

3. How to Choose the Right Business Structure

Choose a structure that suits your plans

Your business structure affects how you operate, how you manage administration and how responsibility is shared. The right option depends on your circumstances, the level of risk involved and your future plans.

You should seek professional advice from an accountant or solicitor before making a final decision.

Sole trader

A sole trader structure is often straightforward to set up and operate. You own the business and make the decisions, but you are personally responsible for the business's debts and obligations.

This structure may suit some small or early-stage businesses, but you should consider the personal financial risk carefully.

Partnership

A partnership allows two or more people to run a business together. Partners usually share responsibilities, profits and liabilities.

Before entering a partnership, agree in writing how decisions will be made, how profits will be shared and what happens if one partner leaves.

Limited company

A limited company is legally separate from its owners. This can provide a different level of protection, but it also creates additional responsibilities, reporting requirements and administration.

You will need to understand your duties as a director and keep accurate company records.

Limited liability partnership

An LLP combines aspects of a partnership with limited liability for its members. It may be suitable for certain professional or collaborative businesses.

Questions to consider

- How much personal risk am I comfortable taking?
- Will I be working alone or with others?
- Do I plan to employ people?
- Will I need external investment?
- What tax and administration requirements apply?
- Does my industry have specific legal requirements?
- Will my structure support future growth?

Quick checklist

- I understand the main business structures.

- I have considered personal liability.
- I have identified the relevant tax responsibilities.
- I know what records must be maintained.
- I have taken professional advice where necessary.
- My chosen structure suits my growth plans.

How CWRT can help

CWRT can help you identify questions to discuss with professional advisers and consider how your structure may affect your finance application.

Visit the CWRT website to find out more about our finance and our support services, check out how we may be able to help and submit an enquiry.

Find out more and get support today: www.cwrt.uk.com or call 024 7655 1777