



# Top 10 Tips: Starting a Successful Limited Company

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# Limited Company benefits



*At the end of March 2021, there were 4.7m incorporated companies*

A limited company is a type of business structure where the company has a legal identity of its own, separate from its owners (shareholders) & its managers (directors):

## Advantages:

- ✓ limited liability
- ✓ tax efficient
- ✓ easier to raise finance
- ✓ company name protection
- ✓ perceived as more 'professional'

## Disadvantages:

- × more complicated set-up (vs sole trader)
- × additional on-going regulation, admin & expense
- × lack of privacy, due to public records

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## Choose a Business Name



*“Picking the right company name for your business is a very important first step. It is what will shape & define your company giving it real-world status & credibility. Make sure you take some time to choose wisely..”*

- ✓ you must choose a name for your business, which cannot be the same as another registered company’s name
- ✓ check the Companies House Register before you choose your name, to ensure it is not already in use!
- ✓ if your name is too similar to another company’s name or trademark you may also have to change it if someone makes a complaint

*Regardless of business structure, your company name cannot be offensive, contain a ‘sensitive’ word or expression, or suggest a connection with government or local authorities, without permission.*

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## Register with HMRC/ Companies House



The process for incorporating a company is quite involved:

- ✓ choose a business name
- ✓ choose directors
- ✓ decide on the shareholders
- ✓ prepare documents agreeing how to run your company including: 'memorandum of association' & 'articles of association'
- ✓ register your company with Companies House: you'll need to register an official address & choose a SIC code. You should also be registered for Corporation Tax at the same time
- ✓ once registered you'll get a 'certificate of incorporation', confirming the company legally exists, plus company number / date of formation
- ✓ year end date is set as the end of the month in which it was incorporated (plus 12 months)
- ✓ you can shorten the accounting period as often as you like or lengthen it once every 5 years. It must be between 6 & 18 months

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## Company records



You must keep records about the company itself, including:

- ✓ directors, shareholders & company secretaries
- ✓ the results of any shareholder votes & resolutions
- ✓ promises for the company to repay loans at a specific date in the future ('debentures') & who they must be paid back to
- ✓ promises the company makes for payments if something goes wrong & it's the company's fault ('indemnities')
- ✓ transactions when someone buys shares in the company
- ✓ loans or mortgages secured against the company's assets
- ✓ you must also keep a register of 'people with significant control'
- ✓ you must tell Companies House if you keep the records somewhere other than the company's registered office address

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# Accounting records



You must keep accounting records that include:

- ✓ all money received & spent by the company, including grants & payments from coronavirus support schemes
- ✓ details of assets owned by the company
- ✓ debts the company owes or is owed
- ✓ stock the company owns at the end of the financial year
- ✓ the stock takings you used to work out the stock figure
- ✓ all goods bought & sold
- ✓ who you bought & sold them to & from (unless a retail business)

*You must also keep any other financial records, information and calculations you need to prepare & file your annual accounts and Company Tax Return. This includes: receipts, petty cash books, orders, delivery notes, invoices, contracts, sales books, till rolls, bank statements & relevant correspondence.*

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## Organise bank a/c & insurance



### Bank Account:

- ✓ legal requirement to have a separate bank account
- ✓ make this one of your first tasks after incorporation

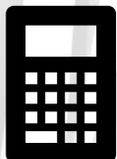
**Insurance:** make sure that from day 1, you have the appropriate insurance in place. This might include:

- ✓ Public liability insurance (PLI): protects businesses against losses suffered by people or customers injuring themselves or sustaining property damage due to the activity of business
- ✓ Professional indemnity insurance (PII): is for businesses & professionals that provide advice or services to customers
- ✓ Employers' liability insurance (ELI): protects a business that employs staff, from financial losses incurred when a staff member experiences a job-related illness or injury

*In some business sectors / professions, certain types of insurance are a legal requirement.*

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## Appoint an accountant/ bookkeeper



- ✓ seek the advice of a good local Accountant / Bookkeeper from the very start of setting up your new business, as they will likely save you both time & money in the longer term

When selecting an Accountant / Bookkeeper confirm:

- ✓ they have a practice licence with a professional body: ICB, ACCA etc.
- ✓ they have professional liability insurance, so in the unlikely event anything goes wrong, you are covered
- ✓ they clearly detail the services to be provided, the information they will require from you & the key deadlines

*I cannot stress enough how important it is to keep up to date & accurate financial records from the start. Failure to do this can result in losing significant time, money & in some cases criminal prosecution.*

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# When to register for VAT



You must register for VAT if:

- ✓ you expect your VAT taxable turnover to be more than £85,000 in the next 30-day period: you have to register by the end of that 30-day period
- ✓ your business had a VAT taxable turnover of more than £85,000 over the last 12 months: you have to register within 30 days of the end of the month when you went over the threshold
- ✓ you can register voluntarily if your business turnover is below £85,000
- ✓ you can apply for a registration 'exception' if your taxable turnover goes over the threshold temporarily
- ✓ most businesses can register online with HMRC, including partnerships

*Monitor your turnover carefully to ensure that you register for VAT when required to do so!*

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# Understand your tax liabilities



- ✓ Limited Companies pay Corporation Tax on taxable profits
- ✓ taxable profits include the money your company makes from:
  - doing business ('trading profits')
  - investments
  - selling assets for more than they cost ('chargeable gains')
- ✓ the current corporation tax rate is 19% & payment for small businesses is normally 9 months & 1 day after the end of the 'accounting period'

## Corporation Tax Increase (2023)

- ✓ companies with profits over £250k will pay 25%
- ✓ companies with profits below £50k will continue to pay 19%
- ✓ companies with profits between £50-250k will be able to claim an amount of marginal relief, providing a gradual increase in the Corporation Tax rate

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# Annual Obligations



## Confirmation Statement

- ✓ this is a statement you must file with Companies House confirming the information that they hold for your company is up to date. Your company must deliver a confirmation statement even if dormant

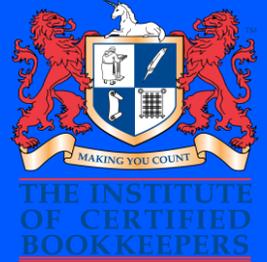
## Annual Accounts

- ✓ every limited company must provide a breakdown of the financial performance over the accounting year
- ✓ a dormant company must file dormant company accounts instead
- ✓ file to Companies House & HMRC as part of your Company Tax Return. First accounts are due 21 months after your incorporation date & then 9 months from your Accounting Reference Date

## Corporation Tax

- ✓ your company or association must file a Company Tax Return if you get a 'notice to deliver a Company Tax Return' from HMRC.

**For more  
information**



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Also view: [Browse: Running a limited company - GOV.UK \(www.gov.uk\)](http://www.gov.uk)



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