gov.uk/pubns/indg226.pdf.

See also BIF002, An Introduction to Health and Safety Regulations, and BIF289, A Guide to Carrying Out Health and Safety Risk Assessments.

Other practical issues

As well as the various legal issues, there are a number of practical issues to consider when starting up and running a business from home. These include security, document retention, IT and administrative support.

Security

Before starting to trade from home, it is important to consider whether additional security, such as a burglar alarm or window locks, will be needed. Setting up a home-based business may raise the level of insurance premiums and insurers may require certain security measures to be in place before agreeing to provide cover.

If the business deals with high volumes of cash or cheques, adequate storage, such as a small safe will be required, and money should be paid in to the bank on a regular basis.

Document retention

Business proprietors must keep records of all receipts and expenditure for tax purposes. The exact records kept depend on the type and size of the business, but they must be sufficient to enable the completion of a precise and accurate tax return. All sales and other business receipts and details of expenses incurred should be recorded and the records kept secure.

If the business is registered for VAT, records must be kept of all the supplies received and sales made and a summary of VAT for each period covered by the VAT return. These records must be kept for six years after the year they relate to.

If staff are employed, records must be kept for six years covering all wages, salary and National Insurance (NI) payments and deductions. Employers' liability insurance policy details must be available for staff to view, and a record of all insurance policies held should also be kept.

There are specific rules relating to document retention depending on the type of business being set up from home, for example under food legislation a business proprietor must keep records relating to supplies received, customer orders and food hygiene procedures.

The Data Protection Act 1998 (DPA) places controls on the management and use of personally identifiable data relating to individuals. It stipulates that personal data must be used only for its clearly intended purpose and held securely.

For example, anyone running a business from home must ensure that paper records that include personally identifiable information about individuals are kept securely. They must also take measures to prevent laptops and USB memory sticks that contain personal data being lost or stolen.

A new piece of legislation introducing the General Data Protection Regulation (GDPR) into UK law will replace the DPA in May 2018. Go to <https://ico.org.uk/for-organisations/guide-to-data-protection> for more information.

For more information about record keeping, see BIF272, A Guide to Documents That You Must Keep, and BIF003, A Guide to the Data Protection Act 2018.

IT and telecoms

At least one extra telephone landline will be useful in addition to a mobile phone. This means customers and suppliers can get in touch via a dedicated number, therefore avoiding the possibility of a family member answering a business call. One option is to have a separate business line installed. A benefit of this is that the cost of installing and maintaining the line can be claimed as a business expense.

IT and cyber security is a crucial issue and it is important to ensure that firewall and antivirus software is in place to protect any business information, records and data that are stored on PCs, laptops and tablets. There are also various cloud-based data storage and software options that are useful for anyone running a business from home.

Administrative support

If there is unlikely to be sufficient time to deal with day-to-day business administration but the cost of an employee cannot be justified, a freelance 'virtual office assistant' could be engaged to provide administrative support. Virtual assistants (VAs) can undertake a wide range of admin tasks and provide tailored services for anyone running a home-based business.

VA duties typically include telephone answering, bookkeeping, typing and filing, event or travel booking and data entry. Some VAs provide specialist services such as website updating and design, desktop publishing or marketing. They usually charge between £10 and £30 per hour, depending on the services required.

More information and a directory of UK-based VAs is available from the Society of Virtual Assistants (www.societyofvirtualassistants.co.uk).

Receiving mail

Setting up a Post Office (PO) box number or commercial mail redirection service can be useful to restrict the amount of business mail received at the home address. Go to www.royalmail.com/personal/receiving-mail/po-box for further information about setting up a PO Box.

Further information

BIF002 An Introduction to Health and Safety Regulations

BIF003 A Guide to the Data Protection Act 2018

BIF006 Insurance Cover for Business

BIF031 A Guide to Applying for Planning Permission

BIF061 An Introduction to Business Rates

BIF152 Business Activities Regulated by Local Authorities

BIF272 A Guide to Documents That You Must Keep

BIF289 A Guide to Carrying Out Health and Safety Risk Assessments

BIF341 An Introduction to Business Regulations when Starting Up

BIF375 Employers' Liability Insurance

BIF412 A Guide to Health and Safety Regulations for Computer and IT Equipment

Useful resources

Find your local council

Website: www.gov.uk/find-local-council

Useful contacts

The Home Business Alliance (HBA) is a membership organisation for anyone who runs or is thinking of starting their own home-based business. The organisation provides business advice and specialist support to members.

Tel: 0871 284 5100

Website: www.homebusiness.org.uk

The Valuation Office Agency (VOA) assesses the rateable value of business and non-domestic properties in England and Wales. It publishes information and guidance for businesses on business rates.

Tel: 0300 050 1501 (England)

Tel: 0300 050 5505 (Wales)

Website: www.gov.uk/government/organisations/valuation-office-agency

Website: www.gov.uk/government/publications/contacting-your-regional-valuation-office

The Scottish Assessors Association (SAA) publishes guidance and information on non-domestic property rating valuations for Scotland.

Website: www.saa.gov.uk

Land & Property Services (LPS) is the Government department in Northern Ireland responsible for valuing business properties. It publishes information and guidance as well as a valuation list of non-domestic properties.

Website: www.finance-ni.gov.uk/land-property-services-lps.

HM Revenue & Customs (HMRC) is responsible for the collection of income tax and capital gains tax. It provides guidance about completing and submitting a range of forms, including self-assessment tax returns, NI contributions and registering for VAT.

Website: www.gov.uk/government/organisations/hm-revenue-customs

The Health and Safety Executive (HSE) is responsible for health and safety regulation in Great Britain. It publishes industry- and topic-specific information and guidance for employers covering risk assessments and health and safety regulations.

Website: www.hse.gov.uk

The Health and Safety Executive Northern Ireland (HSENI) is responsible for health and safety regulation in Northern Ireland. It provides industry- and topic-specific information and guidance for employers covering risk assessments and health and safety regulations.

Tel: 0800 032 0121

Website: www.hseni.gov.uk

DISCLAIMER While all reasonable efforts have been made, the publisher makes no warranties that this information is accurate and up-to-date and will not be responsible for any errors or omissions in the information nor any consequences of any errors or omissions. Professional advice should be sought where appropriate.

Cobweb Information Ltd, Unit 9 Bankside, The Watermark, Gateshead, NE11 9SY.

Tel: 0191 461 8000 Website: www.cobwebinfo.com