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Promoted to partnership? Considerations for you

Congratulations! You have been invited to become a partner in your business. Whilst it is a time to celebrate and reflect on your hard work, there are also a number of factors to consider.

Tax returns

- You may be self-employed, and if so you will need to register with HMRC, and start to submit self-assessment tax returns.
- The tax year runs from 6 April – 5 April. You will need to submit your tax return before 31 January the following year (before 31 October after the tax year for paper submissions). Should you wish to submit your return online, you will need to register to do this in plenty of time, as the registration process can take some time.
- Tax needs to be paid twice yearly on 31 January and 31 July. The partnership may keep money aside in order to settle your tax bill, however, you may be required to save it yourself. If this is the case, we can help you work out how much to keep to one side.
- Depending on the partnership's accounting period, there may be the requirement to pay extra in the first year due to 'overlap'. Again, it is important to be aware and plan for this, so as to avoid any nasty surprises.
- You are likely to have an increased income (which means a bigger tax bill) – there may be ways to structure your affairs to minimise this.

Salaried members rules

If you have become a member of a limited liability partnership (LLP), it is important to consider whether you will be treated as self-employed for tax purposes.

Where in substance a member's relationship with an LLP is similar to that of an employee, they may be treated as an employee for tax purposes. This would mean that your tax status would be broadly the same as before your promotion to partner.

For further information on these rules, please refer to our factsheet here.

Loss of company benefits

- It is likely that you will be ineligible for some or all company benefits as a partner.
- Benefits you may lose include: life assurance, income protection, private medical insurance, critical illness, company car, company pension etc.
- You will need to assess what benefits you would like to maintain, and arrange these for yourself.
- In addition, you should consider the legal implications of becoming a partner. For example, you may sacrifice employment rights on ceasing to be an employee.

Pensions

- You may be eligible to continue paying into your company scheme, but without any matching contributions.
- Should you become paid up member and stop contributing, the charges may increase.
- You may also have a number of old employer schemes from previous employments.
- Given recent increases to pension freedoms, it is important to maximise the amount you contribute whenever possible.

Income and liabilities

- Your income may increase but this may be more variable than you are used to. Profit share is variable and may come in irregular amounts at different times of the year.
- You are also likely to be required to make a capital investment into the partnership. This is often structured as a loan, but cash may be required. The partnership may have an arrangement with a bank, or you may be required to organise this yourself.
- You are eligible to receive tax relief on the loan interest, so you should be claiming this on your tax return.

Timeline for 2017/18

6 April 2017	31 January 2018	5 April 2018	31 July 2018	5 October 2018	31 October 2018	31 January 2019
Start of tax year	Payment deadline*	End of tax year	2nd payment on account	Register for SA	Paper filing deadline	Online filing deadline and payment deadline**

*Balancing payment for 2016/17 and 1st payment on account for 2017/18.
**Balancing payment for 2017/18 and 1st payment on account for 2018/19.

Going into the next stage of your career with your affairs in order will bring you peace of mind. At Moore Stephens we are able to advise on all the above issues.

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