

Choosing the best business structure for your farming enterprise

This article provides a brief overview of the four main business structure options available to suit your farming enterprise.

Choosing the right business structure for your enterprise is an important decision for any farm owner. There are four main options, all of which have their own benefits and drawbacks. Choosing the right option for you and your business is essential.

Sole Trader

Simplest of all, a sole trader is both the owner and business operator. Over 50% of farms are operated on this basis but numbers are declining. This structure is easy to set up with minimal legal formality. The main drawback is unlimited liability should things go wrong.

Partnership

Approximately 39% of farms operate under a general partnership which work in a similar manner to a sole trader, with minimal administration and legal formality. Each partner has unlimited liability should problems arise. A general partnership should have a Partnership Agreement put in place which will set out such issues as capital contributed and profit and loss allocation.

LLP Partnership

Limited Liability Partnerships have become more popular over recent years, combining the benefits of a partnership with a limited company. An LLP ensures partners liability is limited meaning they are not personally liable for debts. Their liability is generally limited to the capital they have invested. A formal partnership agreement is required and there is more administration involved.

Limited Company

Rapidly increasing in popularity in putting the farming business is in to a limited company which is a separate legal entity from the owner of the land. The company has Directors and Shareholders whose duties and responsibilities are dealt with in a Members Agreement. The Shareholders are protected from any person liability. There are more formalities to comply with and administration is more complex.

The content of this article was accurate as at December 2021. The law may change over time following changes in legislation or new court cases. We do not actively update our articles once they are published.

As such, the content of this article is not intended as specific legal advice but as general guidance only.

For tailored legal advice, specific to your personal situation, please contact our [Agriculture and Rural Affairs](#) Team.