



CORPORATE ENTITIES

The Main Differences Explained.

This leaflet serves to distinguish the major differences between the various legal entities under which individuals, groups of individuals and corporate bodies trade both in and from the United Kingdom.

A brief outline of each type of entity from sole trader through partnership, private limited company to PLC is shown below.

Please note that space limitation means that only the briefest synopsis of each entity can be given. Should you wish to seek expansion of any point raised or more detailed information then it is strongly recommended that you contact the Corporate Services Department at Turner Little Limited where a fully qualified advisor will be pleased to provide more detailed information.

SOLE TRADERS....

As a Sole Trader the business and you are ONE. You own the goods or service you supply; your customer owes you money.

You personally make the profit; you personally are liable for tax upon it.

You personally are liable for business debts; you personally can be sued if you don't settle them and in the worst possible case you personally can be declared bankrupt having lost all your personal assets in the process, house, car, savings and so on.

The relationship between your business and customers, creditors, the Inland Revenue, the Customs & Excise and so on is a personal one.

For full details and expert opinion on any type of company or trading entity and its particular benefit to you, it is recommended that you discuss your situation with our corporate department.

PARTNERSHIPS....

As with Sole Traders except that in a Partnership you are also liable for your Partner's debts and actions as well.

LIMITED LIABILITY PARTNERSHIPS....

New to the UK on 1st April 2001, an LLP provides a mechanism by which two or more partners in a partnership can incorporate themselves into a formal arrangement. In doing so they are able to LIMIT THEIR PERSONAL LIABILITY in the business whilst retaining the taxation benefits of being a sole trader.

A side benefit is that in the process of setting up the LLP partnership arrangements are committed to formal agreement where many previous partnerships operated on an informal understanding basis.

LIMITED COMPANY....

A private limited company which can be limited by shares (usual type) and in which it is only necessary to issue one share for an individual to have 100% ownership of a business.

That person can also be a director. A Company Secretary is no longer necessary as a consequence of changes made under the Companies Act 2006 although the responsibilities still exist and now fall directly on the directors; in many cases appointing a Company Secretary is still appropriate.

As a director, the owner may also be an employee and be paid salary by the Company; liability for PAYE and NI is incurred in this case.

The owner/director can also defer a decision on whether to be paid salary or take monies out of the business by way of dividend thus maximising any tax benefit which may be achievable for him or her.

A Private Company can also be incorporated limited by Guarantee effectively meaning that a member's liability is predetermined by an amount that each member undertakes to contribute to the assets of the company in the event of it being wound up while he is a member; this is often as low as £1.00.

New companies limited by guarantee must be formed without a share capital and therefore can only be private companies. A private limited company cannot offer its shares for sale to the public

PLCs....

A Public Company is a company limited by shares or limited by guarantee and having a share capital.

It must have a minimum share capital (currently £50,000) before it can do business. It must have at least two share holders and two directors and is subject to a number of other particular restrictions and regulations, which do not apply to Private Companies. It must appoint a Company Secretary.

A Public Company may offer its shares for sale to the public.

A Public Company may also have its securities listed on the Stock Exchange or be traded or dealt in other public markets and will invariably be obliged to comply with certain additional requirements of the market maker in question.

REGISTERED OFFICE...

Every Company must at all times have a Registered Office. This is the address to which all communications and notices may be addressed.

The Registered Office is the place where writs, summonses, notices, orders and other official documents may be served upon the Company.

The address of the Registered Office must appear on all business letters and order forms of the Company.

The Registered Office address of a Company does not necessarily have to be the address from which the Company trades and would normally be the address at which the Company Secretary is located.

The name of a Company as it appears in its Memorandum must be displayed on the outside of every office or place in which the business trades. It must be in a conspicuous position and in easily legible letters.

COMPANY SECRETARY...

Every PLC Company must at all times have a Company Secretary. They must be identified and duly described in the register of Directors and Secretaries. The Company Secretary is the Companies Chief Administrative Officer and it is he/she who is responsible for ensuring:

1. That the Companies documentation (in particular its Memorandum & Articles and any amendments to them) is in proper order
2. That all returns required by the Companies Act are duly made to the Registrar of Companies (The Company Secretary is considered to be an officer senior enough to attract personal fines in the event of default)
3. That the Company's own registers and records are properly maintained

He is an officer of the Company and he would be a senior insider for the purposes of the Insider Dealing provisions of the criminal justice act 1993.

Under the Companies Act, the Directors of a Company have a duty to appoint as Company Secretary someone who is capable of carrying out the duties which the post entails.

The Company Secretary is expected to be a source of advice to the Chairman and to the Board of Directors. Ideally a Company Secretary would be a qualified person.

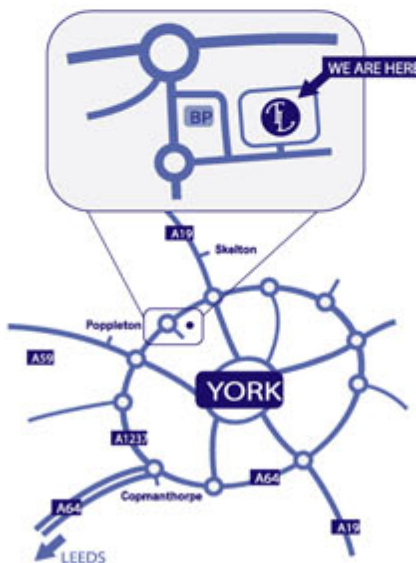
Whilst a Company Secretary is no longer an absolute requirement in the case of Private Limited Companies, appointment is still highly recommended.

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