

UK LIMITED COMPANY FORMATION

VS

UK LIMITED LIABILITY PARTNERSHIP FORMATION

UK Limited Company Formation

Requirements to form this type of company:

- This kind of company can be formed by one or more persons for any lawful purpose by subscribing their name(s) to the memorandum of association and complying with the legal requirements for incorporation. According to law, 'person' includes individuals, companies and other corporations and "persons" who subscribe their names to the memorandum of association are known as "subscribers".
- It has a share capital and the liability of each member is limited to the amount, if any, unpaid on their shares.
- It cannot offer its shares for sale to the general public
- When choosing a name for this kind of company it must end with "limited" or, if its registered office is in Wales, with "cyfyngedig" or with the permitted alternatives, ie "ltd" or "cyf".
- In compliance with the Companies Act 2006 a private company is obligated to have at least one director. In the Company's articles of association you may impose a higher minimum requirement for the number of directors. However, at least one director must be an individual. A private company needs to have a secretary only when the company's articles of association require it.
- A company's Directors are obligated to prepare and file documents required under the Companies Act 2006, including the annual accounts and annual returns. If they fail to file these documents, this could result in directors being prosecuted and fined up to £5,000 for each offence and the company could also be struck off the register. Also, if its accounts are delivered late the company will be liable to a civil penalty.

- It must have a registered office, which must be a physical location in the United Kingdom. At this address you will receive all official letters and notices to deal with.
- It has to comply with trading and disclosure requirements.

Limited Liability Partnership (LLP)

Requirements to form this type of company:

-It must have at least two, formally appointed designated members at all times. In case there are fewer than two designated members then every member is deemed to be a designated member.

-After the LLP is incorporated it is important that you notify Companies House whenever any of the members' details change

-LLP itself is responsible for any debts that it runs up, not the individual partners.

- It has the organizational flexibility of ordinary partnership and is taxed as a partnership.

- If there is no permanent establishment in the UK, no business activities take place in the UK and the business is conducted and managed abroad, the LLP and its members will not be subject to UK taxations. However, they need to file tax returns and self assessments at HMRC.

- Any profits earned are shared between the individual members in proportion to their agreed profit sharing or capital contribution percentages and it is the individual partners or designated members that are subject to taxation.

- As long as the LLP trades outside the UK and the European Union, it is not required to register for VAT Legal activities not restricted in any way and can operate anywhere in the world.

Similarities and differences of UK Limited Company and Limited Liability Partnership

-LLP gives the benefits of a limited liability company but allows its members the flexibility of organizing their internal structure as a traditional partnership. It is a separate legal entity and the LLP itself will be liable for the full extent of its assets whereas the liability of the members will be limited.

-The main difference between a UK Limited Company and a LLP is that an LLP has the organizational flexibility of a partnership and is taxed as a partnership.

-In other respects it is very similar to a private company.