

## Guide to Partnerships / LLPS



### 1. What is a Partnership? What is a LLP?

Partnerships are the same as Sole Traders, except the responsibility and decision making is shared amongst 2 or more partners. As per the rules for a Sole Trader, there is no limit to the liability the partnership may have.

An LLP or Limited Liability Partnership, is as per a normal partnership, but liability is limited to the amount of money the partners have invested in the business / any personal guarantees. This means that partners have some protection if the business runs into trouble.

### 2. What Returns Do I Need to File as a Partnership?

You will be sent Self-Assessment Tax returns by the HMRC in May / June. You will receive one for the Partnership, and one for each of the partners.

You have until 31st October to file it by post or 31st January the following year to file it online. Late returns are charged a penalty of £100 per return - partnership or individual. Further

penalties are charged if returns are more than 3 months late. Late payment of tax will be charged interest.

You do not have to complete formal yearly accounts, but it is recommended that you prepare regular reports to monitor your business's performance, and make the splitting of profits amongst the partners straight-forward. It is also key to keep detailed records of the money each partner puts in to and takes out of the business.

LLPs also need to register and file accounts with Companies House.

### **3. What Records Do I Need to Keep?**

Records are as per a Sole Trader. It is also important that a record is kept of money paid into and taken out of the partnership by each partner, so that you can keep clear who is owed money, and make sure that profits are shared fairly.

We recommend these records are kept for 6 years.

### **4. Do We need a Partnership Contract?**

Even if your partner is a good friend, a contract is essential when starting out together in business. A contract will formalise the ownership, percentage split of profit etc, so that - if the business does not work out, or the relationship breaks down, there is a clear legal framework to consult. Without a formal agreement disputes are difficult to resolve.

### **5. What Will Happen If I Don't Keep Accurate Records?**

The HMRC can ask to see your records up to 6 years after they are filed. If they find any missing documents or mistakes, they can demand the underpaid tax, and can also charge you heavy penalties.

Further penalties are payable for VAT registered companies.

## 6. Why Get Clear Cut Accounts Involved?

7. The HMRC have complex rules and regulations, but there are many allowable items that small businesses can claim on their return to reduce the tax they pay. There are also lots of items that are not allowed. As a partnership, you also need to fill out two types of return - one for the partnership, and then one for each individual partner. Deciding what goes on which return can be tricky! We know the rules, and we can ensure that you claim for all your allowable expenses, to minimise the tax you pay.

At Clear Cut Accounts we realise that you should be spending your time running your business. By showing you the best way to attack your accounts and finances, we can reduce the time you take on paperwork - freeing you up to spend more time making money, and beating your competitors!

From day one - we will listen to you and set up the kind of system you are comfortable with - either paper, spreadsheet based or an easy-to-use accounting software.

## 8. What Services Do We Offer?

- We can do everything - take all your records and receipts, create a 'set of books' for you, and do your Self-Assessment Return, filing it online for you as your agent; or
- We can set you up to do some of your accounts yourself on paper schedules or spreadsheets. Our tailor-made solution will take a minimal amount of your time through the year, but will give you regular data to help you run and grow your business; It will also reduce the fees we charge you for future returns - as a lot of the preparation work will have been completed.
- We can set you up and train you on easy-to-use cloud accounting software, such as FreeAgent or Xero. Having a new system to your books can seem daunting - but it can also revolutionise the way you run your business, giving you live up-to-date data and drastically reducing the time it takes to do paperwork. Situated on the cloud, it is also a safe and secure way to keep your data - which will be completely protected if anything was to happen to your PC in the office. We can obtain licences, and set you up with a monthly Direct Debit plan to spread our costs across the year. See our FreeAgent or Xero sections on our website for more details.

Whichever option you choose, we will explain what your figures mean, what you can do to improve profit and minimise the tax you pay, and offer advice on how to grow and develop the company in the future. We'll even talk to the HMRC on your behalf!

Our rates are shown on our website [www.clearcutaccounts.co.uk](http://www.clearcutaccounts.co.uk).

## 9. Other Services We Can Provide

We realise every business is different, and have a wide variety of requirements. In addition to the above core services, we can also provide the following services:

- VAT Registration and Returns
- CIS Registration and Returns
- Employing People / Payroll
- Providing regular Business Information - P&L, Balance Sheet, Credit Control, Profitability.

Please get in touch for a no obligation chat.

