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ACCOUNTING IN THE CLOUDS

Setting up a Limited Company

Everything you need to know





How to become a business owner

You're ready to take the leap and start your own business. Incorporating a company is quick and easy, but there are some elements you need to think about.

This concise guide explains what there is to consider.



What is a limited company?

A limited company is a separate legal entity to you as an individual. This gives you a level of protection, as your finances are separate to those of the company.

A person who runs a limited company is referred to as a Director.

You can have as many Directors as you want, all of which will have responsibility over the company.



Choosing a name

Your company name sets you apart and conveys what your business does.

Every limited company must have a unique name, ending LTD or Limited. If you choose a name that's too like an existing company and they make a complaint, you might have to change it.

[Find out if the name you want is already in use.](#)

You can't use offensive words in your company name. Nor can you include the name of your profession in the company title (e.g. nursing) unless you can prove you are qualified and registered with a governing body. You also need to avoid anything that suggests a connection with the government.





Understanding your responsibilities

You must abide by the Articles of Association

This is a template of rules about how Directors should conduct their companies, covering things like shareholder responsibilities and taking dividends. When you incorporate a company you're provided with a standard article, known as 'model articles'. You are able to write and submit your own version, if you're not happy with the model articles.

Make sure you report any changes to Companies House

These are things that would affect the details they hold such as:

- A change to your business address or your name
- A change to a Director's personal address
- If you add more shares into your company

Accounting records you must keep

Even if you have an accountant, you're still legally responsible for making sure the accounting records are kept and submitted on time. You will need to keep a record of:

- All money in and out including receipts, invoices etc
- All goods bought and sold
- Where the goods were bought from and who they were sold to, unless you're in retail
- The company assets
- Any debts
- The amount of stock at the end of the financial year and how you worked this out (this is vital for completing annual accounts)

Company records you need to keep

Company records relate to the running of the company. These are things like:

- Who the Directors and shareholders are
- Records of any internal votes
- Evidence of the sale of shares
- Mortgages or loans used to secure company assets
- 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')
- Register anyone who is a person of significant control (someone who owns or controls the company)

You must keep all your records for a minimum of 6 years. It's even longer if you've bought an asset like machinery, that should last longer than 6 years





Shareholders explained

A limited company needs at least one shareholder. You can be the only Director and the only shareholder, meaning you have 100% of the shares.

When you incorporate the company, you need to set out how many shares there are and what they're worth.

Shares can be any value but if the company were to close, you would have to repay the cost. Most newly incorporated companies would set the share value low, such as £1 per share.

You can choose how many shares each shareholder is awarded. If you are a single Director you might have 5 shares. 3 directors wanting an equal share split might opt for 30 shares, allowing them each to have 10 shares.

There are several types of shares, with the most popular being 'Ordinary shares'

What is a SIC code ?

A Standard Industrial Classification code is a 5 digit number that explains what your business does. This code is used by the Office of National Statistics to compile reports about the economy.

You need to make sure your SIC code accurately describes your nature of trade as closely as possible.

If your company were to change the nature of trade or become dormant, you need to update the SIC code with Companies House.



Registered office address

This address will appear on Companies House. HMRC will send letters relating to business taxes and filings.

Some people who trade from their home don't want their address publicly available. Our packages include the complementary use of our office address.

This means our address will appear on your Companies House listing and HMRC will send letters directly to us.

Incorporating the company

Now that you know all the elements to consider, you're ready to get the limited company incorporated.

Once you've filed the incorporation form on Companies House, you can expect the company to be listed within 24 hours and the incorporation documents will be sent to you digitally.

We offer a free incorporation service for companies taking out an accountancy package.





Business bank account

Once you're incorporated, the first thing you need to do is open a business bank account.

By law you need to have a separate account for the business transactions.

Having a separate business bank account also helps you keep track of your finances and understand how much money is in the company.

Information you must display

Every document you produce must show the company's name.

Your website and business letters must also show the company number, the business address and where the business is registered e.g. England & Wales.

Having a separate business bank account also helps you keep track of your finances and understand how much money is in the company.

Business insurance

If you're an employer, by law you need to have Employer's Liability insurance. There are other types of business insurance you may want to take out, but it's not a legal requirement.

Public liability, cyber liability and contents insurance are a few of the more popular policies businesses take out.

Now you're set up and compliant you can focus on growing your business!
Our team of professional accountants are happy to help with any questions you have about setting up your limited company.

Call 01625 300 300 to speak to one of the team.



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