



Incorporation

How can this benefit me?

If you are thinking of incorporation, you need to talk to us. At Blue Box Accounting you will be able to discuss your requirements with a partner who will be pleased to advise the best solution for you. The principal benefit of a limited company is that it limits the financial liability of its owners; the shareholders. There are however many other reasons why incorporation can benefit your business. Some of the reasons are listed here;

- Tax planning advantages
- Raising finance
- Personal asset protection (business assets can also be protected)
- Key employee retention
- Increased credibility of the business
- Selling the business

We can help you

The decision whether to incorporate is an important one. This is why we always suggest that you talk to us. Tax is always subject to change and while it can be beneficial to incorporate, it is important that you get relevant up to date advice. The level of tax saving through incorporation is dependent on your personal circumstances. We would welcome the opportunity to talk to you about your own specific circumstances, so please do give us a call or e-mail enquiries@blueboxaccounting.co.uk

What assets are transferred?

Incorporating your business will involve transferring some of your business assets to the company including any goodwill. This can trigger significant capital gains liabilities if not planned properly, but with proper planning, goodwill valuations can form part of an overall beneficial tax planning strategy.

All assets do not necessarily need to be transferred to the new company. Quite often land and buildings are left with the original owners and leased to the new company. This decision is always made after discussing possible stamp duty and inheritance tax considerations.

When should I incorporate?

The timing of incorporation is also important. Sometimes businesses need to be incorporated from the start, but more commonly businesses incorporate much later. This becomes more relevant as the business grows; sometimes as a tax planning strategy and sometimes to protect personal assets from potential business claims.

If a business is already established, advantage can be taken of the new entrepreneurial relief as part of a package of tax planning ideas. When the business is transferred to the Limited Company, the previous business ceases to trade. This cessation needs to be planned in a way that utilises any remaining overlap relief from the sole trader or partnership business.

What will my bank manager think?

Banks can take additional security by way of a "floating charge" over the assets of the company and this can increase the extent to which banks are willing to lend. It is therefore not normally an issue for your bank manager.

How can incorporation help me sell the business?

On the selling of a company, ownership can more readily be transferred than that of a sole trader or partnership.

Business agreements will be in the company name and all liabilities as well as assets will transfer with the company.

Are there any disadvantages?

As with any benefits there are always disadvantages and some are listed here;

- Increased compliance
- Publicly available accounts (usually abbreviated balance sheet)
- PAYE
- Cost of setting up
- Additional accountancy costs
- Cost of winding up

However, there are often more advantages than disadvantages in setting up a limited company. You will see from this leaflet that there are many issues to consider. So if you are thinking of incorporation, please call us for an informal chat.

Prepared by David Parkes AFA
Blue Box Accounting

Tel 01427 810322
Email enquiries@blueboxaccounting.co.uk
Website www.blueboxaccounting.co.uk

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