

Which Structure Should I Choose When I Set Up A New Firm?

Thursday 22 July 2021 at 1pm



About us

- Charnwood Accountants
- Paula Wheatley



Types of structure

- Sole trade
- Partnership
- LLP
- Limited company
- Employee ownership trusts



**What are the
pros and cons of
each structure?**



Sole traders and Partnerships

Easy to set up

Low start up costs

Lower accountancy fees

Easy to change structure

Maximum privacy - not on public domain

Tax losses

Example

- £100k salary = £27k tax

- Opening year loss of £50k = c/b for £20k tax refund

Personal risk

Taxed on all profits irrespective of whether cash has been taken

Limited companies

Minimise personal liability

Separate legal identity

Professional status / credibility

Possible tax efficiencies

Protecting your trading name



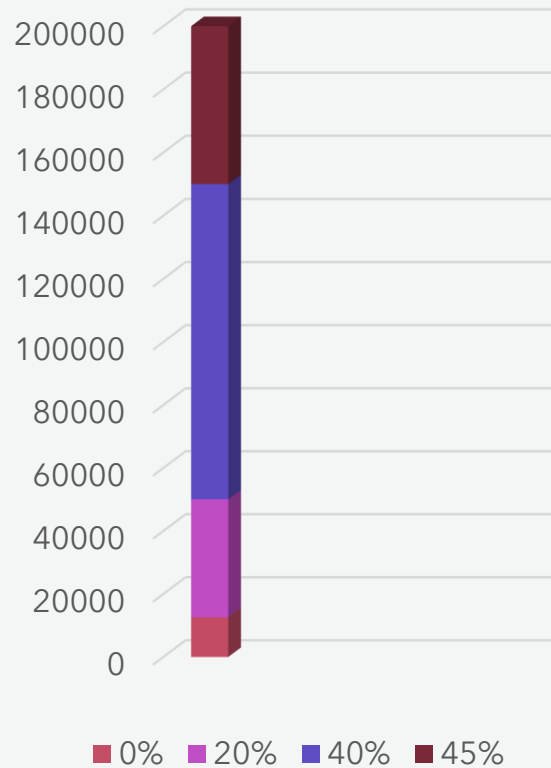
Limited Liability Partnerships

- A type of hybrid between a partnership and limited company
- A separate legal entity from its members
- Taxed as if self employed
- Follow statutory requirements of a company
- May have seen corporates in the past but can no longer do

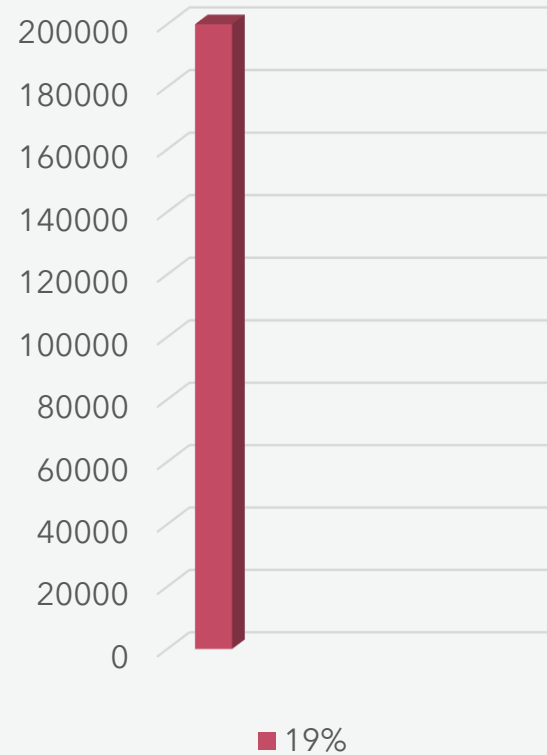
Lets talk tax.....



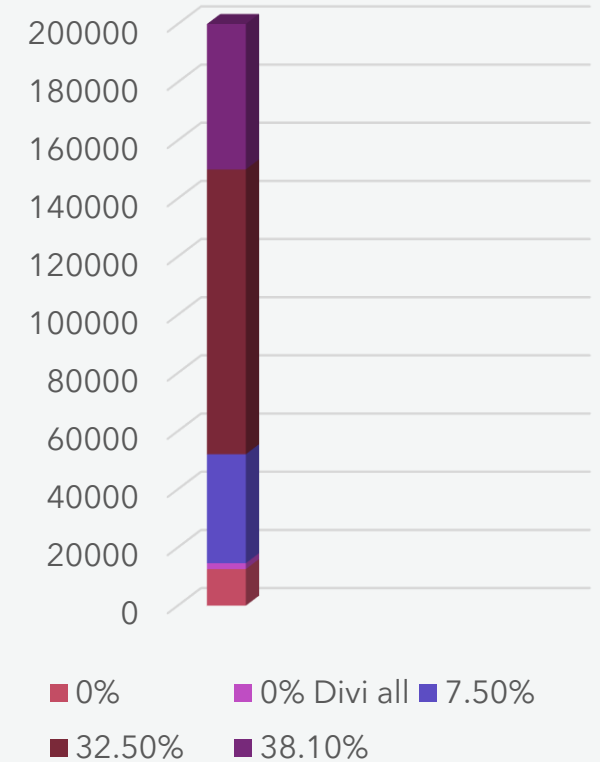
Self employed



Limited Company



Dividend tax



Let me put some numbers to this

Self employed

£200,000 profits

Tax and NI payable £81k

Cash in pocket £118k

Limited company

£200,000 profits

Corporation tax £36k

Take a small salary and dividend of £100k

Tax due personally £18k

Cash in pocket £81k

But £63k of company profits can be drawn
another tax year

**Let's not
forget...**

Easier to start as a sole
trader / partnership

Can incorporate later

Incorporation means more
SRA form

Disincorporation is much
more difficult



Succession planning

- Start with the end in mind!
- Easier to bring in partners to a partnership / LLP
- Tax consequence to giving shares to incoming shareholders
- Becoming more difficult to find successors
- More and more firms consider EOT's



**So which
structure do I
choose?**



Any questions?



Thank you all for taking the time to listen today

Slides will be sent around

Our offerings

We offer all potential clients a free one hour meeting to talk about how we can help your firm. Just drop me a line:

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<https://charnwoodforsolicitors.co.uk/>

Thank you for listening