



TYPES OF TRADING ENTITY



WHEN YOU ARE ABOUT TO START A BUSINESS IN JERSEY THERE ARE SEVERAL THINGS YOU MUST DO:

You should choose the type of legal structure to suit your own circumstances and the nature of the business you are starting. You can have employees regardless of whether you are a sole trader, partnership or limited company. It is possible to commence a business as a sole trader and to establish a limited company at a later time when the business has had a chance to develop. However, there may be good reasons why your business should be set up in one form in preference to another. The options of each legal form are explained in brief below.

Sole trader

Most small businesses find setting up as a sole trader the best option.

You are self-employed and may trade in your own name or may register a business name.

- 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 to 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](#) – 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 work together as partners, sharing the profit.

The partners may use their own names or register a business name.

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 to 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 completed a [New Business Application Form](#).
- You will also need to inform the tax and social security departments of your actions

Limited Company

This is a separate legal entity, distinct from its shareholders, directors and employees.

Unlike a sole trader or partnership, a limited company is not the same as the individuals who own or manage it. For example, a company can sue or be sued in its own name.

There are other legal forms which can be used in specific circumstances. For example, a co-operative is owned by the employees and run along democratic lines.



- A limited company gives your business more creditability.
- Your liability is limited to the amount you agree to invest in the company by buying its shares. However, if you give a personal guarantee (e.g. as security for the company's overdraft) you could still lose your personal assets. Also, if the company trades 'wrongfully' or 'fraudulently' you may be personally liable as a director.
- It can be easier to raise large sums of money, or to sell part of the business.
- It is easier to pass on shares to a member of your family, or another successor, when you retire or for the executor of your will to do, when you die.
- There can be tax advantages for high earners through keeping money in the business or making a larger pension contribution.
- Forming a limited company is more costly than forming a sole trader or partnership.
- Maintaining the business structure is more formal and costly, e.g. you will be required to complete an 'annual return' to the Financial Services department with an [annual fee](#). If the annual return is not completed and returned by the end of February financial penalties will be incurred and ultimately your company could be struck off the register.
- More annual accounts are required. Accordingly, they are likely to cost more.
- If you decide to cease trading, it can be difficult and expensive to wind up the company.
- The incorporation of a limited company in Jersey requires the completion of several documents; [C3 Statement of Particulars](#); [C2\(b\) Control of Borrowing Order](#) and a Memorandum and Articles of Association. In two or more people are involved in setting up the company you should ensure that a shareholders agreement exists, see above, and that the following key issues and 'what if' scenarios are also included.
- An incorporation [fee](#) is required payable to the Jersey Financial Services Commission and a [fee](#) is also payable with the Company annual return.
- To establish a business as a Limited Company the beneficial owners must make an application to for a business licence Under [Part 7 of the Control of Housing and Work \(Jersey\) Law, 2012](#)

Further Information or Advice please contact us on 01534 610 300 or Email: info@jerseybusiness.je

Further Information or Advice

WHETHER YOU ARE THINKING OF STARTING A COMPANY, WANT TO IMPROVE OR GROW YOUR EXISTING BUSINESS OR NEED TO MANAGE YOUR EXIT PLAN, JERSEY BUSINESS IS HERE TO HELP YOU ACHIEVE YOUR GOALS.

