

**Document 4**

# Personal Assistant Partnerships

## Personal Assistant Partnerships – Document 4

Under normal circumstances it will be unlikely that a PA can be self-employed. However under certain conditions a PA may group with others to form a partnership. As members of a partnership PAs will be self employed. In these situations a PA must decide when to work, who to work for and be responsible for finding cover if they cannot do the work agreed, due to sickness or otherwise. HM Revenue and Customs (HMRC) has lots of information about being self employed, please follow the links in this pack for more details.

A partnership is a relatively simple and flexible way for two or more people (PAs) to own and run a profit-making business together. This guide looks at the requirements that ordinary partnerships and limited partnerships have to meet, but it may not contain all of the information that you need to know. Links to further information are given in Document 8 – Employment status of PAs.

There are a few basic points to note concerning Personal Assistant Partnerships:

- Unlike the shareholders in a limited company, the members of a general partnership have no financial protection if the business runs into trouble - each partner is responsible for the debts of the partnership as a whole. This means that each partner's personal assets may be at risk if the business fails.
- Disputes between partners can cause difficulties, and the partnership may have to be dissolved if one of its members resigns or dies.
- It's possible to resolve these issues in advance by drawing up a **deed of partnership**.
- It may be a good idea to consult a solicitor so that each partner gets legal advice before finalizing their level of responsibility in a deed.

### The officers of a partnership

Any group of people that wants to set up a profit-making business together can form a partnership. Members are called Officers. However, if a member of a partnership is under the age of 18, they cannot be legally bound by the terms of the partnership agreement.

Note that partners who are individuals must register as self-employed with HMRC. See the page in this guide on the tax matters of a partnership or telephone the HMRC newly self-employed Helpline: 0845 915 4515

One of the easiest ways to register as self-employed is via the internet. Members of an ordinary or limited partnership can register online at the HMRC website – click here or go to:

**<http://www.hmrc.gov.uk/selfemployed/>**

### How many officers can a partnership have?

Forming a partnership allows two or more people to set up in business together, sharing profits, managing burdens and risks.

## The rights and responsibilities of the partnership's officers

The officers of a partnership normally share in both the responsibilities of running the business and the profits or losses that it makes. However, their precise rights and responsibilities will depend upon:

- what type of partner they are
- any partnership agreement or 'deed of partnership' that they have entered into

## Types of partner

There are three main types of partner, each of which has different rights and responsibilities.

**1) General partners** invest in the business, take part in running it and share in its profits. Each general partner is fully liable for any debts that the partnership may have. This means that they could lose more than their initial investment in the business if it runs into trouble, and that their personal assets could be at risk. Every ordinary and limited partnership must have at least one general partner.

**2) Limited partners** are not permitted to participate in the day-to-day running of the business. Their debt is limited to the amount of their initial investment.

**3) Sleeping partners** invest money in the business and share in its profits, but do not take part in running it. Like general partners, they are fully liable for the partnership's debts.

**NOTE:** Should a partnership organization formed by self-employed Personal Assistants employ any individual to deliver care services (other than themselves) then it becomes a Domiciliary Care agency and must, by law, register with the Care Quality Commission or its' equivalent successor organization. If it is just the partners of the organisation providing the care as self employed PA's this does not need registration

## Setting up a Deed of Partnership

A deed of partnership is a legally binding agreement between partners who are in business together. It describes how the partnership will be run and the rights and duties of the partners themselves.

It's not necessary to have a deed in order to set up a partnership, but it's a good idea, as it can help to prevent misunderstandings and disputes. It may be a good idea to enlist a solicitor to ensure that each partner understands their responsibilities before the deed is finalized.

If the partnership does not have a deed, it will be governed by the terms of the Partnership Act 1890. This does not offer solutions to many of the problems that can arise and may not suit the way that you and your partners want to work together. Read about the Partnership Act 1890 on the HM Revenue & Customs (HMRC) website – by going to:

<http://www.hmrc.gov.uk/manuals/bimmanual/bim72501.htm>

As well as giving basic information about the partnership, such as its business name and the names of the partners, the type of business and business address, the deed will usually set out:

- the amount of capital that each partner is to contribute to the business
- the way in which partners will share profits or losses, and whether any of the partners should be paid a salary
- working arrangements, such as how much time each partner should contribute to the business, who does what management tasks and what type of decisions need collective agreement between the partners
- changes to the partnership, such as how new partners can be appointed and what happens if a partner dies or wishes to leave

## Tax matters of a partnership

The profits are shared among the partners who are each personally responsible for paying income tax on their share of these profits.

In most cases the partnership's officers will be self-employed, so each member must include details of any profits they get from the partnership on their individual self-assessment tax returns each year. Self-employed partners are responsible for paying their own National Insurance contributions

It's important that each member of the partnership should register as self-employed with HM Revenue & Customs (HMRC). You can register as self-employed on the HMRC website - go to: <http://www.hmrc.gov.uk/selfemployed/>

If the partnership has - or expects to have - turnover of more than £70,000, it will need to charge VAT to its customers and pass this on to HMRC. To find an interactive tool to register for VAT, go to: <http://www.businesslink.gov.uk/bdotg/action/home>

## What does a new partnership need to do about tax?

Contact your local HMRC office to let them know that the business exists. They'll send a Partnership Tax Return, which must be filled in to show the partnership's income and expenses for the tax year. This includes a Partnership Statement, which shows how profits or losses have been divided among the partners.

The partnership should appoint one of its officers - the nominated officer - to fill in the Partnership Tax Return and send it to HMRC. They should also ensure that all other officers are given copies of the Partnership Statement to help them complete their own personal tax returns. Although the nominated officer has responsibility for the Partnership Tax Return, all the partners will be jointly liable for any penalties resulting from it being submitted late or incorrectly.

One of the easiest ways to submit a tax return is via the internet. See a guide on completing your tax return (partners and partnerships) go to: <http://www.businesslink.gov.uk/bdotg/action/home>

## Limited partnerships

A limited partnership is any partnership that includes one or more general partners and one or more limited partners among its officers. It is not the same as a limited liability partnership. For more information on how to set up a limited liability partnership (LLP) go to:

<http://www.businesslink.gov.uk/bdotg/action/home>

A limited partnership must be registered with Companies House. All partners must sign the limited partnership statement on form LP5, and there is a £20 registration fee. Companies House will issue a newly registered limited partnership with a certificate. This will be conclusive evidence of the partnership's formation. The limited partners' responsibility to pay the partnership's debts is limited to the amount that they have invested in the partnership. However, if they withdraw any of their investment or take part in the management of the partnership, they lose this protection.

They become liable for debts or obligations to the amount they have withdrawn or received from the partnership. Limited partners taking part in management are liable for the extent of debts and obligations incurred during this period. Members of a limited partnership can be individuals or other legal entities, such as companies and limited liability partnerships.

## Further advice

Setting up a limited partnership brings many obligations and it would be worthwhile taking advice from a solicitor or accountant before choosing this route. Companies House is also happy to guide you through the registration process. Find an introductory guide to registering limited partnerships on the Companies House website – Click here or go to:

<http://www.companieshouse.gov.uk/about/gbhtml/gpo2.shtml>

## Naming your partnership

All new limited partnerships have to include either 'Limited Partnership' or 'LP' at the end of their names. A partnership can trade under the names of the partners, 'Wright, Brown and Ali LP', for example, or it can use another business name - such as 'Fantastic Design Solutions Limited Partnership'.

If your trading name does not include the partners' names, you must still make sure that your business website and stationery - such as letters and invoices - display all of their names as well as the trading name - for example, 'Wright, Brown and Ali, trading as Fantastic Design Solutions Limited Partnership'.

If there are more than 20 partners then the business website and stationery do not have to list them, but they must show the address of the partnership's principal place of business.

## Checklist: setting up a partnership

In order to set up a business as a partnership there are certain things you need to do - some must be done as a group and others as individual partners. You should:

- Display all the partners' names at all your business premises together with the address to which official documents should be sent.
- Display all the partners' names on your business website and stationery, including letters, invoices, receipts and cheques along with your principal place of business. If the partnership has more than 20 partners you need only display your principal place of business.
- Register as self-employed with HM Revenue & Customs (HMRC). This must be done by each individual partner.
- Contact HMRC to register your partnership's existence and register for VAT if you expect a turnover of more than £70,000 a year.

It's worth remembering that this is just a start. As an ongoing business, your partnership will have other legal and tax obligations to bear in mind.

For further information go to: go to: <http://www.businesslink.gov.uk>  
or telephone Business Link on 0845 600 9006  
Companies House Contact Centre; 03031234 500

Depending on how the partnership operates, it may need to be registered with the Care Quality Commission. To check if this is a requirement call CQC – 03000 616161

<http://www.cqc.org.uk/organisations-we-regulate/registering-first-time/what-registration>

