

Choosing your business' structure

Understanding the different structures will help you decide which structure is best for your business.

Sole trader

- A business owned and run by just you, although you can have employees who work for you.
- You'll pay income tax on your earnings.
- You're personally responsible for any business debt.

Partnership

General partnership (GP) – shared management and profits. Joint liability for debts and obligations.

Limited partnership (LP) – includes general and limited partners. Limited partners are responsible for the amount they invest in the business.

Limited liability partnership (LLP) – partners have limited personal liability. This structure is common for professional services firms.

Corporation

- A corporation is a legal entity separate from its owners. Its shareholders are its owners.
- They pay corporation tax. This is a tax on the profits of the business.
- They can raise capital through selling shares.

Limited company

Private limited company (Ltd) – shareholders are the owners, and they have limited liability. These companies pay corporation tax.

Public limited company (Plc) – this works the same as a private limited company, except shares are sold to the public on the stock market.

Non-profit organisation

- Operate for charitable, educational or social causes.
- Might be exempt from income taxes.
- Profits must be reinvested in the organisation.

Registering your business and understanding legal requirements

When setting up your business, make sure you consider the following legal requirements.

Name and VAT registration

Get a VAT number and register your business to pay tax.

Depending on the type of business you're registering, you might also need to register your business name.

Compliance with regulations

Follow data protection laws, such as GDPR, if your business holds or uses personal data.

Make sure you comply with environmental regulations if your business impacts the environment.

Employment laws

When hiring employees, make sure that you comply with laws, minimum wage and workplace safety regulations.

If you hire any independent contractors, make sure you understand the difference, so you classify your workers correctly.

Record keeping

Keep records of all financial transactions, contracts and legal documents.

You'll need to do this for tax reasons and legal compliance.

Licences and permits

Licences are required for businesses regulated by law. For example, alcohol.

The need for devolved and local licences changes by industry and location. For example, health department permits.

Open a business bank account

Helps to manage your business' finances and keep accurate records.

You'll also need one so your business can accept credit card payments.

Insurance requirements

Public liability insurance protects against claims of injury or property damage.

Professional indemnity insurance protects service-based businesses against negligence claims.

You'll need employer's liability insurance if you have any employees.

Consult professionals

Chat to a solicitor or accountant to help you navigate complex legal and financial requirements.

