



A Business Owners Guide to Choosing to Choosing the Right Structure - Limited Company or Self-Employed



Who are Beansprout?

At Beansprout, we don't just manage your numbers—we help you **grow** with them.

We've supported **hundreds of business** owners who started their ventures driven by passion, a great idea, investment, community, or seeking control over their time. We understand that without clarity in finances, achieving these goals is tough.

Founded by Helen and Kevin and backed by our friendly, experienced team, Beansprout makes accountancy **clear, collaborative, and genuinely useful**. Whether you're starting or scaling, we act as trusted partners, helping you build a stronger financial future.

Through mentoring and coaching, we help you overcome growth challenges, **build financial confidence**, and gain clarity—key for informed decision-making and future planning.



Helen & Kevin | Beansprout Founders

Should I Go Limited?

Thinking of starting a business but not sure whether to be self-employed or set up a Limited Company?

Or are you already a sole trader and wondering if “going Limited” could be a smart next step?

Choosing the right structure is important—and while becoming a Limited Company can offer big benefits, it’s not always the best fit for everyone.

This guide will help you explore your options with confidence. You’ll learn:

- The key differences between sole traders and limited companies
- The pros and cons of each setup
- How tax works for both structures



Sole Trader v Limited Company At A Glance

	Sole Trader	Limited Company
Legal Status	You and your business are the same legal entity	The company is a separate legal entity
Personal Liability	You're personally responsible for all debts	Your liability is limited to your share holding
Privacy	Minimal public disclosure	Company information published at Companies House
Registering the Business	Register as self-employed with HMRC	Company information published at Companies House
Administration	Annual Self-Assessment Tax Return	Annual Accounts, Corporation Tax Return & Directors duties.
Taxes	Pay Income Tax & Class 4 NI on profits	Pay Corporation Tax on company profit. Salary & Dividends taken from the company are subject to personal tax.

The Pro's and Cons Of Being A Sole Trader

Potential Advantages

- Simple and quick to set up.
- Less admin and lower running costs
- Your financial information remains private
- Costs are likely to be lower in the set up phase
- Ideal for testing a start up idea

Potential Disadvantages

- You are personally liable for business debts
- Your personal assets could be at risk
- May appear less credible to some organisations
- Can be harder to access finance and funding



The Pro's and Cons Of Being Limited

Potential Advantages

- Limited Liability protects your personal assets
- Often seen as more professional and trustworthy
- Tax efficiencies possible through salary and dividends
- Easier to attract investors and grow your team

Potential Disadvantages

- More admin, including annual filings and director responsibilities
- Your company details and accounts are visible at Companies House
- The profits and cash belong to the company, and you can only draw money in certain ways
- As a director you have legal responsibilities



Let's Talk Tax

Tax is one of the biggest **differences** between the two structures.

Sole Traders pay Income Tax on **all** their profits. The basic rate of Income tax is currently **20%** and the higher rate **40%** (2025/26 tax year). Sole traders also pay **Class 4** National Insurance contributions, depending on profit levels.

Everything is reported through your Self-Assessment each year.

Limited Companies pay Corporation Tax on profits:

- **19%** on profits up to £50,000
- **25%** on profits over £250,000
- A sliding scale applies in between



As the director and owner of your Limited company you pay income tax on monies drawn from the company. To take advantage of the tax benefits of trading as a limited company, many business owners choose to pay themselves a **low salary** and take the remainder of their income as **dividends** (subject to available profits).

Dividends are tax efficient as they attract lower income tax rates and no national insurance contributions.

Important: Tax efficiency depends on your individual circumstances. Always seek advice before switching structures.

When Is It A Good Idea To Go Ltd?

The honest answer is, it depends so its always a good idea to seek advice.

Here are a few signs that going Ltd might be something to consider:

- Your profits are consistently over £40,000 per year
- You want to boost your credibility with clients and suppliers
- You are planning to grow and hire a team
- You are looking to raise investment or funding
- You want to build long-term value in your business
- You want to separate your personal and business finances
- You are looking for greater tax efficiency

Always seek advice from your accountant before deciding on Self-Employed or Limited!



Can I Change Later?

Absolutely. Many people start as sole traders and **switch** to a Limited Company later on.

There are some steps to follow—like notifying HMRC and transferring business assets—but it's a **well-trodden path**. A good accountant will guide you through it smoothly.



What's Next?

Still not sure which option is right for you?

Let's chat. We're here to help you weigh the pros and cons based on your unique goals, plans, and profit levels.

Choosing the right structure early on can save you time, money, and stress later. It's not about being the cheapest—it's about **getting it right**.



All of our contact information is on the next page, we're here to help you make the decision about Self-Employed or Limited.

Let us handle the numbers

Running a business comes with a never-ending to-do list — but your accounts don't need to be one of them. Whether you are a small or medium sized business starting out, growing or scaling – **we've got the numbers covered**. At Beansprout, we take the stress out of financial management, giving you the space to focus on what you love and do best.

Without a clear understanding of the numbers, business becomes harder than it should be. On top of everything you're managing, you may also feel like:

- You fear the numbers
- You have no cash despite making a profit
- You're not sure how to plan and save for your taxes
- You're unclear on what money is coming in and going out
- You're not able to take enough from the business to support your lifestyle

Let's Connect | 01525 306920 | letschat@bean-sprout.co.uk | bean-sprout.co.uk |

If this sounds like you, you don't have to navigate this alone. With the **right financial partner**, you can make empowered decisions that grow your business, take control of your cashflow, and sleep better at night.

Let's Connect

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