

TAX TIPS FOR CORNISH START-UPS

By Trudgeon Halling – Local Accountants, Here to Help You Grow



At Trudgeon Halling, we've helped hundreds of Cornish businesses get started on the right financial footing. This guide will walk you through the essentials you need to know - so you can focus on growing your business with confidence.

01

CHOOSE THE RIGHT STRUCTURE

Your business structure affects your tax bill, record-keeping, and personal liability. Common options:

- ◆ **Sole trader** – Simple setup, you keep the profits, pay Income Tax & National Insurance.
- ◆ **Partnership** – Two or more people sharing profits and tax responsibilities. You may be able to share income with your spouse to make use of both partners' personal allowances and tax bands, which can be more tax efficient.
- ◆ **Limited company** – Separate legal entity, potential tax savings, but more admin.



TIP

Many Cornish start-ups begin as sole traders, then incorporate later. We can help you decide when the time is right.

02

REGISTER WITH HMRC (AND DON'T LEAVE IT TOO LATE!)

- ◆ **Sole traders** – You must register for Self-Assessment by 5 October following your first tax year.
- ◆ **Partnerships** – Register the business with HMRC by 5 October following your first tax year, and each partner must also register individually for Self-Assessment.



TIP

Registering early avoids fines and ensures you can start claiming allowable expenses and other reliefs from day one.

03

KEEP RECORDS FROM DAY ONE

- ◆ **Save everything** – Keep receipts, invoices, and bank statements. Ideally store them digitally using tools like Hubdoc.
- ◆ **Separate accounts** – Open a dedicated business bank account. Mixing personal and business money creates confusion and risks missing allowable expenses.
- ◆ **Use accounting software** – We're Xero Gold Partners and strongly recommend Xero for start-ups. It makes bookkeeping, invoicing, and reporting far easier.
- ◆ **Training & support** – We can set up Xero for you and provide full training so you can manage your accounts with confidence.



04

UNDERSTAND YOUR ALLOWABLE EXPENSES

You can deduct certain costs from your income before paying tax, but they must be wholly and exclusively for business purposes. Personal or mixed-use expenses usually cannot be claimed.

Examples include:

- ◆ Business mileage or vehicle running costs
- ◆ Office equipment & software
- ◆ Marketing & advertising (including social media ads)
- ◆ Home office expenses (if working from home)

TIP

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When your business buys assets such as equipment, machinery, tools, or even a van, you can usually claim tax relief through capital allowances. Instead of treating the cost as an expense in your accounts, capital allowances reduce your taxable profits.

KEY POINTS FOR START-UPS:

- ◆ **Annual Investment Allowance (AIA)** – Most businesses can claim 100% of qualifying expenditure (up to £1 million per year) in the year of purchase.
- ◆ **Small items count too** – Computers, office furniture, and even software may qualify.
- ◆ **Cars** – Rules are stricter. Most cars go into the special rate pool at 6%, but new electric cars may qualify for a 100% first-year allowance.
- ◆ **Second-hand equipment** – Still qualifies, provided it's for business use.
- ◆ **Don't forget fixtures** – If you buy or lease business premises, items like heating systems, electricals, and fitted kitchens may qualify.

TIP

Timing matters. Buying equipment just before your year-end could bring forward tax relief by a full year. Trudgeon Halling can review your planned purchases to make sure you claim the maximum relief available.

- ◆ **Compulsory registration** – You must register for VAT if your taxable turnover exceeds £90,000 (2026/27 threshold).
- ◆ **Voluntary registration** – This can sometimes be worthwhile, for example if:
 - ◆ You sell zero-rated goods or services, allowing you to reclaim VAT on purchases without adding VAT to customer prices.
 - ◆ You mainly work with VAT-registered business customers, who can reclaim VAT themselves.
- ◆ **Special schemes for small businesses:**
 - ◆ Flat Rate Scheme – Simplifies VAT reporting and may save money, but you can't usually reclaim VAT on purchases.
 - ◆ Cash Accounting Scheme – You only pay VAT when your customers pay you (and reclaim VAT when you pay suppliers), which can help with cash flow.

**TIP**

VAT can be complex, and the right approach depends on your turnover, customer base, and industry. At Trudgeon Halling we can review your figures to check whether VAT registration or a special scheme would benefit your business.



07

PLAN FOR TAX BILLS

- ◆ **Save regularly** – Put aside money throughout the year. A safe starting point is 20–30% of your profits.
- ◆ **Avoid nasty surprises** – HMRC expects payment on time, and the first bill can feel steep if you haven't planned ahead.
- ◆ **Payments on account** – If you're self-employed, HMRC may ask you to pay part of next year's tax in advance, which can catch new business owners off guard.



TIP

Setting up a separate savings account for tax can make life easier — treat it like money you never had to spend. Trudgeon Halling can help you forecast and budget, so you know exactly what to set aside.

08

PREPARE FOR MAKING TAX DIGITAL (MTD)

- ◆ **April 2026** – Most sole traders and landlords with income over £50,000 must keep digital records and file quarterly updates to HMRC using approved software (like Xero).
- ◆ **April 2027** – The requirement extends to those earning over £30,000.
- ◆ **Act early** – Switching now makes the transition smoother, avoids last-minute stress, and can improve how you manage your business finances day-to-day.



TIP

Trudgeon Halling can set you up with Xero and provide training, so you're ready for MTD well before it becomes compulsory.

PAYE (PAY AS YOU EARN)

If you employ staff – even just one person – you’ll usually need to register as an employer with HMRC and operate PAYE. PAYE is the system used to collect Income Tax and National Insurance from employees’ wages.



KEY POINTS FOR START-UPS:

- ◆ **Registration** – You must register as an employer with HMRC before the first payday. This can take up to 3 weeks, so don’t leave it to the last minute.
- ◆ **Payroll software** – You’ll need payroll software to work out tax, National Insurance and report employee pay to HMRC.
- ◆ **Real Time Information (RTI)** – Every time you pay employees, you must file an online submission to HMRC showing pay, tax, and deductions.
- ◆ **National Minimum Wage** – Make sure you pay at least the legal minimum. HMRC takes breaches seriously.
- ◆ **Other deductions** – You may also need to operate pensions (auto-enrolment), student loan repayments, or attachment of earnings orders.
- ◆ **Directors** – Company directors are treated as employees for PAYE purposes, even if they take a mix of salary and dividends.



TIP

Many small businesses outsource payroll to save time and avoid mistakes. At Trudgeon Halling we can run your payroll and ensure your PAYE filings are fully compliant.

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GET PROFESSIONAL HELP EARLY

A good accountant can be one of your most valuable business partners. They will:

- ◆ **Save you money** – through tax efficiency and avoiding costly mistakes.
- ◆ **Keep you compliant** – ensuring deadlines and filing obligations are never missed.
- ◆ **Support your growth** – with advice tailored to your business goals.
- ◆ **Set you up with software** – such as Xero and train you to get the most out of it.



TIP

The earlier you bring an accountant on board, the more value they can add. At Trudgeon Halling, we work with Cornish start-ups to put solid systems in place from day one.

NEED HELP STARTING YOUR BUSINESS IN CORNWALL?

Starting a new business is exciting — but getting the tax and accounting side right from day one can make all the difference. At Trudgeon Halling, we specialise in supporting Cornish start-ups with practical advice, fixed-fee packages, and hands-on support, so you can focus on what you do best: growing your business.

From Wadebridge to St Austell, Penzance to Launceston, and everywhere in between, our friendly local team is here to guide you every step of the way.

Call us today on **01208 814681** or email solutions@t-h.co.uk to book your **free consultation** and start your business journey with confidence.