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What is the difference between LLP and sole trader?



James Caan

Dear James

WHEN starting a business what is the difference between sole trader, partnership, limited company and limited liability partnerships? I find it very confusing.

Hendon Taylor

HENDON, business structure confuses many people but it is crucial you pick the right type of structure.

A sole trader is self-employed and doesn't have to pay registration fees. The key is to be organised; you'll need to submit a self-assessment tax return to HMRC each year. The down side is if the business goes under, you are personally liable for any debts.

In a Partnership, each partner is self-employed, and has to submit a personal self-assessment tax return each year as well as a tax assessment for the business. Partners are collectively responsible for debts.

Those in Limited Liability Partnerships (LLP) are also self-employed so have to submit a tax return each year but the business itself has no tax liability. "Limited liability" means the partners are not liable for the debts.

In limited companies, the firm's finances are separate from those of its shareholders. Creditors can't make a claim on personal assets and profits can be distributed to shareholders in the form of dividends or can stay in the business as working capital. The company must submit accounts and

corporation tax returns each year.

I would suggest going to an accountant or lawyer in your area who can help you decide on which business structure is right for you.

■ For the full article and news of [James Caan's free app](#), go to [standard.co.uk](#). James Caan's book, *Start Your Business in 7 Days*, is out now