



So you want to 'Go Limited'?

Don't f**k it up

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IS A LIMITED COMPANY YOUR BEST OPTION?

A limited company has several advantages. The chief one is that liabilities and debts are 'limited' to the company rather than falling on you as an individual. On the flip side there are additional legal and accounting hoops to jump through. These can get you into all sorts of bother if you get them wrong.

If you incorporate your business and don't get the structure quite right, it can be painful and costly to make changes later on. So think (and take advice) before you act.

OTHER CHOICES

The tax savings from becoming a limited company aren't as great as they once were. If this is your main motivation I'd check how much you will save and weigh that against the additional costs and effort.

Remember:

- You could continue as a sole trader and still employ people and become VAT registered.
- You could consider forming a general, limited or limited liability partnership.

We recommend you speak to a Chartered Accountant before you decide to take the leap. Well, we would, wouldn't we!

If a limited company turns out to be the best option, you have some key decisions to make. We come to these next. Don't rush this part - you won't get a second chance to set this company up!

KEY DECISIONS

THE NAME

Almost anything goes, so long as:

- It's not offensive
- It's not similar to one already in use
- It doesn't include certain restricted titles such as 'architects' 'solicitors' or 'chartered accountants,' unless you've got advance approval from the relevant professional body.

Oh, and you can't have King, Queen or Royal in the name without permission from Her Maj. Seriously: we have a client with the surname 'King' and we had to convince the Cabinet Office he wasn't trying to impersonate the monarchy.

REGISTERED OFFICE

Every company must have a registered office address on the public record. This might be your home, office, or any physical address in the UK where someone can write to you.

Historically, this is where your company accounts, director details and other company information could be viewed. In the 21st century this info is freely available online at Companies House.

Almost nobody has the right to access the property. So the only real consideration is 'where do I want my post to go?' Most clients use their home address. I do too.

Both your company name and registered office - along with a few other bits - must be included on your invoices and your website.





THE DIRECTORS

Directors are responsible for running the business, although they might not actually own it. As a director you have important legal responsibilities and liabilities - make sure you know what they are.

You can be the sole director but having two or more (e.g. husband and wife) will ensure that the business can run if you're incapacitated. A company without a director creates some immediate challenges, especially if they were also the only shareholder and the only person authorised to carry out financial transactions.

Directors typically receive a salary. In small companies, directors' salaries are often set by your Chartered Accountant to be as tax-efficient as possible.

THE SHAREHOLDERS

Shareholders own part of the company without having control over its day-to-day running. They have the right to attend meetings and 'vote out' the directors if they wish.

The main shareholder benefit is to receive 'dividends.' These are funded from the company profits that aren't needed to meet expenses. Your company will pay dividends to its shareholders in exactly the same way as, say, British Gas.

DIVIDENDS - SOME IMPORTANT POINTS

Companies must normally pay dividends in proportion to the shares owned. If you and your partner own 50% of the shares you each get 50% of the dividends.

You might want to pay out dividends unequally for tax purposes. It IS possible to draft the Articles of the company to allow this, BUT it can't be done retrospectively.

Have a chat with your Chartered Accountant BEFORE you file your Memorandum and Articles of Association with Companies House.

HOW MANY SHARES?

Generally, shares are issued at £1 each. To take 120 shares in the company, you'll need to put £120 cash into the company bank account to 'buy' the shares.

Having one share to save cash isn't a great idea - even if you're the only shareholder. If you later wanted to give some shares to the kids, an employee or a business partner, splitting a single share isn't straightforward.

SHAREHOLDERS' AGREEMENT

We strongly recommend you draw up a shareholders' agreement with your solicitor. Think of it as a pre-nup for your company. Hopefully you'll never need it, but it outlines what will happen if there's a falling out and you both want to kick the other one out and/or buy their shares.

If you don't have a solicitor, we can recommend someone to you.





REMUNERATION PLANNING

Initially, your main concern will be getting cash IN to the company - not worrying about how to draw the profits OUT.

Soon you'll have profits in the company's bank account. You'll want to get them into your pocket without paying too much to the taxman. We've prepared a separate guide on this - [click here if you'd like a copy](#)

ONGOING RESPONSIBILITIES

A limited company isn't a 'set it and forget it' endeavour. It comes with a raft of annual reporting requirements.

You need to update Companies House **within 14 days** of any changes to the company or its directors and shareholders.

THE COST OF GETTING THIS RIGHT

This helpsheet has been prepared as a general guide to the main things you need to consider when forming a company. It's not exhaustive, and everyone's circumstances are different.

You don't need a Chartered Accountant to form a company. And you don't need a solicitor to buy a house. But why would you go it alone when so much is at stake?

One client did a 'DIY' formation online without speaking to us first. In the first year they were £15,000 worse off than if we'd been able to advise them.

We managed to unpick everything but it was time consuming and costly. Getting it right in the first place is nearly always cheaper.

Our fee for a consultation covering all of the above and forming the limited company is £350 plus VAT. If the company only has one director/shareholder, the fee is £230 plus VAT.

Alternatively, if you'd like to form your own company but would just like some advice, then you can [book a consultation here](#).

It's fair to say that our costs involved in Getting This Right are significantly lower than the costs in tax and potential penalties of Getting This Wrong.

DISCLAIMER

We don't disclaim any of the ideas on this page. In fact, we are really quite proud of them. However, no two businesses are identical and before you take any action you really should take professional advice from a Chartered Accountant. We'd be delighted if that professional was us - please **book a call on 01823 297 000 today**.



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