

TYPES OF BUSINESS VEHICLE.

In order to understand business protection it's important to know the different business vehicles through which companies are run, and the different people involved in running them.

There are four main types of business vehicle:

The sole trader

- The sole trader owns and manages his/her business and may have employees.
- The sole trader does not operate the business through a vehicle with a separate legal personality to that of himself/herself.
- The sole trader will pay income and capital gains tax on the income and gains of the business.
- No limited liability applies.



The limited company

- The directors run a limited company on behalf of the shareholders.
- The shareholders are the owners of the company. In many companies, the directors are also the shareholders.
- A limited company is itself a legal entity, distinct to that of its shareholders. This means that a company is able to enter into contracts in its own name.
- Companies pay corporation tax on the income profits and gains of the business.
- Shareholders are not personally liable, unless personal guarantees on loans are in place.

The traditional partnership

- An ordinary partnership is owned by the partners of the business and often the partners will manage the company too.
- There will be two or more partners carrying on a business in common with a view to a profit.
- In England and Wales (unlike Scotland) a partnership does not have a legal personality that is distinct from the partners.
- The partners will pay income and capital gains tax on the income and gains of the business.
- No limited liability applies.

The Limited Liability Partnership (LLP)

- A limited liability partnership has members (rather than partners or shareholders).
- Management and ownership structures of LLPs can vary and it is therefore important to check the position with individual LLPs.
- An LLP is a separate legal entity distinct from its members.
- Members will pay income and capital gains tax on the income and gains of the business.
- Limited liability applies, unless personal guarantees on loans are in place.

