

**There are several ways of owning and running your business. Each has its own benefits, and it is wise to take advice from solicitors and accountants on the best structure for you. The most popular are as follows:**

### SOLE TRADER / PARTNERSHIP

- The simplest way of owning a business.
- The power to run things as you like (although you will still have to comply with tax and employment legislation).
- UNLIMITED LIABILITY for the debts of the business - if your business goes under, so can you!
- If you are running a partnership, you do not have to have a partnership agreement detailing how the business will be run, but it is highly advisable. This is because, in the absence of a partnership agreement, the Partnership Act has all profits and losses split equally; not helpful if you have sleeping partners or the profits are to be split in different proportions.

### LIMITED LIABILITY PARTNERSHIP (LLP)

- The business is run through a separate legal entity.
- An LLP is taxed as a partnership - the partners are taxed on their share of the profits (the LLP does not pay tax itself).
- The debts of the LLP are its own - you will not be responsible for paying the debts run up by the LLP (unless you have personally guaranteed those debts). The LLP is also the entity that employs people, and will be sued for any breach of employment legislation.
- You can run the LLP as you like, but you will have to comply with some legislative requirements on how your business is run. For example, you will need to submit accounts to Companies House every year.
- You do not need to have an LLP agreement, but it is advisable.

### LIMITED COMPANY

- Your business is run through a separate legal entity.
- The Company is the one that pays tax, employs people and runs up debts. You are not responsible for any of its obligations (unless you have personally guaranteed those obligations).
- There may be tax advantages. Generally, the tax payable on dividends is less than the tax on other forms of income.
- You will have to comply with the requirements of the Companies Act. This can involve expenditure on accountants and solicitors.
- Any information that you provide to Companies House is public information (including your accounts, which have to be submitted each year).

stevensdrake can advise you on the best structure for your business and the consequences for you of each type of structure. We can also set up the structure for your business and advise you on any compliance issues or other obligations that you might have.

## SMALL BUSINESS



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