



Services Limited
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series

Setting up a Company

HMRC Online Services

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detail all in one place**



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How you set up your business depends on what sort of work you do. It can also affect the way you pay tax and get funding.

You should research in detail whether it is best for you to set up as self-employed (sole trader), a business partnership, a social enterprise, an unincorporated association or as a limited company.

The information in this booklet is aimed to guide you through the process of setting up a limited company.



HM Revenue
& Customs

Step by step guide to setting up a Company

This section details how to set up a limited company, appoint directors and shareholders or guarantors and register for tax.

1. Choose a name

Check the rules for company names

- Your name cannot be the same as another registered company's name. If it is too similar to another company's name or trade mark you may have to change it if someone makes a complaint.
- Your name must usually end in Limited or Ltd.
- You need to check 'same as' names and 'too like' names.
- Your company name cannot be offensive or contain a 'sensitive' word or expression or suggest a connection with government or local authorities, unless you get permission.
- You can trade using a different name to your registered name. This is known as a 'business name'.
- You must display a sign showing your company name at your registered company address and from where your business operates.
- You must include your company's name on all company documents, publicity and letters.

Check if the name you want is available

Companies House have a name availability checker –

<https://beta.companieshouse.gov.uk/company-name-availability>

Check existing trade marks

- You need to check whether a similar trade mark to your brand already exists. You can search for trade marks by trade mark number, owner, keyword, phrase or image - <https://www.gov.uk/topic/intellectual-property/trade-marks>
- You can also check the Intellectual Property Office's online journal to search for trade mark applications accepted in the last week - <https://www.gov.uk/check-trade-marks-journal>

2. Choose directors and a company secretary

What are directors' responsibilities?

- As a director of a limited company you must
 - follow the company's rules, shown in its Articles of Association
 - keep company records and report changes
 - file accounts and company tax return
 - pay corporation tax

You can employ people to manage these things for you, but you are still legally responsible and can be fined, prosecuted or disqualified if you do not meet your responsibilities.

Check who can be a director or company secretary

- Your company must have at least one director.
- Directors must be over 16.
- Directors do not have to live in the UK but the company must have a UK registered office address.
- Directors must provide a service or correspondence address which will be publicly available from Companies House.
- Private Limited Companies do not need to have a company secretary, but a company secretary can take on some of the director's responsibilities. The director will still be legally responsible for the company.

3. Decide who the shareholders or guarantors are

- Most limited companies are 'limited by shares' meaning that they are owned by shareholders, who have certain rights. Most companies have 'ordinary' shares, meaning that shareholders get one vote on company decisions per share and receive dividend payments.
- Companies limited by guarantee have guarantors and a 'guaranteed amount' instead of shareholders and shares.
- Companies limited by shares must have at least one shareholder or guarantor, who can be a director. If you are the sole shareholder you will own 100% of the company. There is no maximum number of shareholders.
- The price of an individual share can be any value and can be limited to a low share value such as £1 to limit the shareholders' liability if they need to pay for their shares in full if the company has to shut down.

Check if you will need to issue shares or set a guaranteed amount

- A 'statement of capital' needs to be made when you register a company, giving information about the shares. This includes the number of shares of each type the company has and their total value (the share capital) and the names and addresses of all shareholders.
- For example, a company that issues 500 shares at £1 each has a share capital of £500. This is not linked to the value of the company.
- You will need to include information about the class of shares for each shareholder. This determines what share of dividends they get, whether they can redeem their shares for money, whether they can vote on certain company matters and how many votes they get.
- For companies limited by guarantee, there must be at least one guarantor (company members who control the company and make important decisions but do not usually take profit from the company) and a 'guaranteed amount' (an agreed amount of money to be paid to the company if it cannot pay its debts).

Find out how dividends from shares are taxed

- You may get a dividend payment if you own shares in a company.
- You do not pay tax on any dividend income that falls within your personal allowance.
- You also get a dividend allowance each year and only pay tax on any dividend income above the dividend allowance.
- Details of the allowances can be found at <https://www.gov.uk/tax-on-dividends>

4. Identify people with significant control (PSC) over your company

- A PSC is anyone with voting rights or more than 25% of the shares in your company.
- PSCs have legal requirements and failure to comply could be a criminal offence.
- Guidance can be found at <https://www.gov.uk/government/publications/guidance-to-the-people-with-significant-control-requirements-for-companies-and-limited-liability-partnerships>

5. Prepare documents agreeing how to run your company

- The documents that agree how to run your company are a Memorandum and Articles of Association.
- **Memorandum of Association** is a legal statement signed by all initial shareholders or guarantors agreeing to form the company.
- **Articles of Association** are written rules about running the company agreed by the shareholders or guarantors, directors and company secretary.
- The Memorandum of Association will be created automatically as part of the registration process if you register your company online.
- The Articles of Association can either be standard (known as model articles) or you can write and upload your own.

6. Check what records you will need to keep

You must keep records about the company itself, and financial and accounting records.

Records about the company

These must be kept at the company's registered office address (Companies House need to be told if they are kept somewhere else) and include:

- Details of the directors, shareholders and company secretary.
- Results of any shareholder votes and resolutions.
- Debentures – promises for the company to repay loans at a specific date in the future and who they must be paid back to.

- Indemnities – promises the company makes for payments if something goes wrong and it is the company's fault.
- Transactions when someone buys shares in the company.
- Loans or mortgages secured against the company's assets.
- A register of PSCs giving details of:
 - Anyone who has more than 25% shares or voting rights.
 - Anyone who can appoint or remove a majority of directors.
 - Anyone who can influence or control your company.
- You still need to keep a record if there are no PSCs.
- You will need to file an annual **Confirmation Statement** which confirms the information held about the company is up to date.

Accounting records

You need to prepare and file annual accounts and a Company Tax Return which will include records of:

- All money spent by the company (receipts, petty cash books, orders and delivery notes)
- All money received by the company (invoices, contracts, sales books and till rolls)
- Any other relevant documents (bank statements and correspondence)

If your company is registered for VAT you will need to file quarterly **VAT returns** (see below).

You will also need to keep details of:

- Details of all money received and spent by the company.
- Details of assets owned by the company.
- Details of debts the company owes or is owed.
- Stock the company owns at the end of the financial year.
- Stocktakings you used to work out the stock figure.
- Details of all goods bought and sold and who you bought and sold them to and from.

7. Register your company

Registered office address

You must provide a registered office address where official communications will be sent. This must be a physical address in the UK and in the same country your company is registered in. This address will be publicly available on the online register.

Standard Industrial Classification of Economic Activities (SIC)

You will need to provide a code describing your trade or the nature of your business. There is a condensed list of SIC codes at <http://resources.companieshouse.gov.uk/sic/>

Register your company with Companies House

- You can register your company online with Companies House at <https://www.gov.uk/limited-company-formation/register-your-company>
- You will need to create a Government Gateway user ID and password for your company – you cannot use your personal Government Gateway ID.
- If you use this service you will be registered for Corporation Tax at the same time.
- You will get a **Certificate of Incorporation** which confirms that the company legally exists and will show the company number and date of formation.
- It costs £12 to register your company, and registration will usually occur within 24 hours.
- This service can also be used to register for PAYE if you are going to employ staff (including yourself if you are a sole director).
- If you do not want to register online you can register by post using form IN01, through an agent such as your accountant or by using third party software.
- Postal applications cost £40 and take 8 to 10 days.
- If you use these methods you will need to register for Corporation Tax within 3 months of starting your business.

Register with HMRC for Corporation Tax

- If you registered your company by post, by using an agent or by using third party software you will need to register for Corporation Tax separately within 3 months of starting to do business.
- You will need your company's Unique Taxpayer Reference (UTR) which will be posted to the registered office address within 14 days of the company being registered.
- You will also need your company Government Gateway ID and password, which can be created when registering.

Once your company has been incorporated and registered with HMRC there are a number of legal requirements and deadlines that need to be met. This information is outlined in our '**Requirements Following Company Setup**' helping you work series leaflet.

Useful Links

<https://www.gov.uk/set-up-limited-company>

<https://beta.companieshouse.gov.uk/company-name-availability>

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

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

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

www.abi.org.uk



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CBA Services Limited offer friendly tax and accountancy advice. A bespoke service tailored to each client's needs at a realistic cost.

Business help includes Company Annual Returns, Corporation Tax, Accounts, VAT Returns, Payroll/PAYE, Bookkeeping and CIS.

Personal client help includes tax compliance issues, capital gains, inheritance tax queries and the administrative management of wills/estates and trusts.

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