

## **Non tax advantages and disadvantages of trading through a PSC.**

There are non-tax advantages of incorporation and these are summarised below.

### **Limited liability**

A company normally provides limited liability. If a shareholder's shares are fully paid he cannot normally be required to invest any more in the company. However, banks often require personal guarantees from the directors for borrowings. The advantage of limited liability will generally apply in respect of liabilities to other creditors.

### **Legal continuity**

A company will enjoy legal continuity as it is a legal entity in its own right, separate from its owners (the shareholders). It can own property, sue and be sued.

### **Transfer of ownership**

Effective ownership of the business may be more readily transferred, in comparison to a business which is not trading as a limited company.

### **Borrowing**

Normally a bank is able to take extra security by means of a 'floating charge' over the assets of the company and this will increase the extent to which monies may be borrowed against the assets of the business.

### **Credibility**

The existence of corporate status is sometimes deemed to add to the credibility or commercial respectability of the business.

### **Pension schemes**

The company could establish an approved pension scheme which may provide greater benefits than self-employed schemes.

### **Staff incentives**

Employees may, with adequate safeguards, be offered an opportunity to acquire an interest in the business, reflecting their position in the company.

### **Disadvantages**

No analysis of the position would be complete without highlighting potential disadvantages.

#### **Administration**

The annual compliance requirements for a company in terms of administration and accounting tend to result in costs being higher with a company than for a sole trader or partnership. Annual accounts need to be prepared in a format dictated by the Companies Act and, in certain circumstances, the accounts need to be audited by a registered auditor. Details of the directors and shareholders are filed on the public register held by the Registrar of Companies.

#### **Privacy**

The annual accounts have to be made available on public record - although these can be modified to minimise the information disclosed.

#### **PAYE/Benefits**

If you do not have any employees at present, you do not have to be concerned with PAYE and returns of benefits forms (P11Ds). As a company, you will need to complete PAYE records for salary payments and keep records of expenses reimbursed to you by the company. Forms P11D may have to be completed.

#### **Dividends**

If you will require regular payments from your company, we will need to set up a system for you to correctly pay dividends.

19-20 Bourne Court, Southend Road,  
Woodford Green, Essex, IG8 8HD

Tel: (020) 8551 7200

Fax: (020) 8551 0912

Email: [info@raffingers-stuart.co.uk](mailto:info@raffingers-stuart.co.uk)

We help businesses

Grow