CompanyFormationWiki
The free encyclopedia of company formation
companyformationwiki.com

Sole proprietorship

From CompanyFormationWiki, the free encyclopedia of company formation · Last updated 25 November 2026

Sole proprietorship	
Owners	One individual
Legal personality	None
Liability	Unlimited
Taxation	Through the owner's personal return

A **sole proprietorship** (also **sole trader**) is the simplest business form: one person carries on business in their own name, or under a trading name. There is no legal distinction between the owner and the business.

Characteristics

- Quick and inexpensive to start; often only tax registration is needed.
- The owner keeps all profits and is personally liable for all debts.
- The business ends when the owner stops trading or dies.

Many owners later convert to an LLC or private limited company as the business grows. See also Limited liability.

Frequently asked questions

Do I need to register a sole proprietorship?

Often only for tax. In the US you are a sole proprietor automatically if you do business without registering another structure; in the UK you register with HMRC for Self Assessment.

Am I personally liable for business debts?

Yes. There is no legal separation between you and the business, so creditors can claim against your personal assets.

Can a sole proprietor employ staff?

Yes. You can hire employees and use a trading name, though you remain personally responsible for the business.

References

1. Choose a business structure . U.S. Small Business Administration. Accessed November 2026.
2. Set up a business . GOV.UK. Accessed November 2026.
3. Comparing business structures . Business.gov.uk. Accessed November 2026.

Source: https://companyformationwiki.com/sole-proprietorship/
Version: last updated 25 November 2026. Check the online version for later changes.

© 2026 CompanyFormationWiki. CompanyFormationWiki is a free encyclopedia of company formation, business structures and international tax across 222 jurisdictions. General information, not legal or tax advice. Confirm with the official registry, the tax authority or a qualified adviser before acting.