

Partnership – Limited Liability (LLP)

- An LLP offers a halfway house between a partnership and a limited company
- All profits and all losses accrue to the partnership (subject to taxation).
- All assets of the business are owned by the partnership
- All debts business – Members responsible to the extent to which they have given personal guarantees. A negligent member can still be held liable personally
- This means that the members have limited liability.
- Partnership exists as soon as you start doing business

Managing Finances & Administration

- A new type of business structure became available as from April 6th 2001 when the Limited Liability Partnerships Act 2000 came into effect.
- LLP is a separate legal entity, conferring full limited liability on its members.
- It is created by registration at Companies House. There must be at least 2 members, but there is no upper limit. At least 2 of the members must be named as 'designated members', who accept responsibility for sending information to Companies House.
- An LLP is subject to the same rules as a private limited company for the registration, statutory accounts, auditing and exemptions from these requirements.
- There are no statutory provisions for general meetings, directors, company secretary, share allotments, etc.
- As with the existing partnership, these are matters for the partnership agreement (if any)
- There is no statutory requirement to register (or even to have) a written partnership agreement, but such an agreement is essential in practice.
- Implied terms, which apply in the absence of agreement to the contrary, are set out in the Limited Liability Partnerships Regulations 2001.
- Introducing a new partner has no tax implications and merely requires the members agreement to be amended
- Have a good accounts filing system and you may at least need a book keeper or a full time accountant depending on the volume of work
- You can hire any number employees –Employer Help Line 0845 714 3143, 0845 6070 143
- You can hire sub contractors. Better to draft a Service Level Agreement (SLA).
- Insurances – Need to get Professional Indemnity, Employer & Public and Product Liability depending on the nature of business
- Health & Safety Insures and Corporate Manslaughter Act and issue

Managing Taxes

- The LLP is treated for tax purposes as an ordinary partnership: i.e. each partner is liable to income tax under Schedule D for his or her share of the profits, and to Capital Gains Tax in respect of any gains made on the disposal of partnership assets.
- In general, and as far as taxes are concerned, a partnership is no more than a convenient term for describing a group of persons who are actually taxed as if they were individuals.
- Certainly in the context of the taxation of business profit or capital gain, a simple statement that the partners are taxed on their shares as if they were individuals would be an accurate (and very concise) statement of the rules.
- Need to do a Partnership Tax return – SA800 - 0845 9000 444
- As well as individual returns from each partner – SA 100, Self employed - 0845 915 4515 to get a Unique Tax Reference Number
- Partnership and the legal and tax implications starts to exist as soon as the Partnership does his first job.

National Insurance Contribution (NIC) – 2011/12

- Class 2' NIC at a flat rate - £2.50/week,
- Class 4' NIC - 9% between £7,225 and £42,475 and 2% over £42,475
- Earnings less than £5,315 entitled to the Small Earnings Exception, on Class 2 NIC - you can apply for Small Earnings Exception certificate n form CF10

VAT registration – If annual turnover over £73,000 (2011/12)

Advantages

Avoid Double taxation if you carry out your business through a company.

- As Corporations are separate entities from their owners they pay corporation tax on any taxable profits
 - a. Owners will pay tax on their individual income
 - b. As a partner, you will not pay double tax on your partnership income because the law makes no difference between you and your partners' income and is treated as your personal income.
- More credibility and less risky as 2 or more people are involved and carried limited liability.

Disadvantages

- A business organized as a partnership faces difficulty in raising own capital since shares of the business cannot be sold.
- Hiring employees may also be difficult.
- When the business grows, the risks accompanying the business also tend to grow.