

Requirements following Company setup

HMRC Online Services

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all in one place**



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The information in this booklet is aimed to inform you of the requirements and things to consider after setting up a company.



HM Revenue
& Customs

Accounting and Tax Obligations

The requirement to keep accounting records

Company law requires a company to keep records that enable it to prepare its accounts for submission to Companies House and tax law requires the company to keep records to enable it to deliver a correct and complete Corporation Tax return.

Accounting software can help with these requirements and all new companies are encouraged to use software such as Xero, QuickBooks and Sage, as this could be mandatory in the future to comply with HMRC's Making Tax Digital project.

The company should have its own bank account from which all company expenditure is paid out and into which all company income is paid in.

The requirement to file accounts with Companies House

The company's first period of account will begin on the day of incorporation and end 12 months from the end of the month in which the company was incorporated. The company is required to file full accounts for its period of account. This must be done within 9 months of the end of the period of account. The initial penalty for late submission is £150 and additional penalties may be charged thereafter.

Example: New Ltd is incorporated on 1 November 2019. The first period of account begins on 1 November 2019 and ends on 31 October 2020. It has until 31 July 2021 to file its accounts for that period with Companies House. Thereafter, the accounts are prepared on an annual basis to 31 October each year.

The requirement to file a Confirmation Statement

The company is required to confirm or update the information held by Companies House once a year and this is done by filing a Confirmation Statement.

The first Confirmation Statement will be due on the anniversary of the company's incorporation, and it can be filed online.

The requirement to submit a Company Tax Return and pay Corporation Tax



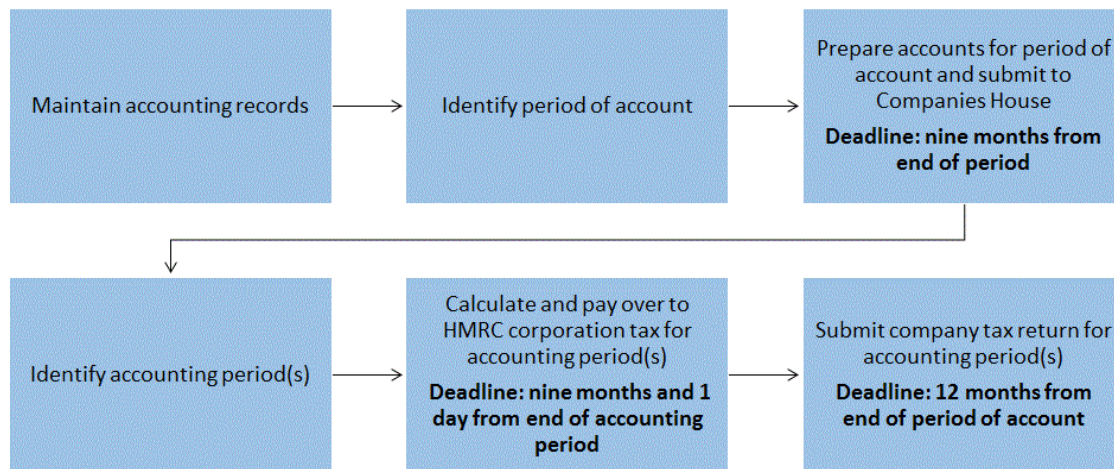
The company is required to submit to HMRC a Company Tax Return for each accounting period, with the deadline for submission being 12 months from the end of the period of account. The first account period begins on the date on which it begins to be incorporated and ceases on a date which you have decided.

Thereafter, the accounts will be prepared on an annual basis. See the example noted above.

Any Corporation Tax liability must be paid 9 months and 1 day after the end of the accounting period.

Example: New Ltd was incorporated and started trading on 1 November 2019. The first set of accounts need to be prepared for the year to 31 August 2020. A Corporation Tax return must be submitted by 31 August 2021 and any Corporation Tax liability must be paid by 1 June 2021.

Diagram illustrating the main accounting and tax obligations

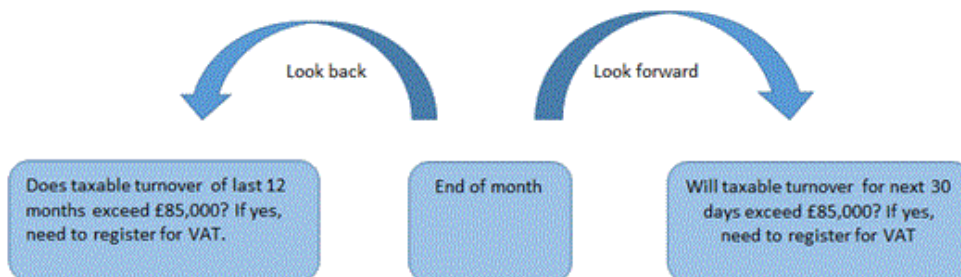


Dealing with VAT

Compulsory and Voluntary VAT Registration

You must register your business for VAT with HMRC if the taxable turnover for the 12 month period at the end of the calendar month (or less than 12 months since starting the company) exceeds the limit, currently £85,000, or if the company expects the value of its taxable supplies for the next 30 days to exceed £85,000.

There are time limits for registration and penalties may be charged for late registration.



Further information is available at <https://www.gov.uk/vat-registration>

When you register you will be sent a VAT registration certificate which confirms

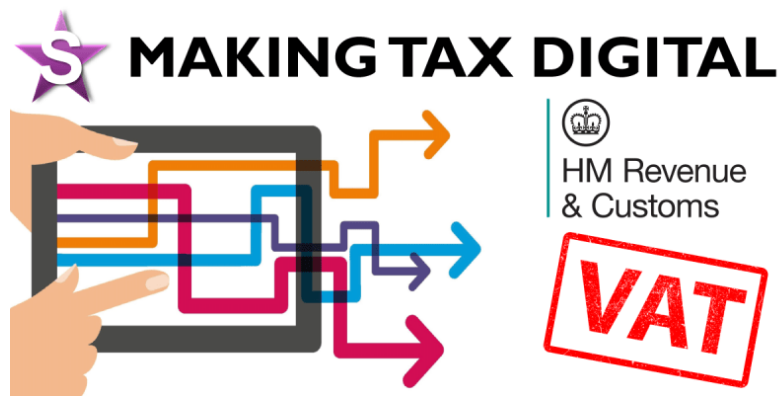
- your VAT number
- when to submit your first VAT return and payment
- your 'effective date of registration' – this will be the date you asked to register if voluntary or the date you went over the £85,000 threshold.

You can register voluntarily if your turnover is less than £85,000, unless everything you sell is exempt. You can reclaim the VAT paid on certain purchases made before you registered.

From the effective date of registration you must:

- charge the right amount of VAT
- pay any VAT due to HMRC
- submit VAT returns
- keep VAT records and a VAT account

You will also need to follow the rules for 'Making Tax Digital' (MTD)



Dealing with Payroll

If you have decided that your business needs to take on employees or you are going to be using subcontractors for construction work, you will need to register with HMRC as an employer so that you can pay tax and National Insurance for your employees.

You must register even if you are only employing yourself, for example as the only director of a limited company.

You must register before the first payday but cannot register more than 2 months before you start paying people. Go to <https://www.gov.uk/register-employer> to register as an employer.

Once you receive your PAYE reference number you can choose to operate PAYE by either paying a payroll provider to do it for you, such as an accountant, or by doing it

yourself using payroll software to record employee's details, calculate pay and deductions and report to HMRC. Details about setting up payroll can be found at <https://www.gov.uk/pay-for-employers/setting-up-payroll>

You will also need to pay HMRC the tax and National Insurance you owe.

Other things to consider

Registering with the Information Commissioner's Office (ICO)

The Data Protection Act 1998 requires EVERY data controller who processes and holds personal data (address, telephone number, email address), even if just for one client, to register with the Information Commissioner's Office (ICO). Failure to do so is a criminal offence.

There is a registration self-assessment test on their website to see if you should be registered. Please go to <https://ico.org.uk/for-organisations/data-protection-fee/self-assessment>

Registration is simple and only takes approximately 10 minutes. Go to <https://ico.org.uk/registration/new>



Business Bank Account

You will need to set up a company bank account as the company is a separate legal entity. Having a dedicated business bank account will also make it simpler when MTD is introduced to avoid your personal costs being mixed up with your business costs. This will also mean your customers can make payments to an account held in your business name rather than your own name.

Along with the regular high street banks, online bank such as Mettle, Monzo, Revolut, Starling or Tide also offer Business Bank Accounts.

Business Insurance

Whether you run a small business, a large multinational company or are self-employed, business insurance can help to protect you and your business against unexpected costs and risks, such as mistakes, stock or premises damage, and legal costs (known as Liability Insurance). Some policies can even protect against business interruption and supply chain breakdown.

This protection means, that should your business suffer an unforeseen knockback, you can feel confident that you are protected. Meanwhile, your insurer can help to get your business back up and running again quickly. Business insurance can also offer credibility to your business, demonstrating to prospective customers that you are trustworthy to do business with.

More information on Business Insurance can be found on the Association of British Insurers website: www.abi.org.uk

Business Records

HMRC advise that whilst you do not need to send business records in when you submit your Corporation Tax Return, you need to keep them so you can work out your profit or loss for your tax return and show them to HMRC if asked. You must make sure your records are accurate.

You will need to keep records of all sales income and all business expenses. Types of proof include all receipts for goods and stock, bank statements, chequebook stubs, sales invoices, till rolls and bank slips.

As well as the standard records, you will also need to keep further records so that your Corporation Tax Return includes:

- what you are owed but have not received yet;
- what you are committed to spend but have not paid out yet, for example you have received an invoice but have not paid it yet;
- the value of stock/work in progress at the end of your accounting period;
- your year end bank balances;
- how much you have invested in the business in the year; and
- how much money you have taken out for your own use.

Business Rates

Business rates are charged on non-domestic properties such as shops, offices, warehouses and factories. The local council will send you a business rates bill in February or March each year for the following tax year.

Business rates relief may be available from the local council to reduce your bill. This could be automatic but you may need to apply. Help with business rates is also available from the Valuation Office Agency if you think your rateable value is wrong.

HM Treasury have announced business rate cuts which will apply to small shops and cafes from April 2020 where the retail discount will be extended from a third to a half.

Trademarks

A Trademark lasts for 10 years and prevents anyone else from using your brand or name.

The cost to register one trademark (logo/sign/name) in one class is £170. It is then £50 for each additional class.

The registration process takes about 4 months (including a 2 month opposition period) if no-one objects. Registration in the UK only protects your brand in the UK as there are different processes for registering EU and international trade marks.

Once your trademark is registered you can add the symbol ®

<https://www.gov.uk/how-to-register-a-trade-mark> gives a lot of information about what the trade mark means, what you can and cannot register and how to apply.

For a detailed guide of what intellectual property covers go to <https://www.gov.uk/intellectual-property-an-overview>

Useful Links

<https://www.gov.uk/vat-registration>

<https://www.gov.uk/register-employer>

<https://www.gov.uk/payee-for-employers/setting-up-payroll>

<https://ico.org.uk/for-organisations/data-protection-fee/self-assessment>

<https://ico.org.uk/registration/new>

www.abi.org.uk

<https://www.gov.uk/introduction-to-business-rates>

<https://www.gov.uk/how-to-register-a-trade-mark>

<https://www.gov.uk/intellectual-property-an-overview>

<https://www.gov.uk/topic/intellectual-property/trade-marks>

<https://www.gov.uk/check-trade-marks-journal>



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