ROTHERHAM TAYLOR LIMITED
Chartered Accountants & Registered Auditors

A GUIDE TO RUNNING A LIMITED COMPANY

YOUR FORWARD THINKING ADVISERS

PUTTING FOUNDATIONS IN PLACE

If you are setting up a limited company for the first time or switching from another business entity – for example a partnership or sole trader business model – there are certain foundations you will need to put in place:

- **Companies House registration:** You will need to provide details of your registered office and company officers/directors.

- **Shareholdings:** Shareholders do not need to be officers of the company. Most small businesses are set up with just 'ordinary' shares. However, it is possible to set up different classes of shares with varying rights, if appropriate. Anyone owning shares in the business will be entitled to dividend income if this is paid out on their class of shares. They also hold a stake in the company in the event that it is sold or wound up.

- **Bank accounts:** Your business is required to have its own bank account and in order to set this up your bank will need a copy of the Certificate of Incorporation. You may also choose to open a savings or reserve account to set aside funds for your tax bills.

- **Disclosure:** Every limited company is required to display its name on all paper and electronic business communications. You must also display your registration details on letters, order forms and websites,including the registered office, registration number and the part of the UK in which your company is registered.

INSURANCE REQUIREMENTS

You will generally need to put in place:

- **Employers Liability Insurance:** This covers the employer against claims by an employee for injury etc. However if you have no employees this is not compulsory.
- **Public Liability Insurance:** This covers you against third parties if they claim to have suffered because of your actions.
- **Professional Indemnity Insurance:** This covers you against third parties if they sue you as a result of your advice or actions.

EMPLOYMENT MATTERS AND PAYROLL

PAY AS YOU EARN AND NATIONAL INSURANCE CONTRIBUTIONS

To pay a salary to yourself or others, you will need to register for Pay As You Earn (PAYE) with HM Revenue & Customs (HMRC).

You are then required to calculate and deduct Income Tax and National Insurance (NI) contributions, usually on a weekly or monthly basis from staff wages or salaries which is then paid to HMRC.

Under PAYE rules, you are required to notify HMRC each time a payment is made to an employee. This is known as Real Time Information (RTI).

You will also need to prepare:

- P60 which is given to each employee at the end of the tax year.
- P11D which is given to each employee receiving benefits in kind at the end of the tax year.
- P11D(b) is submitted to HMRC confirming the total benefits paid by the company each year.
- P45 which is given to the employee on leaving.

WORKPLACE PENSIONS

Additionally, under the Pensions Act 2008, every employer in the UK must put certain staff into a workplace pension scheme and contribute towards it. This is called 'automatic enrolment'.

Staff may choose to opt out of the scheme but you are then required to offer them the opportunity to re-enrol every three years.

HOLIDAY, MATERNITY AND SICK PAY

As an employer, you will need to factor in paid holiday entitlement and calculate maternity, paternity or adoption pay and statutory sickness payments.

BENEFITS IN KIND

If you or your staff receive any benefits other than a salary, you will need to complete a P11D form for each individual and file a P11D(b) employers' declaration form with HMRC each tax year unless you have registered to include the benefits on the payroll before the start of the tax year that the benefits are to be paid in.

Examples of benefits in kind include:

- Private medical insurance.
- Company cars or vans and fuel for any personal use.
- Gym or health club membership.

Your business will also need to pay Employers' Class 1A NI contributions on the value of the benefits each tax year and your employees will pay Income Tax on their benefits.

IR35 RULES

HMRC introduced IR35 rules to clamp down on 'disguised employment' – where an individual has set up an artificial limited company structure to avoid tax, instead of working as a normal employee.

Where a company provides the services of a member of staff to a client (either via an agency or directly) and the terms are such that without the intermediary company, the individual would be an employee of that client, then IR35 comes into effect.

Any company that falls foul of IR35 rules will have its profit taxed in the same way as a salary.

If you are not sure if your company falls within this anti-avoidance legislation, speak to us for more information and advice regarding IR35.

OUTSOURCING YOUR PAYROLL

Given that the rules for PAYE are constantly changing, along with minimum wage tariffs, many limited companies choose to outsource their payroll.

At Rotherham Taylor, we offer a full payroll function that not only ensures your staff and HMRC are paid on time, we also keep up with the latest employment legislation so that your business is compliant.

VAT

Your business must register if your total VAT taxable turnover is over £85,000 per year.

If your business has a turnover of less that the VAT threshold, you can voluntarily opt to register for VAT as there are certain benefits for doing so. Once you are registered, you are required to charge VAT on your sales at the appropriate rate, which is known as ‘output’ VAT.

The VAT which you incur on your costs is known as ‘input’ VAT.

INVOICE OR CASH ACCOUNTING

If your business turnover is less than the cash accounting threshold, then you have the choice of accounting for your VAT either based on when you invoice your customers or when your customers pay you.

MAKING TAX DIGITAL FOR VAT

All VAT-registered businesses are now expected to submit their VAT quarterly to HMRC using approved digital software.

Most MTD for VAT systems now utilise cloud technology and software such as Xero, QuickBooks or Sage.

VAT RETURNS

The VAT period is usually quarterly although if it suits your business,you can opt to pay monthly.

At the end of each VAT period, you must account for the output VAT you have charged to your customers and deduct the input VAT incurred on your costs from this.

You must then pay the net balance to HMRC and file your VAT return with them.

FLAT RATE SCHEME

The Flat Rate Scheme (FRS) was introduced by the Government to reduce the administrative burden for small businesses. Instead of accounting for input and output VAT, you simply pay a set rate as a percentage of your turnover. This rate varies, depending on what type of business you run.

To qualify, your turnover will need to be under a specified annual amount – known as the Flat Rate Threshold.

HELP WITH VAT MATTERS

At Rotherham Taylor we have a specialist tax team who can help you sort out your VAT returns. We can advise whether voluntarily registering for VAT if you are under the threshold or applying for the Flat Rate scheme will benefit your business.

We can also help you set up MTD for VAT and deal with your VAT returns on your behalf should you choose.

CORPORATION TAX

Once you have registered your business with Companies House, HMRC should be advised that your company exists.

HMRC will then contact you and ask you to complete a form CT41G confirming your company details. You will be given a Unique Tax Reference (UTR).

Corporation Tax is paid on your net profits after allowable expenses and capital allowances. It is always calculated based on the accounting period to a maximum of 12 months. If your accounting period is more than 12 months, you will need two tax returns to cover the period.

Corporation Tax must be paid to HMRC nine months and one day after the accounting period.

CORPORATION TAX PLANNING

There are measures you can take to reduce your tax liability, or to maximise the amount of tax you can reclaim on certain investments like qualifying company assets.

Capital allowances can be claimed on some items of office equipment, fixtures and fittings and plant and equipment. You may also wish to consider other items, including additional employer pension contributions or staff bonuses.

HELP WITH TAX PLANNING

We can advise on an effective tax planning strategy to help you with all aspects of– corporate, personal, direct and indirect taxation.

PAYING DIVIDENDS

Dividends can be paid to your shareholders out of your post-tax profits.

Dividends are treated as 'income' for the shareholders and Income Tax will be calculated based on their total income.

There are separate Income Tax rates for dividend income compared to other forms of income.

As company dividends are not treated as earnings, there is no NIC payable which means it can sometimes be a tax-efficient strategy to pay you and your fellow directors a low salary and take the remainder of your drawings as dividends.

If you are planning this type of remuneration, it is important to speak to the team at Rotherham Taylor first so that we can advise on the most appropriate profit extraction method for your business and personal circumstances.

PERSONAL TAX MATTERS

Most directors will need to file a personal tax return with HMRC each tax year. The tax return notice should be issued by HMRC in April each year. If you have not received a notice, but have been a Director during the previous tax year, you should contact HMRC to advise them you need to complete a return.

Self-Assessment Tax Returns will then need to be prepared and filed with details of your income from all sources including salaries, dividends, bank interest and rental income.

You may also be able to claim higher rate tax relief on pension contributions and gift aid donations via your tax return. The deadline for filing your tax return is 31 October following the tax year end if you are sending in a manual form to HMRC, or 31 January if you are filing this electronically.

Any outstanding tax liabilities are also due to be paid by 31 January following the end of the tax year.

We can help you fill out and send in your annual self-assessment tax returns accurately and on time as any late filing – even if you have no tax to pay – can result in a fine.

RECORD KEEPING

All limited companies are required to keep certain records of their business transactions.

Commonly referred to as ‘bookkeeping’ these records include:

- Copies of sales invoices sent to your customers.
- Purchase invoices for any supplier costs you incur.
- Expenses claim forms for items reclaimed from the business by any directors or employees (including details of journeys for any mileage claims).
- Petty cash expense receipts.
- Bank account statements for the company account.
- Statements for any company credit cards.
- Copies of any loan/finance/hire purchase/credit accounts the company has with any third parties.

You are required to retain these records for a period of six years. There are many bookkeeping software packages available and we can advise you on the most appropriate software for your business.

INVOICING

In order to receive money from your customers, you will need to provide them with an invoice.

Legally, an invoice must contain:

- Full company name and registration number.
- Registered office.
- Invoice date.
- VAT registration number.
- Breakdown of the elements on the invoice, including the service, rate and VAT inclusive total.

There are many software packages that include invoicing. Our specialist business services team can help you choose the most appropriate invoicing system for your business.

FILING REQUIREMENTS

ANNUAL ACCOUNTS

Every limited company in the UK is required to file accounts with the Registrar at Companies House. Accounts are usually made up to the business's accounting year end which is usually the date that your company was first set up.

CORPORATION TAX RETURN

A Corporation Tax return and tax computations must be filed with HMRC within 12 months of the accounting date.

Corporation Tax computations and accounts must be filed electronically with the tax return form. These accounts need to be in 'iXBRL' format, which is a computer code to allow the accounts to be read electronically by the HMRC system.

ANNUAL CONFIRMATION STATEMENT

As a limited company your business is required to file form CS01 annually with the Registrar at Companies House.

This form confirms the registered office, officers, shareholders of the company and the Persons with Significant Control.

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