

Tax help series

Starting a limited company - what you need to know

A limited company is one of the ways that you can structure a business. You can set up a private limited company to run your business. You must appoint people to run the company (called 'directors') and register (or 'incorporate') it with Companies House

Here we tell you what you need to do if you are going to start a limited company, including:

- registering with Companies House
- telling HM Revenue & Customs (HMRC)
- financial accounts
- record keeping
- the company tax return
- paying corporation tax
- directors' responsibilities
- where to get more help.

Registering with Companies House

All UK limited companies must register with Companies House. The registration process for limited companies is known as incorporation and it is only once a business has been incorporated that it officially becomes a limited company.

How do I set up a limited company?

You can do this:

- Online
- by post using form IN01
- using an agent.

For more information go to, www.companieshouse.gov.uk/webfilings/demosVideos/index.shtml

Once the company is registered you'll get a 'Certificate of Incorporation', this confirms the company legally exists and shows the company number and date of formation. You should keep the certificate for your records and use the CRN number whenever you contact Companies House.

Once a company has been incorporated the word 'Limited' or 'Ltd' must be used as part of the business name.

Further Companies House requirements

At the end of each financial year, your limited company must:

- prepare full (statutory) annual accounts
- send accounts to Companies House
- file a Company Tax Return with HM Revenue & Customs (HMRC)
- pay any Corporation Tax due - or tell HMRC that your limited company doesn't owe any.

Customers with particular needs

If you need extra help, please let us know. For example, if:

- English is not your first language
- you would like us to use a certain format to communicate with you, for example, Braille or Text Relay. If you use Text Relay by – textphone, dial **18001** + number – phone, dial **1800** + number
- you would like us to visit you at home because it's difficult for you to get to one of our offices.

What if you are unhappy with our service

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain. If you want to know more about making a complaint, go to www.hmrc.gov.uk/complaints-appeals

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to www.hmrc.gov.uk/charter

Telling HMRC

If you start up a new limited company you must tell HMRC:

- the date you started up
- your company name and registered number
- the main address where you do business from
- what kind of business you do
- the date you'll make your annual accounts up to
- if you're part of a group, or have taken over an existing business.

Any business activity counts as starting up, eg buying, selling, employing someone, advertising or renting a property. HMRC will send your company's Unique Taxpayer Reference to your registered office address, usually within a few weeks of the company being registered (incorporated).

The letter tells you how to:

- give HMRC the information they need about your company
- set up your company's HMRC online account for Company Tax Returns and Corporation Tax.

You must let HMRC know within three months that your company has started any business activity.

Financial accounts

Once a year you will need to send statutory accounts to both HMRC and Companies House. If you haven't prepared financial accounts before, you will probably need a professional advisor to help you because they must follow certain Generally Accepted Accounting Principles (GAAP). Accounts must be prepared so that they give a 'true and fair' view of your company's financial affairs.

Below is an explanation of some common terms relating to financial accounts:

- Period of account - the period for which the accounts are made up. This is generally 12 months and normally matches your company's financial year. For more information go to www.hmrc.gov.uk/ct/getting-started/intro.htm#5
- Filing date - the deadline for accounts to be received by HMRC. This is generally 12 months from the last day of your company's accounting period.
- Profit and loss account - shows the income received by the company, the cost of making the income and the profit or loss that the company made in the period.
- Balance sheet - a snapshot of what the company owns and owes to others at the end of its period of account.
- Auditor's report - accounts must be audited unless your company qualifies for the small companies exemption.
- Director's report - contains information about the company's activities and any future developments.

Companies House has special rules relating to the period of time covered by the first set of accounts, go to

www.companieshouse.gov.uk/webfiling/julyimprovements.shtml

Dormant companies

Companies that have been set up but are not carrying on any business activity are called 'dormant' companies.

A dormant company does not have to file tax returns. For more information about dormant companies and what you need to do if your company is dormant, go to

www.hmrc.gov.uk/ct/getting-started/trading.htm

Construction Industry Scheme (CIS)

If your business works in the construction industry or does construction-related work, it may need to register with HMRC as a contractor or sub-contractor under CIS. Go to www.hmrc.gov.uk/cis

Appointing an agent

You can appoint someone to communicate with us on your behalf; this may be a professional tax adviser or accountant. If you wish to do this you must inform us that your agent has the authority to act for you.

If you have already authorised an agent to deal with other taxes, such as VAT or PAYE you must still give authority for Corporation Tax as well.

You can register your agent in two ways:

- if you are registered for HMRC Online Services you can register your adviser online. (You will need to ask your agent for their Government Gateway Agent ID to do this)
- or you can download form 64-8 *Authorising your agent* at www.hmrc.gov.uk/forms/64-8.pdf and send it to your Corporation Tax office. To find your Corporation Tax office go to www.hmrc.gov.uk/contactus or your agent can do this for you.

Record keeping

In order to draw up 'true and fair' annual accounts you need to keep a full record of all business income and expenditure.

For Corporation Tax you must keep business records for six years from the end of an accounting period. The precise records your company must keep depend on its type and size, but it's up to you to make sure they are sufficient to make a correct Company Tax Return and calculate how much Corporation Tax you need to pay.

For further details on all your company's general record keeping obligations please see the Record Keeping factsheet at www.hmrc.gov.uk/factsheet/record-keeping.pdf
For specific details on your record keeping obligations for Corporation Tax, go to www.hmrc.gov.uk/ct/managing/record-keeping.htm

If you fail to keep the right records for the required length of time then your company may be liable to a penalty.

Company tax return

You must send us a company tax return following every accounting period. This is made up of a fully completed return form CT600 plus a copy of your company accounts and tax computations - this is called filing a return.

You generally have to file a return even if the company did not make a profit during the period. The accounts you send to us must be the same as those sent to the shareholders (the full statutory accounts). Each company tax return can cover a maximum of 12 months.

When do I have to file a return?

A few weeks after your company's accounting period ends you will receive a notice *CT603* to file a return.

You must file the company tax return (completed form CT600 plus accounts and computations) before the statutory filing date. This is generally 12 months after the end of the accounting period.

If you do not receive a notice *CT603* to file until more than 12 months after the end of the accounting period, then you have three months to file the return. If you are late filing the return then the company will be liable to a penalty.

What you need to know

To file both your Company Tax Return and annual accounts you need:
"Government Gateway" user ID and password - you use this to login to HMRC's online services.

- your company accounts
- your Corporation Tax calculations
- Companies House password and authentication code.

To get a Companies House password and authentication code, Register for Companies House WebFiling at www.companieshouse.gov.uk/infoAndGuide/companyRegistration.shtml

They will send you a password by email, and the authentication code by post to your registered office address.

Who can use this service

You can file your annual accounts with Companies House using this service if you have a private limited, go to www.gov.uk/running-a-limited-company "Audit exemption for private limited companies" company that doesn't need an auditor.

What are Corporation Tax computations?

The Corporation Tax computations are part of the company tax return. They are the calculations which adjust the profit shown in the company's accounts to arrive at the taxable profit.

For more information about allowances and how to complete the Corporation Tax Return, go to www.hmrc.gov.uk/ct/managing/company-tax-return/returns/index.htm

If you need more help

For more help and advice on setting up a limited company, go to:
www.hmrc.gov.uk/ct/index.htm

Our Business Education and Support Teams can also help with your tax responsibilities, and give you the confidence to get it right, first time. We run workshops on a variety of subjects at locations throughout the country. Our services are free and are designed for everyone in business, especially new businesses and new employers. To book a workshop, go to www.hmrc.gov.uk/bst/index.htm

Online

To submit or change your Company tax return online, view your Corporation Tax payments and to find out about the HMRC Online Service, go to www.hmrc.gov.uk/ct/ct-online/index.htm

Some expenses often seen in company accounts are not allowed for tax purposes, so they must be added back to the profit in the Corporation Tax computation.

Examples of these expenses include:

- business entertainment
- depreciation on assets
- some legal costs for capital expenditure.

There are also some tax allowances and reliefs specifically which do not feature in a company's accounts which are deducted from the profit prior to tax being charged.

These include:

- Capital allowances
- Group Relief.

For more information about allowances and how to complete the Corporation Tax Return, go to www.hmrc.gov.uk/ct/managing/company-tax-return/returns/index.htm

Paying Corporation Tax

When is Corporation Tax payable?

For companies with annualised profits of less than £1.5million, the deadline for paying Corporation Tax is nine months and one day after the end of the accounting period. This is normally three months before the deadline for filing a return.

To find more information including deadlines for companies with a profit in excess of £1.5million, go to www.hmrc.gov.uk/ct/deadlines/

How much Corporation Tax will the company have to pay?

Corporation Tax is only payable when the company makes a profit. The amount of tax charged depends on the amount of profit made and when the profits were made. For the current Corporation Tax rate that applies to your business, go to www.hmrc.gov.uk/rates/corp.htm

Making payment

All Corporation Tax and Corporation Tax and related payments now need to be made electronically. For more information, go to www.hmrc.gov.uk/payinghmrc/corporationtax.htm

Directors' responsibilities

Income Tax

Unless the company is a non-profit making company and the director(s) receive no payments or benefits, they must complete a Self Assessment income tax return annually. Detailed guidance on Self Assessment for individuals can be found at www.hmrc.gov.uk/sa/need-to-retain.htm

Financial accounts

Directors are responsible for making sure that the financial accounts of the company are accurate. Both the company's financial accounts and Company Tax Returns must be signed by a director to confirm their accuracy.

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