



Ten reasons to incorporate your business

1

Lower taxation/income control/distribution

Generally it is still the case that the overall taxation burden is less using a limited company as compared to an incorporated business. The company route allows profits to be taxed at the low Corporation Tax rates and reinvested, or distributed as dividends, thus allowing the tax exposure to be planned and managed.

2

Easier to get funding

As a limited company has a distinct entity from its owners, funders generally prefer to make investments into corporates than into sole trader or partnership counterparts. Owners in partnerships and sole traders need to sign contracts in their own name and this means they have to rely on their own personal credit and assets to take out a loan or secure finance.

3

Separate personal from business

A limited company is a separate legal entity from its owners. Accordingly, the affairs of the business can be better distinguished from those of the owners, with separate bank accounts and records as compared with the owners of unincorporated businesses, who are more likely to consider the business income and assets as their own personal affairs.

4

Pensions

A limited company can fund its employees' pensions as an allowable business expense. This can offer a tax advantage over those who are running a business as self-employed.

5

Allows shares to be issued to investors/employees

The spreading of the ownership of a business by the issue of shares is straightforward as compared to taking on partners in an incorporated business and this facility can allow external investors to more easily participate in the expansion and development of the business.

6

Limited liability

A business run through a limited company offers the owners personal protection against any losses incurred by the business. The extent of the liability for losses is capped at the value of the share capital invested in the business.

7

A company has more credibility

In the eyes of some suppliers and customers, a limited company is considered a more credible business and a formal business structure is required to win certain contracts. Further some larger companies will only deal with companies.

8

Goodwill

The goodwill of a company can be differentiated from the personal goodwill of the owners and in some situations this can provide a greater valuation, as personal goodwill can be discounted as not an enduring asset of the business.

9

More definite ownership structure

An ownership structure by means of shareholdings is much more transparent as compared to partnership shares, particularly in relation to income and capital shares in the business. The rights and benefits in relation to the shares are more easily understood, avoiding potential misunderstanding and conflict amongst partners.

10

Succession

It is far easier to transfer the ownership of a limited company on retirement than it is to transfer a partnership or sole trader. Passing shares in a trading company can be undertaken tax neutrally over a period of withdrawal from the business.