



CORPORATE STRUCTURE

When setting up a business, one of the most important first steps you will make is deciding upon a business structure for your venture. Each business is different and there are various structures available all with different benefits, some of which may be more appropriate for your business than others.

We can assist you with your business start-up and with choosing the most appropriate structure for you that will support your business through the initial early stages, to development and growth for the future for years to come.

With this in mind, below we have outlined the most traditional business structures and their benefits.

LIMITED LIABILITY PARTNERSHIP

Businesses that traditionally make use of the LLP business structure are professional bodies such as Solicitors, financial advisors, accountants and those in the medical field. The core benefit of this is that personal liability to the Partners is limited.

However, due to the professional nature of the businesses that traditionally make use of this structure, there are more stringent requirements set by Companies House.

> Benefits and responsibilities:

1. Partners have limited personal liability
 2. Stringent requirements from Companies House
 3. Structure allows Partners to buy in and buy out
 4. Partners taxed on their share of the partnership income
 5. LLP agreement outlines responsibilities between the Partners
 6. Limited to the amount of money which can be invested in the business
 7. Self-assessment tax forms must be completed by each Partner every year
 8. National Insurance must be paid
-

PUBLIC LIMITED COMPANY

Companies whose set up leans towards being on a larger scale tend to opt for the public limited company structure. People setting up under this structure are those who intend to float their company on the stock market and under this structure shares can be traded immediately.

Of course with this ability to trade shares come various requirements in terms of finance and company internal structure that have to be adhered to.

The benefits however that come with this structure are worth making the effort.

> Benefits and responsibilities:

1. Allows to float on the stock market and be traded publically
 2. Raise higher level of finance and attract more investors
 3. Must have minimum share of share £50K capital
 4. Can be more time consuming to set up
-



PARTNERSHIP

Within the Partnership business structure all individuals entering into the business venture are equal and take an equal share of the profits and losses made. Although the Partners all own the business as equals, they can own different shares of that business.

A Partnership structure is often a popular choice of structure as it is fairly simple to set up and is governed by strictly by law, so each Partner knows what the law and their business expects of them.

However to ensure complete transparency from the offset, most Partnerships also arrange for a 'Partnership agreement' drawn up, to clearly outline shares, responsibilities etc.

> **Benefits and responsibilities:**

1. A simpler and easier structure to set up
2. Governed by legislation
3. Partners are equal within the business but have the ability to own different shares
4. Departing Partners leaving have an effect on all Partners and business in terms of capital and business growth
5. All Partners have personal liability for debt which can potentially be taken from their personal assets
6. All Partners must complete a personal self-assessment form for tax purposes
7. Pay income tax on their share of the profits
8. Pay National Insurance

PRIVATE LIMITED COMPANY

The private limited company structure is a popular choice for entrepreneurs that are traditionally used by smaller or medium start-ups.

This structure has its own identity separate from the Partners, which means that the Partners have protection from being liable for any potential debts accrued by the company.

Another benefit under this structure is that due to the company being considered as a separate entity, it is able to enter into contracts, do business and be sold separate from the original founder.

Due to the more stringent compliance requirements for this structure, the majority of Private Limited businesses draft a specific Memorandum & Articles of Association which is applicable specifically to the company in question which outlines how the company will be run and the powers of the Directors.

The Memorandum & Articles of Association is a legal require set out by the Companies Act 2006.

> **Benefits and responsibilities:**

1. Shares do not trade on the stock market
2. Required to file annual accounts at Companies House
3. Directors and shareholders must work in line with the Companies Act 2006
4. New shares can be issued to joining investors
5. Companies Act 2006 outlines responsibilities clearly so less room for confusion



UNINCORPORATED ASSOCIATION

Whilst not useful in a business context, an organisation structure to take note of is the unincorporated association. This is a structure that is predominantly set up for a reason other than making a profit, and traditionally is an agreement between individuals for a voluntary group or for other activities such as sport.

Each individual member of the association is responsible for debts incurred and for the upkeep of contractual obligations, but there is no required need for registering or payment, only if the association then begins to trade with the intention of making profit will you be required to pay tax and file a self-assessment form.

'ORDINARY' BUSINESS STRUCTURE

Under an 'ordinary' business structure both you and your business partners share personal responsibility for your business, with all profits shared between each partner and tax being paid on these individually.

One of the benefits of an ordinary business structure is that the partner involved doesn't have to be a person; it could be a partnership with a Limited Company.

SOLE TRADER

A sole trader structure is unique in that if you are already self-employed, technically you are classed as a 'sole trader' and are responsible for your own business, both profits and loss and can retain all business profits after tax has been paid on them.

Although the term 'sole' gives rise to idea of an individual working alone, this is not the case. Under a sole trader structure you can still employ other staff and pay them just as any you would under any other business structure.

The sole trader business structure is often a popular choice for new start up's as it is perceived as the least complex business structure for new entrepreneurs, however what must be taken into consideration is that the structure which benefits you now may not always be most appropriate in terms of the future when it comes to tax etc.

> Benefits and responsibilities:

1. Retain all profits made
2. Own all business assets
3. Make all decisions regarding the business
4. Simple business structure
5. Must complete a self-assessment tax form
6. Organise paying your own income tax and national insurance
7. Register for VAT (if you expect earnings to be over £82,000)
8. Have liability for all company debt

For more information on please contact our corporate team at corporatelaw@taylor-rose.co.uk