



Module 9 : Insurance, Accounting and Tax

- About the types of insurance policies which you will need to take out when you set up a balloon modelling business
- What public liability insurance is
- Whether you need to pay national insurance
- How to fill out a tax return for your business

In this module you will learn:

- About the types of insurance policies which you will need to take out when you set up a balloon modelling business
- What public liability insurance is
- How to keep on top of your accounts
- Whether you need to pay national insurance
- How to fill out a tax return for your business

9.1: Insurance



When working in any profession, the sincere hope is that nothing will ever go wrong.

Having already completed the module on Health & Safety and Risk Assessments, you should now know the best ways to prevent any potentially dangerous situations from arising, but you can never plan for the unexpected. Unfortunately, when you are working with other people around you, especially children, you cannot predict their actions or movements accurately enough to know that nothing bad will happen. This is why it is extremely important to take out a comprehensive insurance package, so that in the event of an accident in which someone gets hurt, you are fully covered.

The equipment that you will need to be a professional balloon modeller is not necessarily very expensive when you look at individual items, but if all of your equipment were stolen or damaged in one go, it would cost a lot to replace everything. As well as insuring yourself and your clients against harm, you should also insure all of your professional equipment, so that if it is lost, damaged or stolen, you will be able to replace it and be back in business in next to no time.

9.2: Public Liability Insurance



Public liability insurance is a must when you are running your own business.

This is the type of insurance which will pay out if somebody is injured, killed or their property is damaged because of your business. Taking out this kind of policy will mean that the insurance provider, and not you, will pay to replace damaged property or to compensate members of the public who have been injured as a direct result of actions taken by you or your business.

This means that you will not suffer serious financial loss if something does happen whilst you are running your business.

This type of cover does not include insurance to cover yourself or your property, but you can buy a combined policy for small businesses which will cover all of the types of insurance that you need, and could save you money in the process.

9.3: Accounting



When you run your own business you become accountable and responsible for every area of that business.

It can be a daunting feeling, to know that you suddenly have complete control over the finances of your entire business; especially if you have never done anything like this before. The important thing is to keep an accurate and comprehensive record of all of your transactions. Every time that you pay for something for the business, or someone pays you for work which you have done, you will need to log it in your records. Doing a little bit of accounting every week will save you from having to put in hours at a time, all in one go, when things get out of hand.

It is really important to stay on top of your accounts, as this is a crucial measure of how well your business is doing. If you are up to date with your accounts then you will know how much profit you have made and can make projections for how much you are likely to make in the future. This will help you to plan ahead to make bigger payments, such as buying new equipment or paying your tax bill.

Keeping track of your accounts will also show you if there is anything about the business model that you need to change. For example, if you find that you are spending too much on petrol, then you can start to charge an extra fee for clients who are further away.

If your costs have increased due to inflation or a rise in the price of balloons, then you will need to see if you have to pass this extra cost on to your customers in order to continue to turn a profit.

9.4: Tax



As the only employee in your business, it will be your responsibility to keep on top of your tax payments and to manage the amount of tax which you pay each year.

As you will be running your own business, you will be classed as self-employed with HMRC, but you will need to register yourself as a sole trader on their website.

Instead of paying tax from a monthly or weekly pay-check, as a sole trader you are more likely to pay tax twice a year: on 31st January and on 31st July. Unlike when you are working as someone else's employee, the tax which you need to pay is not calculated for you from what you are earning. Instead, you will need to set aside money in order to pay future tax bills twice a year. It is extremely easy to forget that you will need to pay anything to the government, especially when you are just setting up your business and are probably clearing debts of other kinds for the first few months. Even if you yourself do not get to keep much of the money you are making, any profit generated by the company will need to be accounted for so that you are paying the correct amount of tax.

The HMRC website is very helpful if you have any specific questions about how much tax you should be paying, or where you should be paying it to. They also have a tool called the 'ready reckoner' which helps you to use your average weekly profit to plan ahead for how much tax you will need to pay in 6 months' time. You can use this tool to work out exactly how much money you will need to set aside to be able to pay your first tax bill.

If you begin to take over £85,000 in revenue a year then you will also need to register your business for VAT, although this is unlikely to be necessary at least for the first few years of your business. If it suits you to register your company before this then you can do; it only becomes compulsory once you have reached over £85,000 in annual revenue, but it is still an option if you earn less than this.

9.5: National Insurance



Don't forget that along with having to pay tax on the profits from your business, you will also need to make national insurance contributions in line with how much you earn.

There are two separate rates of national insurance which you will pay if you are self-employed. Class 2 is the rate for anyone earning £6,365 or more a year, and Class 4 is what you will have to pay if your profits are £8,632 or above each year. Class 2 equates to a straightforward payment of £3.00 every week. Class 4 is slightly more complicated and requires you to pay 9% on any profits between £8,632 and £50,000 a year and 2% on any profits which are above £50,000 a year.

Whether you qualify to pay Class 2 or Class 4 national insurance rates, you will need to pay them through self-assessment. This is a system used by HMRC in which you fill out a tax return and send it after the end of the tax year. You can either choose to fill out a paper form or to complete your self-assessment and tax return online. The deadlines for completing your tax returns are 31st January and 31st July. You will need to allow an extra 3 weeks the first time you fill out a tax return

as you will have to go through the registration process first.

Once you have filled out all of the information necessary to complete your tax return, HMRC will calculate how much tax you owe them based on what you have said in your report. Exactly how much tax you will have to pay will depend entirely on how much you earn and what tax band you fall into. Once your tax has been calculated, you will be given a certain period of time in which to pay the amount to HMRC. It is essential that you make the payment within this time frame.

Now that you have finished reading this chapter, hopefully you will understand more about the types of insurance that you will need to purchase to cover your balloon modelling business, as well as why it is vital that you stay on top of your accounts and how you go about filling in a tax return.

Module Summary

Lessons Learned

You'll need to get insured for your equipment, public liability, and personal accident and injury, to prepare for risks to yourself, others, or property; shop around for a small-business package to get a good deal.

Stay up to date with your accounts, keeping track of all of your income and expenditure, so you can make financial forecasts, make changes to your business model, and factor-in future expenditure. You'll need to submit your self-assessment and tax return, usually twice a year, and it's crucial that you plan ahead to have the funds available to pay these bills when HMRC replies to your submissions with an amount.

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