

## Should I Incorporate My Business?

### Advantages of a Limited company

- **Keep more money** – By planning your remuneration through salary and dividends, you will save national insurance at 9%/2% of income compared to a sole trader-
- **Claim on a wide range of expenses** - Anything that is solely classed as a business cost can be claimed back on expenses..
- **Protect your personal assets** - As a sole trader business, personal assets can be at risk if the business fails. As the shareholder you cannot be held personally liable for the debts of a limited company.
- **Get More Business** - Operating as a limited company often gives suppliers and customers a sense of confidence in a business and quite often other companies prefer not to deal with non-limited businesses.
- 

### Disadvantages of a Limited company

- **More paperwork** – More administration is required, and you need to be more disciplined about keeping your business assets and bank accounts separate from your private affairs
- **Accounts need to be filed every year** - You have to file your accounts at Companies House each year. You will also have to file a corporation tax return with HM Revenue and Customs every year. There are penalties if deadlines are not met, so if you're not ready to commit to the small amount of administration required it may not be for you.
- **Not ideal for small profits** – The higher your profits, the more difference a limited company can make to the amounts you take home. There is no set number at which it becomes beneficial, but if your income is less than £30k to £40k a year you are unlikely to gain much financially by setting up a limited company.

As a general rule, whilst it is possible to run your accountant and tax affairs on your own as a sole trader, it is not recommended to do so for a limited company. However with a good accountant you should save more in tax than additional fees you are incurring. If you have any question regarding any of the points above, we offer a **free initial meeting** as part of the Institute of Chartered Accountants Business Advice Service (BAS). Give us a call!