

Sole Trader

A sole trader is a self-employed person who owns and runs their own business as an individual.

As a sole trader, you have absolute control over your business, its assets and profits after tax but also liable for any losses made.

The sole trader business model can be used by many types of business, but is perhaps most popular among tradesmen providing services to individuals and families. So it's common to find plumbers, decorators, plasterers, hairdressers and other individual providers of specialist services operating as sole traders.

**Limited Company**

A limited company is a type of business structure where the company has a legal identity of its own, separate from its owners (shareholders) and its managers (directors).

Even if a company has only one individual involved with it and that person is the only shareholder and the only director, the company is still a separate legal entity.

Assuming no fraud has taken place, 'limited liability' means you will not be personally liable for any financial losses made by the business. A limited company can give you added protection, should things go wrong.

Partnership

A partnership is a formal arrangement by two or more parties to manage and operate a business and share its profits.

In a general partnership, all parties share legal and financial liability equally. The individuals are personally responsible for the debts the partnership takes on. Profits are also shared equally.

**Chain**

A chain is a type of business with multiple retail locations that one company owns and operates. Each location bears the same name and sells the same types of goods as the parent company, which gains the profits from each and takes responsibility for any financial losses.

Franchise

A business system in which an established company (known as a franchisor) licenses another party (known as a franchisee) to sell its products, goods or services under its brand name.

In return, the latter pays a one-time initial franchise fee and ongoing franchise fees (royalties).

The number of royalties to be paid to a franchisor on a monthly or yearly basis will, in most cases, depends on how much a franchisee makes in gross sales during a specified period.

In layman's terms, it's all about buying a ready-made business that comes with a tried-and-true range of processes, proprietary technologies, and so on.

