



**O'NEILL & ASSOCIATES**  
ACCOUNTANCY | TAXATION | BUSINESS CONSULTANCY

# Sole-Trader or Limited Co?

Which structure is best suited for your organisation?.

## So..what will it be - Sole-Trader or Limited Company?

This is something we get asked all the time at O'Neill & Associates, from our existing Clients but also with new enquiries. We have helped many businesses navigate through these transitions and with our experience and guidance, will help you make the right decision.

In this complimentary guide, we will help you figure out the best structure to suit your business. Don't forget, it is a personal choice, however you may favour one structure over another once you've appraised the following essential information.

If you would like further advice, or if you have any questions before you make a decision, please feel free to reach out to our team.

### Main differences between Sole Trader and Limited Company

#### 1. Structure.

As a Sole Trader, you are setting up a business in your own name and you are personally liable for the business. When you register a Limited Company, you are setting up a separate entity. You can still be the sole owner, but you will have limited liability. This means that you have legal protection against personal liability.

#### 2. Setup process.

It is straightforward and easy to set up as a Sole Trader. If you have an existing PPS number, you can set up quickly. New companies need to submit forms to the Companies Registration Office (CRO). Registering as a company is different from registering as a Sole Trader, but the additional steps provide protection for directors, more growth opportunities, and creditability in the market.

#### 3. Earnings.

Sole Trader's income can be taxed up to 55% – everything that a Sole Trader earns (minus expenses) is your income. Limited Companies can plan their salary and structure their finances, so they pay less tax. Consider your expected earnings if this is more than you need to live on and it meets the higher tax rates, we recommend that you set up as a Limited Company.



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# The advantages & disadvantages of a Limited Company vs Sole Trader

## Advantages of a Limited Company

- Profits (after expenses) are taxed at 12.5% (Corporation Tax)
- Setting up a separate legal entity - you can appoint yourself as a director and shareholder
- Limited liability - you have some personal protection from the debts of the company
- More tax reliefs and benefits for directors - e.g., access to €500 tax-free vouchers
- Great scope for financial and salary planning - e.g., pensions
- Increased eligibility for government schemes and grants
- More likely to be approved for credit
- More options for exit planning and succession

## Disadvantages of Limited Company

- More corporate filings and deadlines
- Public have access to the company's financial accounts
- Large fines and penalties for non-compliance
- Longer and more expensive to set up and close down
- Directors have fiduciary duties - legal obligations to act in the best interest of the company

## Advantages of Sole Trader

- Simple to set up & shut down
- Less legal filings compared to a Limited Company
- More privacy than a company - your financial details are not visible to the public

## Disadvantages of Sole Trader

- There is no legal difference between you and your business
- Unlimited liability - your personal assets can be used to settle debts
- All your earnings (minus expenses) are taxed as your income, which can be up to 55%
- Limited scope for tax planning
- You may lose out on some contracts that only work with Limited Companies
- Decreased likelihood of receiving credit or access to grants

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