



# Limited Company Guide



# What is a limited company?

A limited company is a type of business whereby the owner's liability is limited to the amount they have invested in the shares or guaranteed to the company. In other words, the owners of a limited company are not personally liable for the debts of the company.

Small businesses generally choose to trade through a limited company as they can be much more tax efficient compared with trading as a sole trader or partnership.

It does however need to be structured in the right way to take advantage of the savings available.

A limited company is a completely separate entity from its owners. Everything from the company bank account, to ownership of assets and any involvement in tenders or contracts is purely company business and separate from the interests of the company's owners or shareholders.

In comparison, a sole trader and their business is treated as a single entity for tax and administrative purposes.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

# Incorporating (forming) a limited company

Forming a limited company is reasonably straight forward. There are just three simple steps:



## Decide who the director(s) is going to be

The director is the person(s) that will be responsible for running the company, along with the shareholders.



## Decide who the shareholder(s) is going to be

The shareholder(s) will be the person(s) who will own the company. The directors and shareholders are often the same people in small limited companies and can be just one person.



## Register your new company with Companies House

Once you have chosen your director you will need to get a formation agent or accounting practice to register your company with Companies House, this can usually be done within 24 hours.

FREE

We can form limited companies on behalf of our clients free of charge if they have registered with us for an ongoing service.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

## What is a UTR number?

A UTR or Unique Tax Reference is a number assigned to your company by HMRC. This number is assigned automatically after the company is registered with Companies House (usually within 28 days) and is the number that HMRC uses to identify your company as a tax payer.

---

Please note, if you are a director, you will have your own personal UTR number also, which relates to your personal tax affairs.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

## What is bookkeeping?

Bookkeeping is a term used to describe the process whereby a record is kept of transactions which have taken place within a business, such as income earned and expenditure incurred.

Maintaining a good record of your business transactions is beneficial for many reasons:

- ✓ to comply with the legal requirement that companies have
- ✓ so the company's profit and cash position are more transparent
- ✓ amounts owed from customers and to suppliers are more visible

In addition, HMRC may want to check your company's accounts and tax return for inaccuracies. If you cannot provide accurate records, there can be large penalties to pay.

### FACT

Your business records should be kept for at least 6 years.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

## How do I complete my own bookkeeping?

If you're completing your own bookkeeping you should ensure the data you're inputting is accurate. You must also keep evidence to back up your entries, such as invoices, receipts and bank statements (these documents can be kept electronically). If your company is chosen by HMRC for investigation, they will expect you to have kept this documentation to back up your figures.

We highly recommend that you do not leave all of your bookkeeping work until the last minute, as entering transactions weeks or even months after they have occurred can make it much more difficult.

Bookkeeping can be completed in various formats such as physical books and ledgers, spreadsheets and bookkeeping software. We recommend using software, if used correctly there is much less chance of errors compared to manual entry. Using software is also vital to prepare your business for Making Tax Digital.

Software can also help automate certain aspects of your bookkeeping through bank feeds, recurring transactions and automated payment reminders.

Our clients have free use of our cloud bookkeeping software [Pandle](#). Quick and easy to use, yet comprehensive in its capabilities. We designed Pandle from the ground up to cater specifically for UK small businesses like yours.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

## What expenses can I claim for?

Different types of business will have different types of expenditure. For example, a taxi driver will have weekly settle fees and a plumber will have tools and material costs. But the good news is, as a general rule the vast majority of business expenditure is allowable, even expenses you have incurred personally for business purposes.

The most common business expenses are:

- ✓ motor expenses
- ✓ staff costs and wages
- ✓ use of home as an office (rent, rates and utility bills)
- ✓ materials or goods you sell
- ✓ admin costs (telephone and internet)
- ✓ advertising and marketing costs
- ✓ business insurances
- ✓ membership and subscription fees
- ✓ repairs and renewals
- ✓ work clothing
- ✓ staff training
- ✓ professional fees (accountants and lawyers)
- ✓ travel and subsistence
- ✓ bank charges and interest
- ✓ capital expenditure (equipment or furniture)
- ✓ entertaining costs

It is not a legal requirement for a company to have a bank account. However, we strongly recommend opening a company bank account to keep your business and personal transactions separate.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

## Frequently asked questions

Here are the questions we get asked on a regular basis, we hope this helps!



### What is a dividend?

A dividend is a payment from company profits (after tax) to its shareholder(s). To declare a dividend, a dividend voucher and minutes must be produced. Once the paperwork is in place, the money can be transferred from the company bank account to the personal bank accounts of the shareholders. We can provide templates for dividend vouchers and minutes to our clients at no cost.



### What is the financial year?

The financial year is a period of time for which a company will prepare its accounts and tax returns. The tax payable will be based on the amount of profit a company makes during its financial year. A limited company's financial year will usually run to the end of the same month of formation a year later, although this date can be changed.



### How much tax will my company pay?

Company tax (known as corporation tax) is currently set at 20%. This means any profits made during your financial period will be taxed at 20%



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)



## When and how do I pay tax?

Your corporation tax is due no later than 9 months and 1 day after your financial year end. Failure to pay your corporation tax on time could result in surcharges and interest being charged to the company.

You can pay your corporation tax bill using the following methods:

- ✓ faster payment (bank transfer direct to HMRC)
- ✓ direct debit
- ✓ billpay (pay online with debit/credit card)
- ✓ bank giro
- ✓ post office

For further information about paying your corporation tax please contact your local tax office or click [here](#).

## What is a confirmation statement?

The confirmation statement simply notifies Companies House and the public as to the current company appointments, such as directors, shareholders and the company's registered office address.

We include the submission of your confirmation statement in our fees.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

## What is the process for completing my accounts and returns?

- ✓ complete your bookkeeping up to the financial year end (or tax period)
- ✓ send us your bookkeeping records (or grant us access via cloud accounting software)
- ✓ we thoroughly check your records for any potential errors
- ✓ then we use these records as a basis to compile your annual accounts and tax return
- ✓ once completed we send you a copy of your accounts and tax return for your approval
- ✓ you are then required to check these accounts and approve them for submission
- ✓ once approved we will make the submissions to Companies House and HMRC on your behalf

## What are the deadlines and penalties for late submissions?

Your accounts to Companies House are due no later than 9 months after your financial year end. Failure to submit the accounts on time will result in a £150 penalty which will continue to increase until they have been filed. For more information, please click [here](#).

Your accounts and corporation tax return are due to HMRC no later than 12 months after your financial year end. Failure to submit your tax return on time will result in a £100 penalty which will continue to increase over time. For more information, please see [here](#).



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

## How do I take money from the company?

If the company is an owner operated limited company (i.e. the shareholders and directors are the same people) then it is normally more tax efficient for the director(s) to take a small salary up to the national insurance threshold and the remainder of their withdrawals as dividends.

By structuring the withdrawals in this way the company directors or shareholders do not pay income tax or NI (although contributions are still made)

The only tax payable is corporation tax on the profits of the company.

If the company directors and shareholders are not the same people or the shareholdings are unequal then wages should be paid as per the hours worked in the company so that the distribution of funds is fair.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

## Frequently asked questions (part 2)

Here are a few more of the questions we get asked on a regular basis:



### When do I need to register for VAT?

You must register for VAT if your turnover exceeds £85,000 (2017/18) in any given 12 months. However it's possible to register for VAT voluntarily before you reach this threshold. This could be beneficial if your customers are registered for VAT also. Please contact us if you would like to discuss this further.



### What is a HMRC tax investigation?

Every year HMRC will select corporation tax returns to investigate. HMRC will select returns either at random or because the submitted figures do not look right. It is unlikely that you would be selected for an inspection but if you are, you would be asked to show your paperwork to back up the figures submitted to HMRC. If you're chosen for an inspection then we would represent you at no extra cost.



### What happens if I start employing someone?

If you take on an employee you will need to register as an employer with HMRC straight away and start running payroll. We can complete payroll for you or you can complete it yourself. If you would like to discuss this with us then please give us a call.



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)



## Business insurance

When you start a business you must make sure you have the correct insurances in place. Here are the three main types of business insurance you need to consider:

- ★ employer's liability insurance (if you have employees)
- ★ public liability insurance (in case a customer or member of the public suffers loss or injury due to your business)
- ★ professional indemnity insurance (if you sell your skills or knowledge)

Professional indemnity insurance protects your business against claims for damage or loss made by a customer or third party if you make mistakes or are negligent with some of the services you have provided.



Here at The Accountancy Partnership we've partnered with Caunce O'Hara. This partnership enables us to provide you with an exclusive 20% discount off your premiums.

So what are you waiting for? Get a quote and see how much you could save!

[GET A QUOTE >](#)



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)

---

### Looking for more advice on limited companies?

If you have any further questions regarding your existing limited company, or about setting up a new one simply phone 020 3355 4047, or ask one of our an accountants (for free).

ASK AN  
ACCOUNTANT



---

### Interested in more business advice?

Join our 20,000 strong business community who benefit from our monthly HMRC updates, plus links to our latest guides & articles. To join simply get your instant, no obligation quote.

GET AN  
INSTANT QUOTE



---

### Connect with us...



---

### Written by...



Lauren Wise,  
Content writer and baking maestro



[www.theaccountancy.co.uk](http://www.theaccountancy.co.uk)



020 3355 4047



[info@theaccountancy.co.uk](mailto:info@theaccountancy.co.uk)