

The Legal Setup

Self-Employment vs. Ltd Company

Choosing between self-employment and starting a limited company is a crucial decision that affects your tax obligations, personal liability, and business operations.

Each option has its own Pros and Cons, depending on your goals and circumstances.



Self-Employment

Pros

Simple Setup & Administration
Registering as a sole trader is quick and requires minimal paperwork.

Lower Accounting Costs
Fewer legal and financial reporting obligations mean lower administrative expenses.

Full Control
You retain complete decision-making power and have direct access to your profits.

Greater Privacy
Unlike a limited company, your financial information isn't publicly available.

Cons

Unlimited Liability
You are personally responsible for all debts and legal issues.

Higher Tax Rates
Income is subject to personal tax rates, which can be higher than corporation tax.



Limited Company

Pros

Limited Liability
Your personal assets are protected if the business faces financial difficulties.

Tax Efficiency
Corporation tax rates are often lower than personal income tax, and you can pay yourself through a combination of salary and dividends.

Professional Image
A limited company may appear more credible to clients and investors.

Greater Growth Opportunities
Easier access to funding and investment options, including issuing shares.

Cons

More Administration & Costs
Filing annual accounts, maintaining statutory records, and following compliance regulations add complexity and expense.

Public Disclosure
Company financials and director details are available in the public domain.



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