

# Ownership of Your Premises: The Best Practice

SHOULD you retain your retail premises personally or through a company? There are a number of factors to consider before you decide either way.

Sole traders who own the business personally are liable for the debts of the business personally. Should a sole trader hold the business premises personally, they are personally liable for the repayment of any loan on the premises.

Private limited companies are separate legal entities: therefore, shareholders of the company are only liable for the debts of the company to the extent of the share capital contributed to the company. In practice, most financial institutions require a personal guarantee (PG) from shareholders in order for a company to obtain loan approval.

Sole traders pay income tax. This means you are taxed on your profit for the year,



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irrespective of how much profit is retained as capital and what is repaid to a financial institution in respect of a business premises. Therefore, this may cause you cash flow difficulties, due to you repaying the loan on the premises after paying income tax, where the rates applicable are significantly higher than the rate of corporation tax.

Companies pay corporation



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tax at 12.5% on trading profits under current legislation. As the rates are lower, this means the cash flow of the company is significantly improved, allowing the company to either reinvest in the business or repay the business premises loan more efficiently if the business premises is held through the company. Income tax only applies to the director's

remuneration, which is dictated by the company. The retained profit of the retail business is taxable at 12.5%, as opposed to a sole trader, where the full profits are liable at a higher rate as detailed above.

However, other factors must be considered, based on each individual circumstance. Some of these factors would be as follows:

1. Current cash flow position of business;
2. Rental charges by owner, if any;
3. Current interest rate on loan;
4. Double CGT charge;
5. CGT Reliefs;
6. Succession planning;
7. Raising Finance;
8. Continuity of business.

Should you wish to discuss this in more detail, please do not hesitate to contact us at: **Tax Accounting Ireland, 32 Fitzwilliam Place, Dublin 2. Tel: (01) 6624977 or on our email/website detailed below.**



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- ▶ Store location & acquisition, sources of finance, IT software selection & implementation, recruitment & training of staff, internal controls & security measures, cost reduction & improved efficiency.
- ▶ Detailed departmental analysis with comparison of actual gross margin per department to scanning gross margin per department.

*We have over 25 years' experience in industry & practice with a high level of involvement with each client. For further details please do not hesitate to contact us or visit our website.*

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