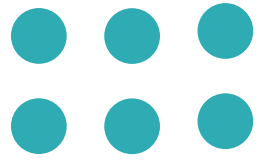




Business Essentials – Company Structure

- **Presented by Jo Tomlinson**
- Owner and MD of Business Works UK
- Certified Quickbooks Trainer



Jo Tomlinson BA(hons) ACMA

MD Business Works UK LTD

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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.

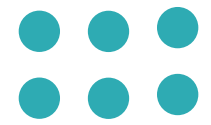


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Business Format

- Limited Company
- Sole Trader
- Sole Trader Partnership
- LLP
- CIC or other Charity structure



Limited Company

- Limited Liability
- Separate Legal Entity
- Different Tax system – more opportunity for Tax Planning
- Access to Funds
- Costs



Sole Trader

- No legal separation between you and your business in the eyes of the law
- Simpler and often lower cost



Charities

- Charitable incorporated organisation
- Charitable company (limited by guarantee)
- Unincorporated association or Trust.



Charities

- There are no shareholders
- It is run by the trustees for the benefit of its purpose as declared
- In most cases, a registered charity is not subject to tax, but is still required to produce and submit accounts
- Must report to the Charities Commission Annually
- Accounts may need to be audited or independently examined



Community Interest Companies – CIC's

- Has a lot of the characteristics of a limited company
- There are no shareholders/owners
- Greater access to grant funding



Limited Liability Partnership - LLP

- Partners pay income tax
- Partners share of profits can vary year on year to reflect the value they bring to the partnership



Company Limited by Guarantee

- Similar to a limited company
- Popular with charities, clubs and membership organisations
- Has no shareholders, but must have Directors – no share capital



Partnership

- Who is your business partner?
- What % split – will this vary and on what basis
- Sole trader partnership
- LTD company with more than one shareholder
- LLP



Partnership Agreement



Establish ground rules

Reduce misunderstandings later once the business has value



Tax Treatment

	Sole Trader	LTD Co	LLP
Limited Liability	No	Yes	Yes
Tax planning	Limited	Yes	Limited
Income Tax Rules	Yes	No	Yes
Tax due	9 m	9 m	9 m
Payment on Account	Yes	No	Yes



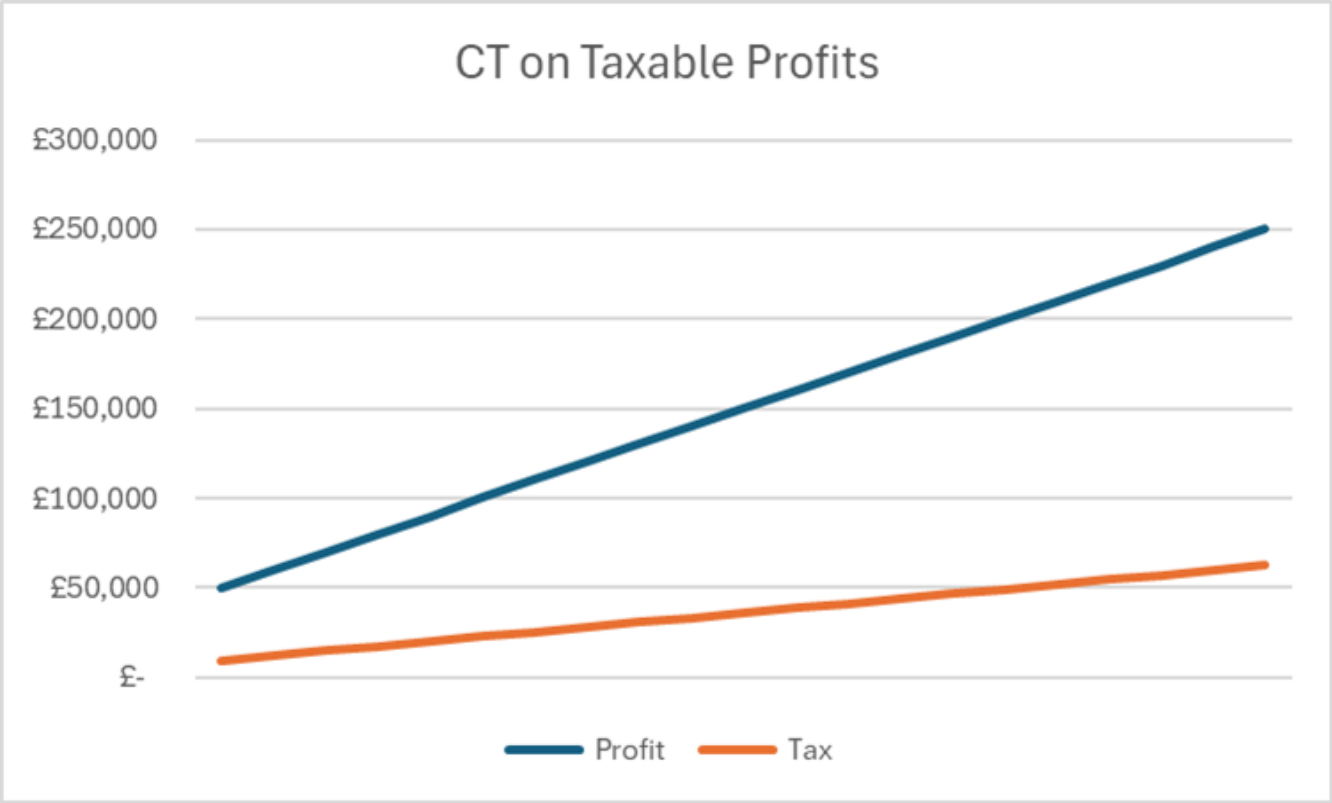
Corporation Tax

Small Business Rate	19%
Main Rate	25%

Marginal Rate Relief

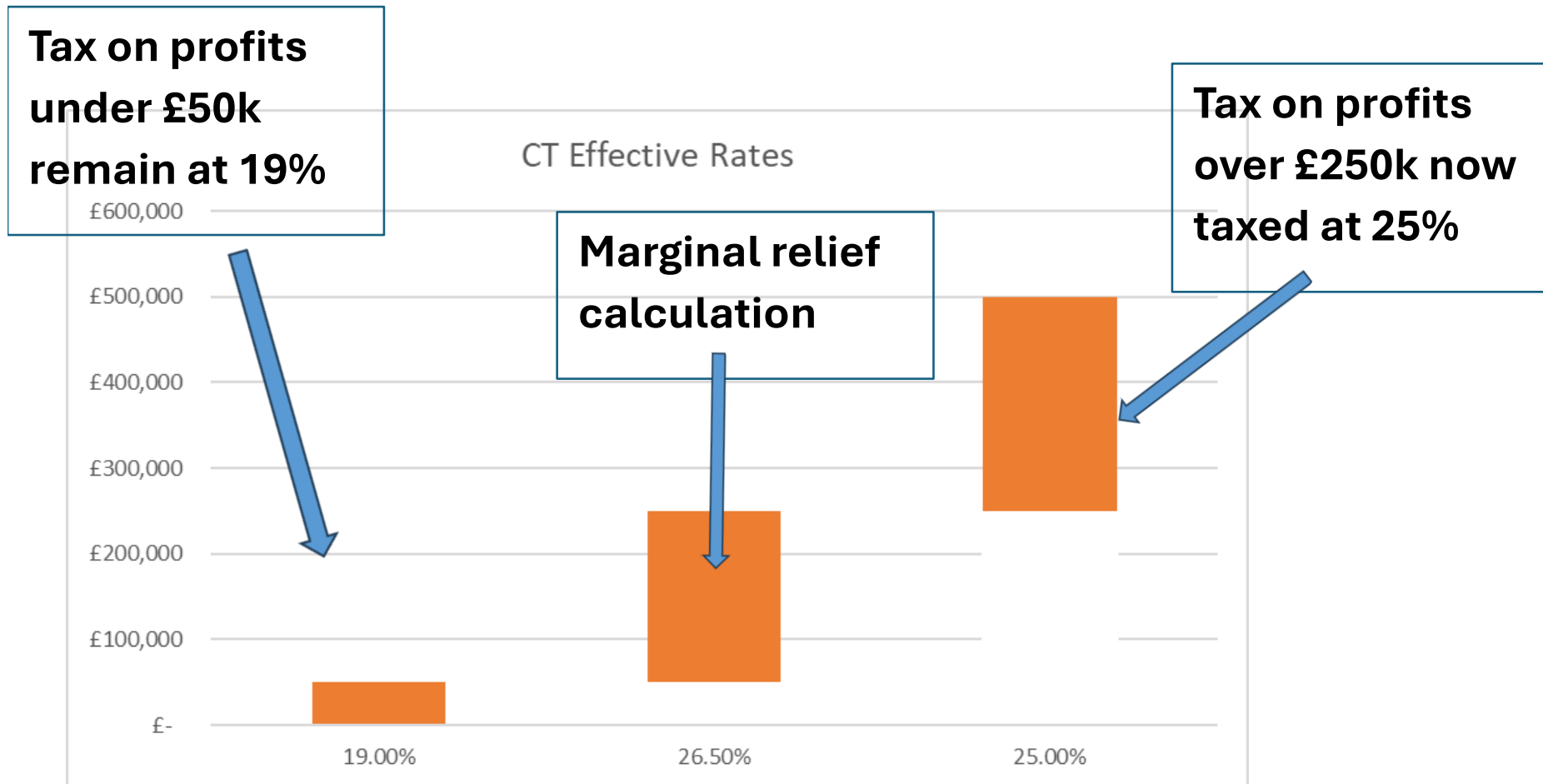


Marginal Rate Relief





Effective Rate





Income Tax

Personal Allowance	£12,570	Not taxed in most circumstances
Basic Rate	£37,700	20%
Higher Rate	£87,440	40%
Additional Rate	Above £125,140	45%

If you earn over £100k, you will start to lose your personal allowance at a rate of £1 for every £2 you earn over £100k. So, you will pay an effective rate of 50% tax on earnings between £100k and £125,140.



National Insurance - Employees

Allowance	£12,570	Not charged up to the Primary Threshold
Basic Rate	£37,700	8% Between Primary Threshold and Upper Earnings limit
	£50,270	2% on earnings over the Upper Earnings Limit



National Insurance - Employers

Allowance Threshold	£5,000	Not charged up to the Secondary
Rate	15% on all earnings above the Secondary Threshold	

NOTE – Eligible employers can reduce their National Insurance liability by up to £10,500 p.a. in 25/26 by using the Employment Allowance. This is up from £5,000 p.a. in 24/25.



Tax Planning

Sole Traders

- taxed on taxable profit in the tax year

Limited Companies

- CT on company profit in year earned
- Shareholders taxed on the money they extract
 - Payroll
 - Dividends

- Tax Planning - Directors can choose to extract less than the maximum legal dividend to keep out of higher tax brackets



Dividend Tax

In the tax year 24/25 you can earn up to £500 in dividends before you start paying tax. This is known as the dividend allowance.

Dividends are taxed based on the income tax bands:

Lower rate	8.75%
Higher Rate	33.75%
Additional Rate	39.35%



LTD Co

Taxable Profit before Director Salary
Director Salaries
Directors Employers NI
Taxable profit
CT
Dividend
Income Tax
NI
Takehome pay

£100k Taxable Profit	£50k Taxable Profit	£40k Taxable Profit	£30k Taxable Profit
£ 100,000.00	£ 50,000.00	£ 40,000.00	£ 30,000.00
£ 12,570.00	£ 12,570.00	£ 12,570.00	£ 12,570.00
£ 1,135.50	£ 1,135.50	£ 1,135.50	£ 1,135.50
£ 86,294.50	£ 36,294.50	£ 26,294.50	£ 16,294.50
£ 19,118.04	£ 6,895.96	£ 4,995.96	£ 3,095.96
£ 37,700.00	£ 29,930.00	£ 21,830.00	£ 13,730.00
£ 3,211.25	£ 2,531.38	£ 1,822.63	£ 1,113.88
£ -	£ -	£ -	£ -
£ 47,058.75	£ 39,968.63	£ 32,577.38	£ 25,186.13

Sole Trader

Taxable Profit
Income Tax
NI
Takehome pay

£ 100,000.00	£ 50,000.00	£ 40,000.00	£ 30,000.00
£ 27,432.00	£ 7,486.00	£ 5,486.00	£ 3,486.00
£ 3,256.60	£ 2,245.80	£ 1,645.80	£ 1,045.80
£ 69,311.40	£ 40,268.20	£ 32,868.20	£ 25,468.20

Retained Profit

£ 29,476.46

Difference in tax

-£22,252.65

-£299.57

-£290.82

-£282.08



Capital Gains

- Limited companies pay corporation tax on all income earned, including the sale of items with a capital gain
- Individuals pay Capital Gains Tax, but they also have an annual exemption amount which currently sits at £3,000 per person in any tax year.
- In the tax year starting in April 2025 the rates of tax for capital gains are 18% for basic rate earners and 24% for higher rate earners.



Directors Loan Accounts

- Money owed by the company to the Director
 - Often put in at the start to get the business going
- Money owed by the Director to the Company
 - Can generate the need for a P11D
 - S455 tax



Starting and Stopping

Limited Companies

Starting Up - Incorporation

- 1) Come up with a unique name, not currently in use by any other company
- 2) Incorporate the company (£50 payment to Companies House)
- 3) HMRC issue a company Unique Tax Reference (UTR)

Ceasing

- 1) Strike Off – When a company has no debts.
- 2) Members Voluntary Liquidation – When the company has assets but wants to stop trading and a liquidator is appointed to distribute the remaining assets
- 3) Liquidation – when a company cannot pay its creditors

Note – You can make a company dormant but must still do some limited reporting. This is often done to keep the company name.



Starting and Stopping

Sole Traders

Starting Up

- 1) Inform HMRC that you are trading as a sole trader
- 2) HMRC issue a Unique Tax Reference (UTR)

Ceasing

- 1) Include a cessation date on your self-assessment tax return



Associated Costs

1. Accounting Fees
2. Insurances
3. Bank interest




Business Format Summary

- Carefully consider partnerships and always have a partnership agreement
- Consider all the implications of the business formats
- Nothing has to be for ever, but change can be time consuming



5 Badges of Professionalism

- 
1. Limited company
 2. VAT registered
 3. Web presence
 4. Landline telephone number
 5. Email address containing your company name



Associated Companies

Tuesday 18th March

10am





VAT registration and Rules

Tuesday 25th March

10am





Employing People

Tuesday 1st April

10am



Thank

You



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