Cranleys
CHARTERED ACCOUNTANTS

CRANLEYS' CUNNING PLANS · No. 02 · STARTING UP

Sole Trader, Partnership or Limited Company Checklist

Tick it, print it, pin it up. Every box you cannot tick is a conversation worth having.



By Colin Davison FCA, Managing Partner, Cranleys Chartered Accountants. In practice since 1998. Reviewed 15 November 2026 against the 2026/27 rules.

THE QUICK ANSWER

A sole trader is simple and pays income tax and Class 4 National Insurance on profit. A limited company has separate legal status, pays corporation tax and pays you through salary and dividends. Partnerships and LLPs share profits. The right choice depends on profit, risk, growth plans and how you want to take money out.

THE KEY FIGURES

The key facts	What to know
Sole trader	income tax and Class 4 NIC, simple records, personal liability
Limited company	corporation tax 19% to 25%, dividends, more filing
Dividend rates 2026/27	10.75%, 35.75%, 39.35% after £500 allowance
Partnership and LLP	profits shared and taxed on each partner

The checklist, box by box

	The check	What to do	Keep as evidence
☐	**What is your expected profit?**	At lower profit a sole trader can be simpler and cheaper. As profit rises, a company can keep tax lower if you leave profit in it.	Profit forecast
☐	**How much risk do you carry?**	A company protects personal assets only so far. Personal guarantees and negligence can still reach you.	Risk list, contracts
☐	**How will you take money out?**	Sole traders draw profit. Company owners use salary, dividends and pension. Each has different tax and National Insurance.	Pay and dividend plan
☐	**Do you need partners or investors?**	A company or LLP makes shares and agreements easier. A partnership needs a written agreement.	Partnership or shareholder agreement
☐	**What admin are you ready for?**	Companies file accounts, confirmation statements and director paperwork. Sole traders file a tax return.	Compliance calendar
☐	**What is your exit plan?**	Companies are easier to sell and can give access to reliefs. Sole trader businesses are harder to sell as a going concern.	Goals and exit note

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MY PRO TIP

the answer changes with your profit, your plans and your risks.

A worked example

On £80,000 of profit, a sole trader who takes it all home keeps about £57,711 after income tax and National Insurance. A company owner paying out all the profit through salary and dividends keeps about £55,765. The sole trader is ahead if everything is drawn. The company only wins if profit is left in it for growth, pension or later extraction.

The trap to avoid

Incorporating because someone said companies pay less tax. If you draw all the profit, the extra layer of tax can cost more, not less.

The Rufus test

One question that tells you if you have the right adviser:

If I expect to take most of the profit home each year, does a company genuinely help me, or just add paperwork?

What has changed recently

- Dividend rates rose by 2 points from April 2026. See the savings and dividends checklist.
- Corporation tax limits depend on associated companies. See the corporation tax checklist.
- Next step if you choose a company. See the company formation checklist.

Questions I get asked

Is it better to be a sole trader or a limited company in 2026/27?

It depends on profit and how you take money out. If you draw all the profit, a sole trader can be better. If you leave profit in the company, a company can be better.

What is the difference between a partnership and an LLP?

A partnership has no limited liability. An LLP gives limited liability to its members, with more filing duties.

Does a limited company protect my personal assets?

Generally for company debts, yes. But personal guarantees and wrongdoing can still make you personally liable.

Can I change structure later?

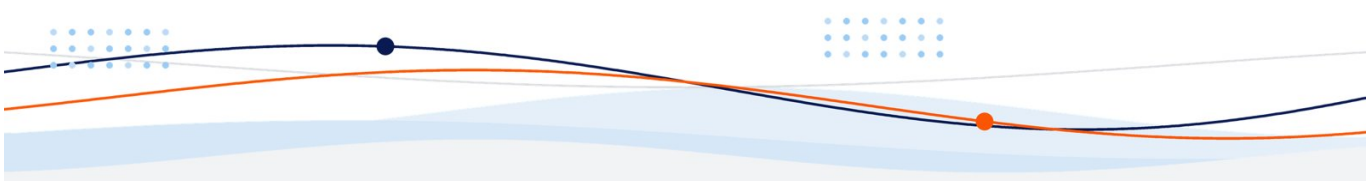
Yes, but it can trigger tax and paperwork, so plan the change.

The 9 CAD Keys link: Alignment

Alignment means choosing a structure that fits your income, your risk and your goal, not the one a friend recommended.

Colin's 9 CAD Keys. CORE: Clarity, Capability, Consistency. ADVANCED: Analysis & Positioning, Alignment, Acceleration. DYNAMIC: Differentiation, Dexterity, Development. Score each key 1 to 5 in the free Business Value Assessment Scorecard, total out of 45. *Freedom is built. One CAD Key at a time.*

Tick these next



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Business checklist 03
Company Formation, Companies House and HMRC Checklist

Business checklist 05
Tax Registration Checklist: VAT, PAYE, CIS and Self Assessment

Tax checklist 12
Corporation Tax and Close Companies Checklist 2026/27

Tax checklist 18
Self-Employment and Partnerships Checklist 2026/27

Go deeper: my books

For this topic, start with **Starting Up Secrets**, part of The Cranleys Business and Tax Secrets Series: Property Tax Secrets, Inheritance Tax Secrets, Business Tax Secrets, Starting Up Secrets, Business Growth Secrets and Business Exit Secrets. The books are launching soon. Join the launch list at cranleys.online/books and I will tell you the moment each one is released.

YOUR NEXT STEP

Ring me. Free draft plan, no hard sell.

I will build you a free draft tax plan or business plan on my 9 CAD Keys: a scorecard, a 12-month cashflow forecast, a 90-day action plan and a review with me. **1** Get in touch. **2** Short intro call. **3** Your free draft plan in plain English. You decide what happens next.

Pick the den, then tick the boxes.

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Scan to read online, tick it on screen and take the Scorecard



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