Business structures

Starting a food business is an exciting venture, whether you're launching a cosy café, a bustling food truck, or a gourmet catering service.

One of the most critical decisions you'll make early on is choosing the right business structure.

This choice affects your taxes, liability, operations, and even your ability to raise capital. Let's explore the main options and how to decide which is best for you.

Sole Trader

This option is best for solo entrepreneurs starting small, such as home bakers, or market stall vendors.

Pros:
- Simple and inexpensive to set up
- Full control of the business
- Easy tax filing (income is reported on your personal tax return)

Cons:
- Unlimited personal liability
- Harder to raise funds

Tip: If you're testing your concept, or starting with minimal risk, this structure offers flexibility and ease

Partnership

This option is best for two or more people sharing ownership, such as co-founders of a catering business.

Pros:
- Shared responsibilities and resources
- Simple tax structure (profits pass through to partners)

Cons:
- Joint and several liability for debts and obligations
- Potential for disputes without a clear agreement

Tip: Get a detailed partnership agreement prepared at the outset, outlining roles, profit sharing, and exit strategies.

Limited Company (Ltd)

This option is best for food businesses looking for liability protection and long-term growth.

Pros:

- Separate legal entity
- Limits liability to the company
- Credibility with customers and investors

Cons:

- More paperwork and fees than sole trader
- Increased reporting and compliance requirements

Tip: A limited company is a popular choice for food businesses due to its balance of protection, professionalism, and growth potential.

Limited Liability Partnership (LLP)

This option is best for two or more people sharing ownership, such as co-founders of a catering business.

Pros:

- A hybrid model offering the flexibility of
- A partnership with the added benefit of limited liability
- Taxed like a partnership, members are taxed individually on their share of the profits, and the LLP is not subject to corporation tax

Cons:

- Increased reporting requirements, including annual filing of accounts at Companies House
- Potential for disputes without a clear agreement
- Without a partnership agreement everything is deemed to be owned 50/50

Tip: A comprehensive partnership agreement is essential to avoid misunderstandings and ensure smooth operations.

Making your decision

Selecting the right structure for your food business is far more than a legal requirement - it's a strategic step that can shape your future.

From day-to-day operations to long-term growth, the framework you choose will influence how your business develops and how well it's safeguarded.

At Hazlewoods, we take the time to understand your goals and offer clear, tailored advice to help you make confident, informed decisions.

When choosing a structure, consider:

- Your business goals – Are you planning to expand or stay local?
- Risk level – Will you be hiring staff, signing leases, or taking loans?
- Tax implications – How do you want your profits to be taxed?
- Funding needs – Will you seek investors or loans?