

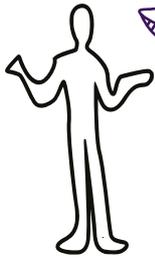
# LEGAL ENTITIES

Building your business from the ground up!

## Sole trader

If you're a sole trader, you run your own business as an individual and are self-employed. This means you're personally responsible for your business and any losses it makes.

Any profits generated are automatically yours, but if your company has any debts then you are legally liable to pay them.

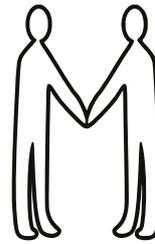


**Tip:**  
You will have to pay national insurance but you do not need to register with Companies House.

## Partnership

A partnership is an extension of being a sole trader and is when a group of two or more people come together to own a business. The partners will agree to share the joint profits in pre-determined percentages.

As with sole traders, the partners are legally liable to pay the debts of the business. Each partner is jointly liable for the partnership debts.



**Tip:**  
It is advisable to draw up a partnership agreement.

## Limited company

A limited company is a separate legal entity from its owners, therefore the company's finances are separate to your personal finances.

Your ownership of the company is recognised by your ownership of shares. If you form a limited company, there are more reporting and management responsibilities. Many companies will enlist a professional eg. an accountant to help with these responsibilities.

If you also work for your company, you are both the owner (as shareholder) and an employee (eg as director or CEO).



**Tip:**  
The company will have to pay national insurance and you need to register with Companies House.

Now put your knowledge to the test

