



Setting up a tax practice

A useful guide

3. Preparing a business plan and budgets.

If you require bank finance, every financial institution will require you to prepare a business plan outlining the nature of the business, the target market, the level of financing needed and the profit projections for years one to three. In preparing pro forma profit and loss accounts, balance sheets and cash statements, take a prudent approach and do not overstate income or understate costs - try to be as conservative as possible.

The financial data required to develop your business plan will include the following:

1. Expected annual turnover
2. Likely costs, including start-up costs
3. The expected cash flows arising from 1 and 2 above will generate a cash flow statement

As cash is likely to be limited in start-up operations, credit control is key to generating timely cash flows.

If you operate initially without support staff or employees there is a ceiling to the amount of fees that you can generate. To increase these fee levels it may be necessary to hire a secretary initially. Thereafter, further growth is achieved by hiring additional staff at the appropriate levels. If and when you come to recruit staff, you need to be mindful of employment law and health and safety issues. Visit www.ibec.ie for helpful information on these and other employer support issues.

If your existing arrangement is to work from home or use a shared office at the outset, you may decide to lease an office as fee levels increase.

You should factor into your cash flow projections delays in collecting cash as strains on working capital will inhibit future growth. You should ensure that drawings/salary do not exceed available cash flow. Sole traders/partnerships should be disciplined enough to put cash aside on a monthly basis for their preliminary tax obligations. Assuming you operate initially on a VAT cash receipts basis, then once cash is received the VAT element of the fees collected should be lodged to a separate bank account.