

Guide to types of trading entity

Overview

Whether you are starting up a brand new business or adding to an existing one you should think carefully about which business structure is most appropriate for the type of activity that your business will be undertaking. The legal form you choose will depend on the commercial needs of your business, the risks that you are willing to take and your own personal situation.

If you are going into business with someone else, you should also think about the practicalities of your working relationship such as who will do what, how you will make decisions and what happens if one of you wants to exit the business. It is advisable to discuss this all before you start the business and put it into a formal agreement so that you have the 'rules' to refer to later.

You have three main options and the sections below will explain the advantages and disadvantages of each.

Sole trader

Most start-up and small businesses find setting up as a sole trader the best option. As a sole trader you are self-employed and may trade in your own name or may register a business name.

Some characteristics of being a sole trader are:

- Setting up can be cheaper and simpler than a limited company.
- You can produce simple accounts.
- You can form a limited company later as your

business grows and transfer the business to it.

- You are personally liable for all your business debts.
- Your options for raising money are limited.
- To establish a business as a sole trader, the proposer need only make an application for a business licence by completing a [New Business Application Form](#).
- You can also register a trading name with the Jersey Financial Services Commission for which there is a [fee](#) also using the [New Business Application Form](#).
- You will need to inform the tax and social security departments of your actions.

Partnership

Two or more self-employed people can work together as partners, using their own names or a business name and sharing the profit.

Some of the characteristics of a partnership are:

- Setting up can be simpler and cheaper than a limited company
- You can produce simple accounts.
- You can form a limited company later as your business grows and transfer the business to it.
- You may be able to raise money by introducing new partners
- A 'sleeping partner' will contribute capital and have a share in the profits but will not be part of the management of the business.
- You are liable for all the partnership business debts even if the other partner was responsible for incurring them.
- If a business has more than one owner, the owners must determine their working relationship. The importance of discussing the terms of your relationship when setting up a partnership agreement, including how a partner can withdraw, cannot be over emphasised. Work out as much detail as you can with your partner and seek the services of a solicitor to draw up the final agreement.
- To establish a business as a partnership the partners need only make an application for a business licence

by completing a [New Business Application Form](#).

- You can also register a trading name with the Jersey Financial Services Commission for which there is a [fee](#) by completing a [New Business Application Form](#).
- You will also need to inform the tax and social security departments of your actions

Limited company

If you are a Jersey resident and thinking of setting up a Limited Company in Jersey, the information below will explain the process you need to follow to incorporate your company online with the Jersey Financial Services Commission via their [myRegistry](#) portal.

This guidance assumes you have sought or already have the required knowledge to structure a simple limited liability Jersey Company. If not, then we strongly advise you seek the services of a professional such as an accountant or lawyer to assist you.

Relevant Links

[> Setting up a limited company in Jersey](#)

[> Guide to Writing a Business Plan](#)

[> Guide to the Duties and Responsibilities of the Directors of a Jersey Private Company](#)

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