



LIMITED COMPANY GUIDE

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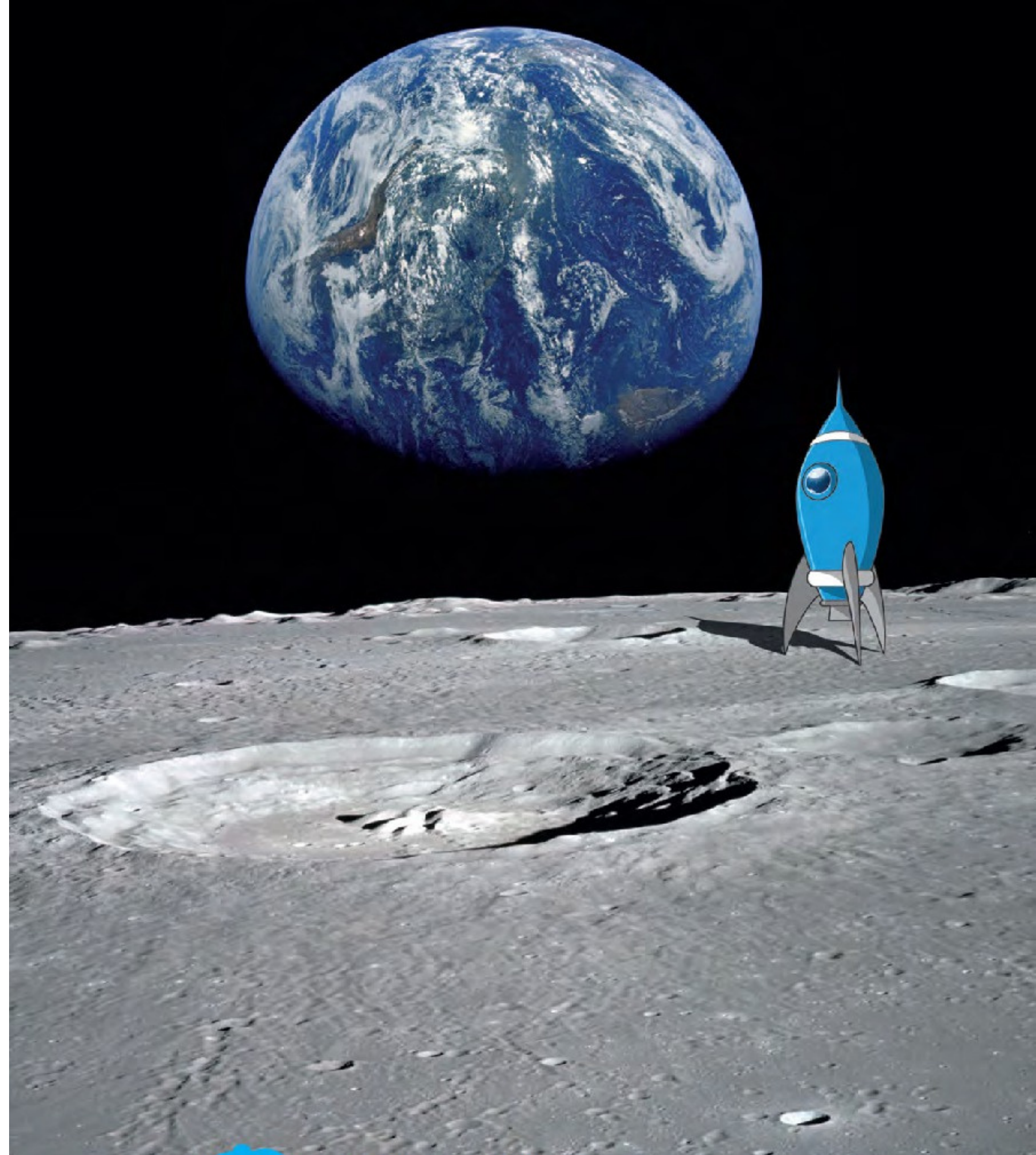
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WHAT IS A LIMITED COMPANY?

A limited company is a type of business where the owner's liability is limited to the amount they have invested in the shares or guaranteed to the company.

In simpler terms, the owners of a limited company are not personally liable for the debts of the company.



OPERATING AS A LIMITED 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 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 are treated as a single entity for tax and administrative purposes.



INCORPORATING A LIMITED COMPANY

Incorporating (forming) a limited company is relatively straight forward.

There are four KEY steps:

1. Choose a name.

Draft a list of potential company names and make sure yours is available.

2. Decide who the director(s) will be.

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

3. Decide who the shareholder(s) will 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.

4. Register with Companies House

Once you have chosen your director, you - or a chosen third party will need to register your company with Companies House.

Blue Rocket can do this for you if you wish.



WHAT IS A UTR NUMBER?

A Unique Tax Reference (UTR) is a number assigned by HMRC to identify your company for tax purposes.

This number is assigned automatically after the company is registered with Companies House (usually within 28 days).

If you're a director, you'll also have a personal UTR number, which relates to your personal tax affairs.



COMPLETING YOUR BOOKKEEPING

Bookkeeping is the recording of your day-to-day transactions in a system, such as a spreadsheet or accounting software.

These transactions are then used as a basis for completing your accounts or tax returns.

No matter how big or small your business is you will need to ensure you keep accurate bookkeeping records. This is so you can manage your finances and get a view of your everyday expenses.



HMRC expect you to keep your bookkeeping records for at least 6 years

CLOUD BASED ACCOUNTING SOFTWARE

We use several cloud accounting platforms at Blue Rocket. All of them will help you to save time, become more organised and to have a better insight into your finances. They are easy to understand without using confusing jargon or complicated processes.

You can use any of the platforms to invoice, produce VAT reports and everything else in between so you can keep your business running smoothly.

If you would like to find out more, then give us a call on 01322 555 442 and we'll get you set up straight away.



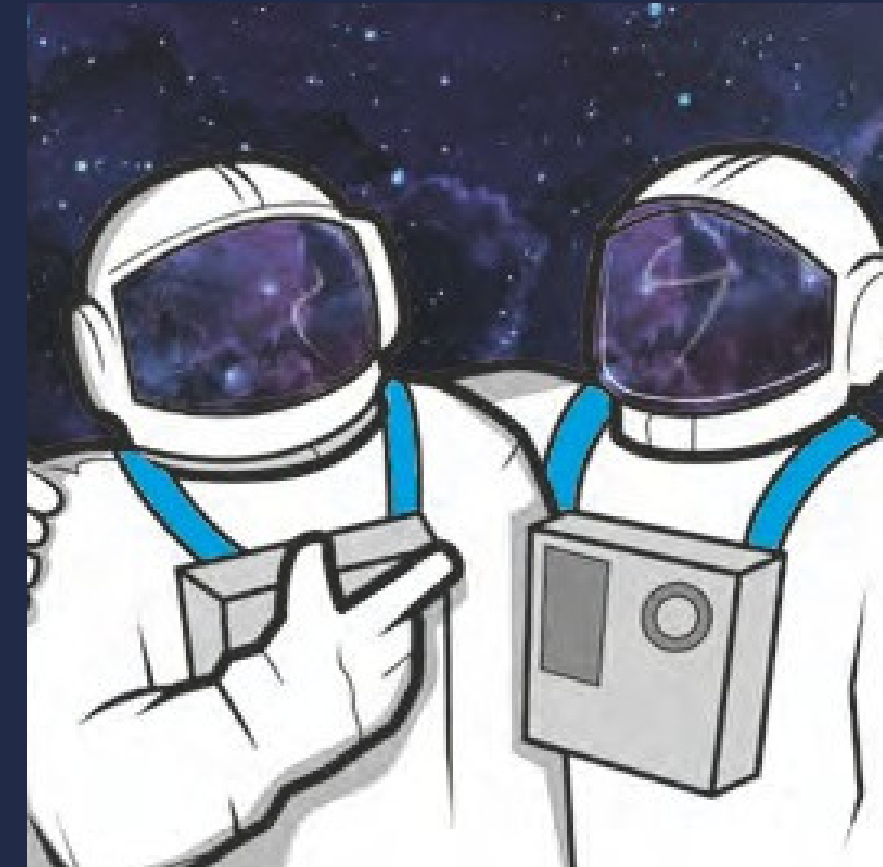
Our extensive bookkeeping service includes everything you need to accurately document your business transactions

HOW OFTEN SHOULD I COMPLETE MY BOOKKEEPING?

We recommend completing your bookkeeping as often as possible and as a regular daily process.

Regular bookkeeping reduces the chance of errors and allows you to clearly understand how your business is performing.

Outsourcing your financial back office and bookkeeping can give you the time you need to spend growing your business, clients have told us that they've been able to increase their profits just by doing this alone!




**We'll undertake a review
every six months to ensure
you are getting just what
you need**

CLAIMING YOUR BUSINESS EXPENSES

Different types of businesses will have different types of expenditure. But as a general rule, the vast amount of business expenditure is allowable, even expenses you have incurred personally for business purposes.

We recommend opening a company bank account to keep your business and personal transactions separate.

The most common business expenses are:

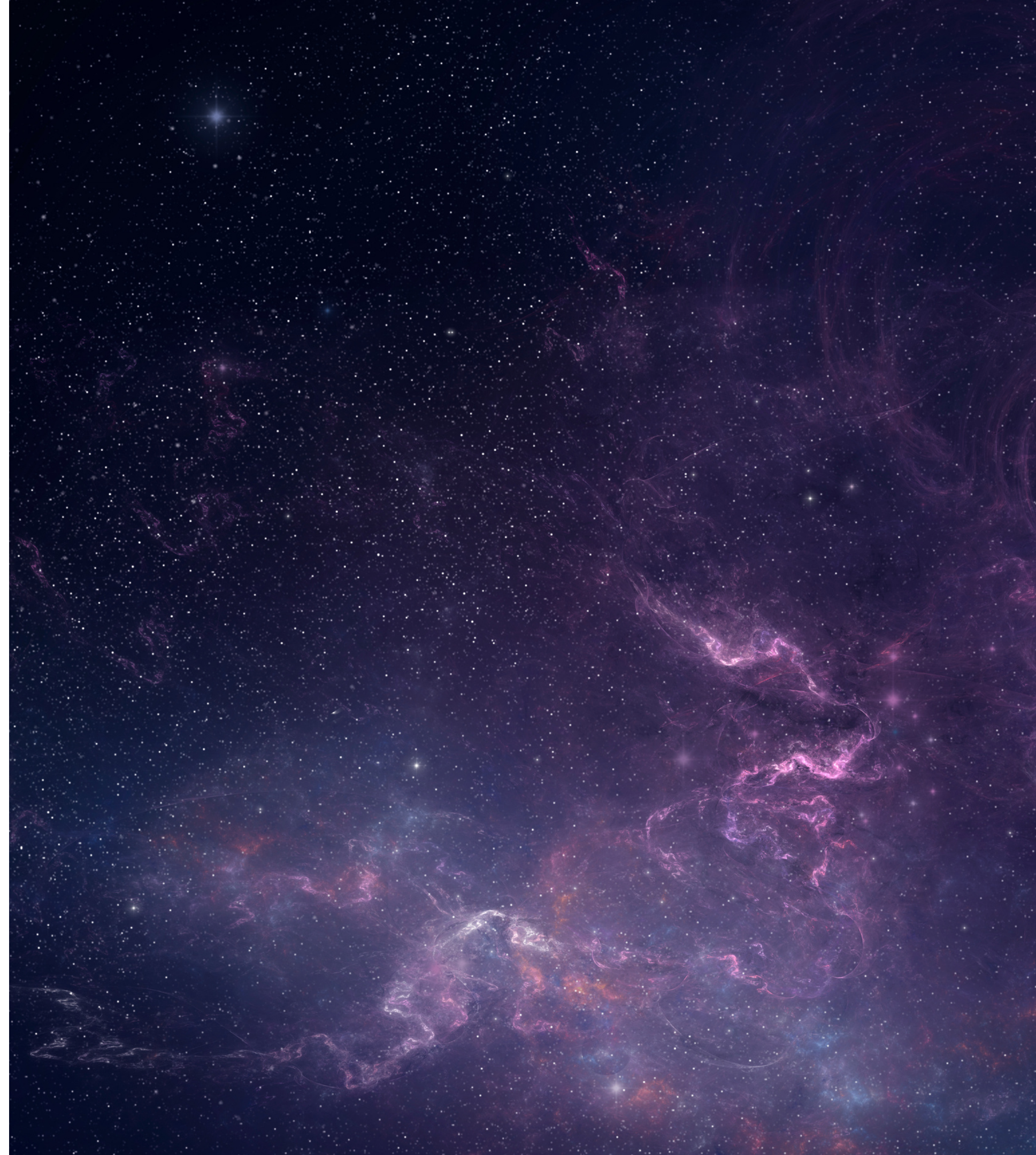
- Motor expenses
 - Staff costs and wages
 - Use of home as an office (rent, rates & utility bills)
 - Materials or goods you sell
 - Telephone and internet
 - Advertising and internet costs
 - Business insurances
 - Repairs and renewals
 - Work clothing
 - Travel and subsistence
 - Capital expenditure (equipment, furniture etc.)
 - Entertaining costs
- 

WHAT IS A DIVIDEND?

A dividend is a payment from the company's 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.



WHAT IS THE FINANCIAL YEAR?

The financial year is a period of time for which a company will prepare its company 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.



Financial reporting at year-end is a statutory requirement. It can also be a good opportunity to look at ways to improve your business

CORPORATION TAX

You must pay corporation tax on profits from doing business as a limited company.

Corporation tax for limited companies is currently set at 19% (2021). This means any profits made during your financial year will be taxed at 19%*.

Paying your tax bill

Your corporation tax is due no later than nine months and one day after your financial year end.

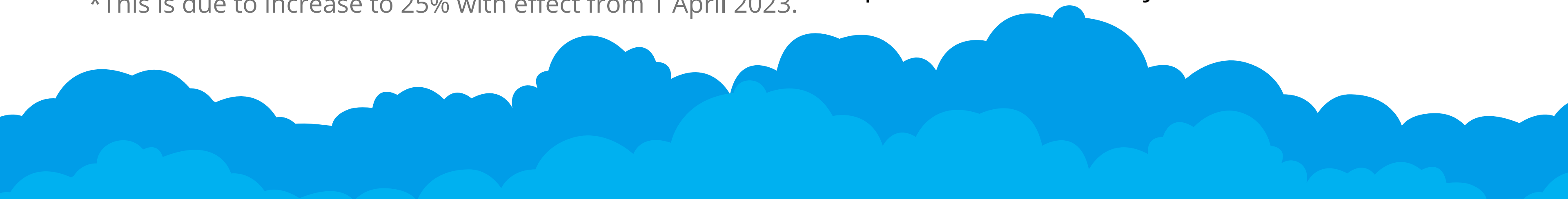
*This is due to increase to 25% with effect from 1 April 2023.

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 using the following methods:

- Faster payment (bank transfer direct to HMRC)
- Direct debit
- Billpay (pay online with debit or credit card)
- Bank giro
- Post Office

For further information about paying your corporation tax, contact your local tax office.



WHAT IS A CONFIRMATION STATEMENT?

You need to check that the information Companies House has about your company is correct every year. This is called a confirmation statement (previously an annual return).

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

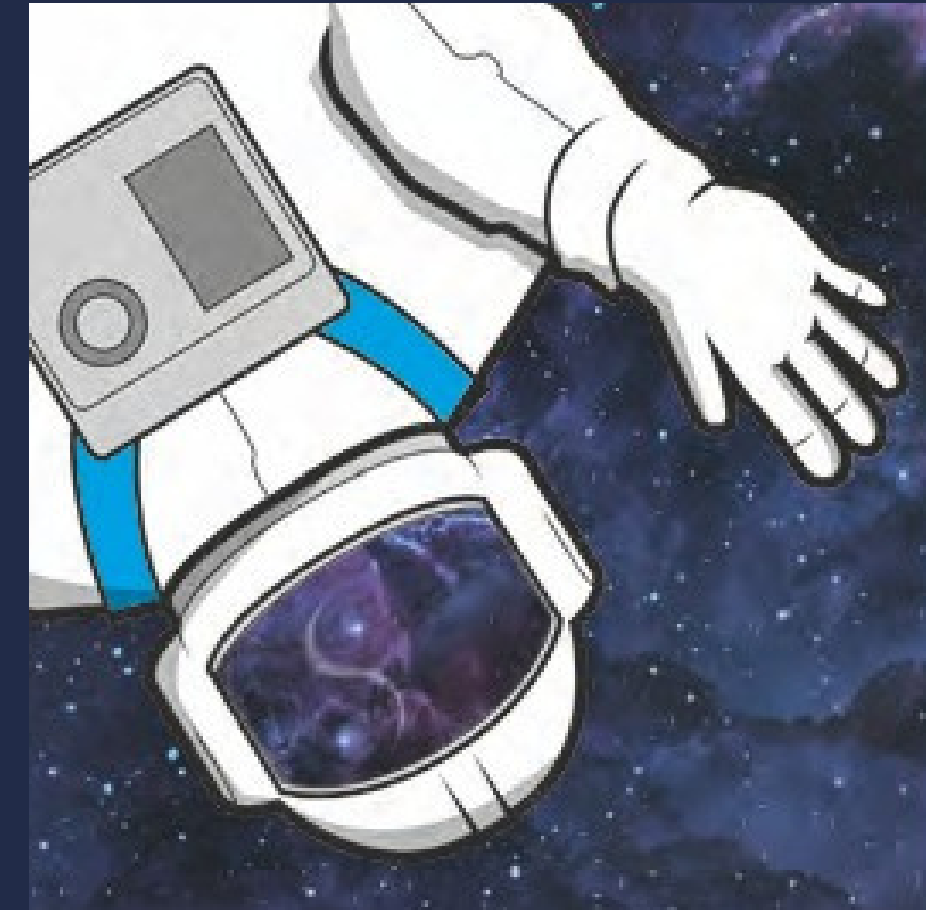


WHAT IS A REGISTERED ADDRESS?

A registered office address is an official correspondence address that every limited company is legally required to provide.

In return for the benefits of limited liability, your company must remain open and transparent to the public.

If you do not want your home address to be available on the register, you can simply supply a different address.



We can supply you with a professional registered address for your business, to arrange this service, speak to us today

COMPLETING YOUR ACCOUNTS

If we are completing your accounts and accompanying tax returns we follow this simple three step process:

1 We send you a reminder

To let you know when your accounts are due and ask for your bookkeeping records.

2 We compile your accounts

After your accounts are completed, they'll be double checked by a Senior Accountant.

3 We submit your accounts

After your approval, we'll submit your accounts to HMRC.



DEADLINES AND PENALTIES FOR LATE SUBMISSIONS

Your accounts to Companies House are due no later than nine months after your financial year end.

Failure to submit the accounts on time will result in a £150 penalty.

This will continue to increase until they have been filed.

Your accounts and corporation tax return are due to HMRC no later than twelve months after your financial year end.

Failure to submit your tax return on time will result in a £100 penalty. This will continue to increase over time.



**We can take care of everything
that HMRC requires and inform
you of the corporation tax
payment required in plenty of
time**

TAKING MONEY FROM YOUR LIMITED COMPANY

If the company is an owner operated limited company (i.e. the directors and the shareholders 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 national insurance (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 shareholders are unequal then wages should be paid as per the hours worked in the company, so that the distribution of funds is fair.



WHEN DO I NEED TO REGISTER FOR VAT?

You must register for VAT when your turnover exceeds £85,000 (2020/2021) in any given twelve months.

However, if your customers are also VAT registered it could be beneficial to register for VAT voluntarily before you reach this threshold.



WHAT IS A HMRC TAX INVESTIGATION?

Every year, HMRC select tax returns at random for investigation, they may also select returns because the submitted figures don't look right.

It is unlikely that you would be selected, but if you are, you would be asked to show your paperwork to backup the figures submitted to HMRC.

Undergoing a tax enquiry from HMRC can be incredibly stressful. It can also be hugely costly if you don't have a fee protection agreement in place with your accountant, even if HMRC finds your tax affairs are in order.



If you're a Blue Rocket client you can benefit from our Asteroid Fee Protection booster, giving you peace of mind that should you ever be investigated, you will have the highest level of representation from our team without worrying about escalating fees.

WHAT HAPPENS IF I EMPLOY STAFF?

If you take on an employee, you will need to register as an employer with HMRC straight away and start running payroll.

Our payroll service is tailored to the size and needs of your business and will guarantee that you are protected from continually changing Government legislation. We will also advise on opportunities to reduce your PAYE bill.



LOOKING FOR MORE ADVICE?

If you have any further questions simply call us on 01322 555 442 and one of our friendly accountancy advisors will be happy to help.

[Send us a question](#)

