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Dear Client

Thank you for choosing us as your accountants, and congratulations, you are now a shareholder and director in your very own limited liability company.

Enclosed is a hard copy of your Memorandum and Articles of Association plus your Certificate of Incorporation.

I am sure you left here with your head swimming as there is a lot to take in if you are new to the world of owner managers so I have set out the main points we discussed in the attached document .

As limited company is its own "person" in legal terms and as such has a lot more rules than just operating as a sole trade or partnership. Hopefully this information will help you remember the important bits, but feel free to contact us if you want anything expanded or clarified.

Best regards and good luck in your new venture.

# Running a limited company

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## 1. Directors' responsibilities

As a director of a limited company, the law says you must:

- try to make the company a success, using your skills, experience and judgment;
- follow the company's rules, shown in its [articles of association](#)
- make decisions for the benefit of the company, not yourself;
- tell other shareholders if you might personally benefit from a transaction the company makes;
- keep company records and report changes to Companies House and HM Revenue and Customs (HMRC);
- make sure the company's accounts are a 'true and fair view' of the business' finances
- although not always mandatory, it is sensible to [register for Self Assessment](#) and send a personal [Self Assessment tax return](#) every year.

***You can hire other people to manage some of these things day-to-day (e.g. an accountant) but you're still legally responsible for your company's records, accounts and performance.***



You may be personally liable for your company's business liabilities and be fined, prosecuted or [disqualified as a company director](#) if you don't follow the rules. Contact your professional adviser or [trade association](#) to find out more.

## 2. Taking money out of a limited company

As a director of a limited company, you can take money from the company in 3 main ways.

### Salary, expenses and benefits

If you want the company to pay you a salary, expenses or benefits, you must [register the company](#) as an employer with HM Revenue and Customs (HMRC).

The company must take Income Tax and National Insurance contributions from your salary payments and pay these to HMRC, along with employers' National Insurance contributions.

If you or one of your employees make personal use of something that belongs to the business, you must report it as a [benefit](#) and pay any tax due.

We would normally deal with this for you as part of our service.

### Dividends

A dividend is a payment a company can make to shareholders if it has made enough profit.

You can't count dividends as business costs when you work out your Corporation Tax.



**Your company mustn't pay out more in dividends than its available profits from current and previous financial years.**

You must usually pay dividends to all shareholders.

To pay a dividend, you must:

- hold a directors' meeting to 'declare' the dividend
- keep minutes of the meeting, even if you're the only director

## **Dividend paperwork**

For each dividend payment the company makes, you must write up a dividend voucher showing the:

- date
- company name
- names of the shareholders being paid a dividend
- amount of the dividend
- the amount of the 'dividend tax credit'

## **Dividend tax credits**

The tax credit means your company and shareholders don't need to pay tax when the dividend is paid. But shareholders may still have to [pay tax on it](#).

You must give a copy of the voucher to recipients of the dividend and keep a copy for your company's records.

## **Directors' loans**

If you take more money out of a company than you've put in - and it isn't salary or dividend - it's called a 'directors' loan.'

If your company makes directors' loans, you must keep records of them. There are also some detailed tax rules about [how directors' loans are handled](#).

***Please feel free to contact us for more detailed information and advice on any of the above***

### **3. Company changes you must report**

You must report certain changes to Companies House.

#### **Changing your company's registered office address**

You must tell Companies House if you want to change your company's registered office address. If the change is approved, they will tell HM Revenue and Customs (HMRC).

Your company's new registered office address must be in the same part of the UK that the company was registered (incorporated).

For example, if your company was registered in England and Wales, the new registered office address must be in England or Wales.

Your address won't officially change until Companies House has registered it.

#### **Other changes you must report**

You must tell HMRC if:

- your [business' contact details change](#) - eg your name, business name or your personal or trading address
- you [appoint an accountant or tax adviser](#)

You must tell Companies House within 14 days if you make changes to:

- the address where you keep your records, and which records you keep there
- directors or their personal details, like their address
- company secretaries (appointing a new one or ending an existing one's appointment)

You must tell Companies House within a month if you issue more shares in your company.

## How to report changes to Companies House

You can:

- use the [Companies House online service](#)
- fill in and send [paper forms](#)



**We will deal with most of this and guide you where necessary, but it is vital that you tell us immediately of any of the changes mentioned above.**

## Changes that shareholders must approve

You may need to get shareholders to vote on the decision if you want to:

- change the company name
- remove a director
- change the company's articles of association

This is called 'passing a resolution'. Most resolutions will need a majority to agree (called an 'ordinary resolution'). Some might require a 75% majority (called a 'special resolution').

Companies House has more details about the types of [changes and resolutions you must report](#) to them.

Your new company name won't take effect until it's registered by Companies House - they'll tell you when this happens.

## Shareholder voting

When you're working out whether you have a majority, count the number of shares that give the owner the right to vote, rather than the number of shareholders.

You don't necessarily need to have a meeting of shareholders to pass a resolution. If the right amount of shareholders have told you they agree, you can confirm the resolution in writing. But you must write to all shareholders letting them know about the decision.

## 4. Company and accounting records

You must keep:

- records about the company itself
- financial and accounting records

You can [hire a professional](#) (eg an accountant) to help with your tax.

HM Revenue and Customs (HMRC) may [check your records](#) to make sure you're paying the right amount of tax.

### Records about the company

You must keep details of:

- directors, shareholders and company secretaries
- the results of any shareholder votes and resolutions
- promises for the company to repay loans at a specific date in the future ('debentures') and who they must be paid back to
- promises the company makes for payments if something goes wrong and 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 [tell Companies House](#) if you keep the records somewhere other than the company's registered office address.**

### Accounting records

You must keep accounting records that include:

- all money received and spent by the company
- 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 stocktakings you used to work out the stock figure
- all goods bought and sold
- who you bought and sold them to and from (unless you run a retail business)

You must also keep any other financial records, information and calculations you need to complete your [Company Tax Return](#). This includes records of all money:

- spent by the company, eg receipts, petty cash books, orders and delivery notes
- received by the company, eg invoices, contracts, sales books and till rolls

You must also keep any other relevant documents, eg bank statements and correspondence.



**If you don't keep accounting records, you can be fined £3,000 by HMRC or [disqualified as a company director](#).**

### **How long to keep records**

You must normally keep records for at least 6 years from the end of the last company financial year they relate to.

You may need to keep records longer if:

- they show a transaction that covers more than one of the company's accounting periods
- the company has bought something that it expects to last more than 6 years, like equipment or machinery
- you sent your Company Tax Return late

- HMRC has started a [compliance check](#) into your Company Tax Return

### **If your records are lost, stolen or destroyed**

If you can't replace your records after they were lost, stolen or destroyed you must:

- do your best to recreate them
- tell your Corporation Tax office straight away

Check recent tax forms or letters from HMRC for the address of your tax office or [call the helpline](#).

### **Recreating records for your Company Tax Return**

Tell HMRC when you file your Company Tax Return if you're using:

- 'estimated figures' (your best guess when you can't provide the actual figures)
- 'provisional figures' (your estimate until you confirm the actual figures - tell HMRC when you'll provide the actual figures).

## 5. Company annual return

You must send Companies House a company annual return every year, within 28 days of the anniversary of the company's incorporation.

You can [send the company annual return online](#). It costs £13 to send online.

You can also fill in and send the company annual return on paper using [form AR01](#). It costs £40 if you want to send paper forms.



**If you miss the deadline, Companies House can close down your company or prosecute you. You could also be [disqualified from being a company director](#).**

### What the company annual return includes

It must include details of:

- the company's registered office address
- what type of business the company runs (eg retail, accountancy, catering)
- the address where the company's list of shareholders is kept
- the type of limited company (eg limited by shares, limited by guarantee)
- name and address of all company directors (and company secretary if you have one)
- the number and value of shares issued by the company and who owns them
- where details of 'debentures' (a type of loan the company has taken out with a promise to repay at a specific time in the future) are kept.

## **6. Signs, stationery and promotional material**

### **Signs**

You must display a sign showing your company name at your registered company address and wherever your business operates. If you're running your business from home, you don't need to display a sign there.

### **Example**

If you're running 3 shops and an office that's not at your home, you must display a sign at each of them.

The sign must be easy to read and to see at any time, not just when you're open.

### **Stationery and promotional material**

You must include your company's name on all company documents, publicity and letters.

On business letters, order forms, invoices and websites, you must show:

- the company's registered number
- its registered office address
- where the company is registered (England and Wales, Scotland or Northern Ireland)
- the fact that it's a limited company (usually by spelling out the company's full name including 'Limited' or 'Ltd')

If you want to include directors' names, you must list all of them.

If you want to show your company's share capital (how much the shares were worth when you issued them), you must say how much is 'paid up' (owned by shareholders).