

# Setting up a UK entity

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The principal choices of corporate vehicle are:

- **Limited Company**
- **Limited Liability Partnership**
- **Sole trader**
- **Partnership**

A Limited Company is the best known corporate vehicle and so a common mistake is to immediately set up a Limited Company – despite the fact that there are specific circumstances in which this may not be the best option.

You should consider carefully which vehicle best suits your needs, both currently and in the future. This is a complex decision, and you will need to seek qualified advice – however, the below is a rough guide to some of the available options.

## Limited Company

Wholly separate legal entity set up for the purpose of performing a trade. Its legal liability is limited by shares and it is managed by Directors.

Because it is a separate legal entity from the person who owns, or runs, the company is taxed separately under Corporation Tax.

### Advantages

- Well recognised and respected structure.
- Efficient for tax if you are setting up a UK subsidiary of a corporate entity.
- Quick and inexpensive to set up, and can be done in 24 hours.
- Provides legal protection for the Directors and Shareholders. You can only lose what you put in.

### Disadvantages

- You must file accounts which will be publicly available.
- There are statutory requirements for the content and presentation of the accounts. You will probably need the assistance of an accountant to prepare these, thus increasing costs.
- Details of directors will be a matter of public record (although personal addresses can now be withheld).
- Names of shareholders will be publicly available.

## Limited Liability Partnership (LLP)

A partnership with the distinction that the liability of the members is limited.

### Advantages

- Very tax efficient.
- Limited liability defined by the capital and net assets of the business.

### Disadvantages

- Requirement to file information publically.
- Not as well recognised or understood as a Limited Company.
- You need at least 2 people to set one up.

## Sole trader

A sole trader is the simplest vehicle. If you are planning to own and manage the business on your own, then you can apply to the Tax authorities (HMRC) to be recognised as a 'Sole Trader'. You may give your business a trading name.

### Advantages

- Very tax efficient (e.g. potential to claim proportional costs of your home if you have an office there).
- Very easy to set up – simply inform HMRC that you are commencing trade within three months of doing so.
- No requirement to file any information publically (you have to provide information to HMRC).
- Cheap to run, only one annual tax return to submit.

### Disadvantages

- Unlimited personal liability for the debts and actions of the business.
- Does not carry the credibility of a Limited Company.

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## Partnership

A partnership is effectively a Sole trader, but with more than one person.

### Advantages

As sole trader except:

- Have to submit one annual partnership tax return and personal tax returns for each partner.

### Disadvantages

As sole trader except:

- Partners have unlimited personal liability and are both jointly and severally liable for the debts and actions of the business.
- No separation between ownership and management.

#### Disclaimer:

This note does not contain a full statement of the law and it does not constitute legal advice. Please seek legal advice if you have any questions about the information set out above.