

Setting up a Partnership

If two or more people wish to go into business together, but without going down the Limited Company route, a partnership offers a simple way to get started, similar in many ways to going the sole trader route for an individual.

A partnership has no legal status, as a Limited Company would, it is merely a vehicle linking two or more self-employed people in a simple business structure.

Essentially, each of the partner's business income is counted alongside their existing personal income, so the accounting side of your business will be very straightforward. As the name suggests, partners are personally liable for any debts incurred in the running of your business which wouldn't be the case under the Limited Company route.

You will not need to notify Companies House, nor deal with any administrative or accounting requirements which are required of Limited Companies. Each partner will need to inform the Inland Revenue that they are now self employed.

In terms of accounting, you will need to submit an annual self assessment form to the Inland Revenue and keep accurate and up-to-date records of all business transactions and accounts. The partnership itself will also have to submit an annual self assessment form as well as each partner. You will also be pay income tax on all profits and pay national insurance contributions on those profits.

It is worth bearing in mind that if either of the partners withdraws from the business (if they die, resign or go bankrupt), the partnership must be dissolved instantly, since it has no legal status.