

## LEGAL STRUCTURES FOR YOUR BUSINESS

There are a number of different legal structures available for your business. The main choices for a small / medium business are:

- Sole trader
- Partnership
- Private Limited Company
- Limited Liability Partnership

Lets see how they compare:

	Sole Trader	Partnership	Company	LLP
Separate legal personality?	No	No	Yes	Yes
Limited liability?	No	No	Yes	Yes
Basis of taxation?	Income Tax and Class IV NI on profits	Income Tax and Class IV NI on profits	Corporation Tax on profits. Possible Income Tax on salary or dividends in excess of basic rate tax band	Income Tax and Class IV NI on profits
Tax efficiency?	Poor	Poor	Good	Poor
Companies Act accounts?	No	No	Yes	Yes
File accounts at Companies House?	No	No	Yes	Yes
Set up procedures?	Register with HMRC	Register with HMRC	Register at Companies House and with HMRC	Register at Companies House and with HMRC
Owned by?	The sole trader	The partners	The shareholders	The partners
Run by?	The sole trader	The partners	The directors	The partners
Administration?	Very simple	Fairly simple	Complex	Complex
Legal regulation?	None	Partnership Act	Companies Act	Companies Act

There are other structures, eg Public Limited Companies (PLC), Guarantee Companies, Limited Partnerships or Charities, but these are outside the scope of this fact sheet.

So, whats the best choice for your business? Well that depends on your business circumstances, anticipated profits, risk and how simple you want to keep things.

A sole trader or partnership is the simplest form of business, but isn't brilliantly tax efficient, and doesn't give limited liability.

A private limited company (ltd) is more often than not a better choice for a small business as it offers greater tax efficiency plus limited liability. It is a bit more complex to run.

LLPs are great for special purpose needs, eg joint ventures and hybrid structures.

You need to take professional advice from an Accountant or Solicitor as to whats best for you.

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