



A Guide to Incorporating a Limited Company

What is a Limited Company?

A limited company is a type of privately owned business which limits the amount that its owners can be personally liable for.

Unlike being registered as a sole trader, the owners are a separate tax entity from the business.

This means 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.



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Incorporating your Limited Company

If you are a sole trader/partnership and have decided to incorporate a limited company to take advantage of a more tax efficient structure or the limited liability status then there are a number of things you must do.



Incorporate (set up) your company

This process includes notifying Companies House, appointing directors and a secretary, and letting HMRC know, amongst other things. We do this [free for people who use our accountancy services](#).



Select your start date

Choose the date you want to start trading through the company.



Get a new bank account

Open a new business bank account for the limited company (using the company name).



Notify your suppliers

Inform all of your existing suppliers and any insurers that you are going to be trading through a limited company, and the date that this will start.



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Consider any VAT implications

If your sole trader/partnership business was VAT registered you must either apply for a new VAT number or transfer the number across to the new company, which is usually easier to do.



Set up your new payroll

If the sole trader/partnership business was an employer then you must apply for the company to become an employer also. The employees should be given P45's by the old business, and then added to the new company payroll (we can handle this on your behalf). You may also need to renew their employment contract to show the new company entity.



Change your company information

Change the information on any stationery (such as letterheads and invoices etc.) to reflect the new company details. It is mandatory that the company number and registered office address is displayed on all stationery and your company website.



Start fresh bookkeeping records

Ensure that you start a new set of records. For example if you use an accounting package then you will need to start fresh data from the date the company starts to trade. Opening balances will also need to be introduced. If you opt to use our accounting software [Pandle](#), then we can help set this up for you,



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Review your assets

Decide what assets to introduce into the business. For example your sole trader business may have a car that you do not want to introduce into the company. If you are a client of ours you will need to inform us if you do not want any assets transferred.

Your responsibilities

Directors have more responsibilities than sole traders so it is important you understand what these responsibilities entail before setting up your company. Further information can be found [here](#).

Paying yourself

Extracting money from your company is done in a different way to that of a sole trader or partnership. This is typically done through a small salary and dividends (payments to the company owners from profit). Further information on this can be found in our article [here](#), but we do recommend speaking to your accountant regarding this.

Remember, we can incorporate your company for free - saving you up to £120 when you sign up to our services as a new client and stay with us for 12 months. [Get all the details by clicking here.](#)



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Looking for more advice on incorporating your limited company?

If you have any further questions regarding incorporating your limited company simply phone 020 3355 4047, or ask one of our accountants (for free).

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