RIFT

Safety in numbers

SETTING UP A PARTNERSHIP

RIFTACCOUNTING.COM

TWO'S COMPANY

If you've got two or more self-employed people working together in a simple business structure, then you've got a Partnership. It can be a good way to work, but it's not a distinct legal entity in its own right. If you want those protections then you might be better off setting up a Limited Company instead.

In a Partnership, everyone involved needs to have a clearly understood stake in the business and its assets. You may know each other well enough to work on good will and handshakes, but those kinds of arrangements don't tend to carry much weight in law.

IMPORTANT THINGS TO CONSIDER:

- You're personally liable for the Partnership's debts.
- All Partners must register for Self Assessment.
- The Partnership itself must also be registered.
- If any of the Partners quit, go bankrupt or die, the Partnership must dissolve.

Those are the basics for a standard Partnership, but there are other kinds, too. The benefits and drawbacks that apply will depend on the type of Partnership you're in, so it's worth being aware of the possibilities.

LIMITED LIABILITY PARTNERSHIP (LLP)

In an LLP, some or all of the Partners may have the amount of money they can personally lose limited. As long as you have two or more “Designated Members”, who have more responsibilities, you can have any number of “Ordinary Members”.

When you’re setting up your Limited Liability Partnership, you need to sort out:

- How profits are shared among members.
- Who needs to agree decisions.
- What the Members’ responsibilities are.
- How members can join or leave the LLP.

If you’re a Designated Member, you’ve got even more to consider. You’ll need to:

- Register the Partnership for Self Assessment with HMRC and (if necessary) VAT.
- Appoint an auditor, if needed.
- Keep accounting records.
- Prepare, sign and send annual accounts to Companies House.
- Send an annual return to Companies House.
- Tell Companies House about any significant changes to the LLP.

In effect, an LLP is half-way between a normal Partnership and a Limited company. It’s a little more flexible than the latter and a little safer than the former - but doesn’t quite have all the benefits of either.

LIMITED PARTNERSHIPS

With a Limited Partnership, you start with at least one “General Partner” and one “Limited Partner”. All partners get a share of the profits, and pay tax on them as usual, but your other responsibilities depend on which category you’re in.

A Limited Partner:

- Contributes an amount of money or property to the business at set-up.
- Is liable for debts only up to the amount contributed.
- Can’t manage the business.
- Can’t remove the original contribution.
- Must register for Self Assessment with HMRC.

If you’re a General Partner, on the other hand:

- You’re liable for any debts the business can’t pay.
- You control and manage the business.
- You can apply for your business to act as an authorised contractual scheme (ACS).

RIFT Accounting knows all about building winning Partnerships. Whether you’re a raw rookie or two days from retirement, talk to us - and get ready to star in your very own buddy movie.

CALL US ON

01233 653006

TO SEE HOW WE CAN
HELP YOU TODAY

RIFTACCOUNTING.COM

RIFT
Safety in numbers

RIFT HOUSE
200 Eureka Park, Upper Pemberton,
Kennington, Ashford, Kent TN25 4AZ

Tel: 01233 653006
info@riftaccounting.com