

What is a Business Savings Account and why does your company need one?

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What is a Business Savings Account and why does your company need one?

A business savings account is specifically designed for businesses to earn interest in their savings and save money long term, unlike current accounts which tend to be used for day-to-day transactions offering little to no interest.

As a business owner, you want to make the most of any spare cash, which is why business savings accounts can be beneficial to your company. Your money will be working in the best way for you, gaining interest over time and therefore, providing an extra boost to your business's finances. There are many different types of business savings accounts to suit your varying needs, which will be explored in more detail below. The best business savings account for you will depend on the type of business you run and what you want to get from your savings. You'll often face a few challenges and setbacks whilst running a business and having business savings in reserve can help during those periods.

What is the difference between personal and business savings accounts?

A business savings account is similar to a personal savings account, however, the money you earn is used by your business rather than by an individual.

A personal savings account helps individuals save for life events, long-term goals, or to have as emergency funds. A business savings account helps companies manage cash flow, set aside money for expenses and earn interest on extra cash.

A business savings account helps maintain the legal distinction between you and your company, protecting your personal assets if your business faces legal issues.

To open and operate a business savings account, you would need a business current account to move money in and out of, known as your nominated bank account. Please note, this does not need to be held with the same bank or building society as your business savings account.

What types of Business Savings accounts are available?

At the Tipton, we have different savings accounts available for your business.

Our Business Savings accounts are available to sole traders, partnerships (unincorporated entities), limited companies, and limited liability partnerships.

Common types of business savings accounts include:

- Notice Savings Accounts
- Limited Access Savings Accounts
- Easy Access Savings Accounts

When looking for the right business savings account for your company, you should consider:

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- How much access are you looking for?
- How will you manage your business savings?
- What is the minimum and maximum deposit for the business savings account?

Every business is different, all with their own goals, purposes, and needs. It's important to do your research before choosing a savings account for your business.

Notice Savings Accounts

With a notice savings account, you can withdraw money after giving notice for a set period of time. This means that you don't have instant access to your money, however, you can typically gain a higher interest rate on these accounts compared to instant access accounts. Notice accounts can be a good option if you are looking to maximise your business savings and not access them that often.

Limited Access Savings Accounts

A limited access savings account allows a specified number of withdrawals each year, like notice accounts, these accounts often have a higher rate of interest in return for the limited withdrawals available.

Easy Access Savings Accounts

Easy access accounts can also be known as instant access savings accounts. These accounts allow you to access your savings whenever you need to, withdrawing and depositing money without restrictions or charges. They can be useful for business owners who may need to frequently dip in and out of their business savings or use them as an emergency fund.

Are Business Savings Accounts taxed?

With a business savings account, interest is often paid gross, without tax deducted. Therefore, you must declare any interest earned on your business savings within your annual tax return and pay tax on it.

Grow your Business Savings with The Tipton

Here at the Tipton, we offer a range of business savings accounts to help you grow your business savings, including notice and limited access accounts. As a local building society, we are proud to be empowering local businesses to reach their business savings goals, with our range of accounts available to sole traders, partnerships (unincorporated entities), limited companies, and limited liability partnerships.

If you are looking to open a business savings account with us, please read our helpful step-by-step guide on opening a business savings account with the Tipton found here:

<https://www.thetipton.co.uk/savings/business-savings-account-opening-support/>

If you require further support, get in touch online, call us on 0121 557 2551 or visit one of our branches and we will be happy to assist you.

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This leaflet is available in large print and braille on request