

MBA FACTSHEET 2012- Limited Company or Self Employed?

Tax Benefits of Being a Limited Company 2012-13

- 20% tax for profits over £7,605 as opposed to 20% income tax, 9% national insurance + £2.65 a week class 2 ni if you are self employed.
- Pay tax later as payments on account are likely to cease.
- One –off incorporation gains- see

Dis-advantages

- Set up fees of £200-£250+ vat
- Higher accounting fees of £500-800+ vat
- Director responsibilities
- Greater record keeping responsibilities

Comparison for Different Profit Levels- 1 self employed person (no other earnings assumed)

Profit- £	Self Employed Tax- £	Ltd Company Tax- £	Our view
10,000	732	498	Stay self employed
15,000	2,182	1,498	Stay self employed
20,000	3,632	2,498	Consider change
25,000	5,082	3,498	Change
30,000	6,532	4,498	change

Comparison for Different Profit Levels- 2 equal partners involved (no other earnings assumed)

Profit- £	Self Employed Tax- £	Ltd Company Tax- £	Our view
10,000	275	0	Stay self employed
15,000	275	3	Stay self employed
20,000	1,465	894	Stay self employed
25,000	2,915	1,894	Stay self employed
30,000	4,365	2,894	change

Our Summary View

There are other non financial factors to consider for example reputation and limited liability.

However on the financial factors we recommend looking at a limited company structure to save tax when you are confident that 12 months of profits will exceed £21,000 for sole traders + £28,000 for partnerships with 2 partners. We recommend that you need to gain by a clear £600-700 minimum after extra fees (ie tax saved to be £1,250+ to incorporate). If you have other income then we need to look at the factors involved.

Contact us on 02083370775 for a free consultation. We have these discussions on a regular basis.