

## Which Option?

Having trouble deciding which option to go for? See the table below for the advantages and the potential drawbacks of the Limited Company, Sole Trader and Umbrella Company options.

LIMITED COMPANY	SOLE TRADER	UMBRELLA
<b>Advantages</b>		
The most tax efficient way to provide services	The simplest form of self employment	No start up and no termination fees
Ability to claim tax relief on capital and revenue business expenditure	Uncomplicated set up and accountancy process	No fees paid when on holiday or when in between assignments
Full control of business direction & control of all financial affairs	Ability to benefit from lower class national insurance contributions	No invoice and general administration requirements
Limited liability protection	Full control of business direction & control of all financial affairs	Ability to claim tax relief on relevant expenses
Opportunity to register for Flat Rate VAT	Ability to claim tax relief on capital and revenue business expenditure	All statutory employee rights are provided
Owning and running a Limited Company does not have to be complicated	Access to business partners who can provide services and advice	Very simple to use - you only have to provide timesheet and expense information
Opportunities to engage in additional tax planning activities	No IR 35 responsibilities or risks	Access to business partners who can provide services and advice
Access to business partners who can provide services and advice	Perfect for career contractors who work directly for client orgs	Perfect for first time contractors and those who fail IR35 tests/measures
Perfect for career contractors who are skilled, qualified and pass IR35 tests/measures	Perfect for contractors who work on multiple assignments	
<b>Drawbacks</b>		
More paperwork and statutory obligations to contend with than other options	No limited liability - personal assets are at risk if the business fails	The least tax efficient way to work. Full PAYE is operated on all earnings
Not a prudent choice for short term contractors	Unable to contract via recruitment agencies	Agency/client payments are collected by the Umbrella before they are paid to you