

# Corporate tax :

Finance



CORPORATE TAX ISSUES There are different forms of business enterprises that carry out business activities. However, these different forms of business enterprises are determined by various factors that are of interests of the business stakeholders (Herbst, 1987). Therefore, when starting a business enterprise, its structure should always be resolved in respect to all rights of the business owners to business assets and liabilities. In the case of a business partnership or corporation, the factors are also considered. Among the factors and issues to be taken into consideration is the issue of taxes and National Insurance Contribution.

According to Herbst (1987) tax issues in business enterprise vary depending on the form of the business enterprise. Taxes for partnerships and incorporated businesses are different. This means that for the partnership between Jennelle and Paula does not pay its taxes but instead divides it to shareholders. For an incorporation business, taxes are paid by the business entity. However, S corporations (S-Corp) are taxed under Subchapter S which requires that federal tax be passed on to tax holders. The burden of National Insurance Contribution becomes more with high profits

Another issue is about the liquidity of the business. The losses of a partnership are the responsibilities of the shareholders while for an incorporation, the business enterprise is a separate legal entity own its own responsible for losses and pay taxes (Herbst, 1987). This means that for J&P Manufacturing Partnership, taxes and losses are all passed on to the shareholders while for J&P Corporation, losses and taxes are all incurred by the incorporated business itself.

For National Insurance Contributions (NICs), partners pay less on NICs on profits that are tax adjusted. For incorporated businesses, the NICs are only

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paid on the dividends and the business enterprise as employer pays NICs also (Herbst, 1987). This means that NICs paid by partners is less than that of incorporated businesses.

In regards to this, I will recommend that the partners to incorporate in their business but not S-Corp. this is because S-Corp is just like a partnership.

Despite the fact that incorporated businesses pay high NICs, taxes are not charged on profits. This means that in case of losses or other business failures, the shareholders will not suffer a lot. The incorporated business being a separate legal entity it will be liable for the situation.

#### Reference

Herbst, D. W. 1987. " The Start-Up Partnership and Its Subsequent Incorporation: Federal Income Tax Issues Reexamined." Computer & high technology law journal. Vol. 3, no. 2, pp. 283-308.