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A GUIDE TO YOUR RESPONSIBILITIES AS A LIMITED COMPANY

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A Limited Company is an organisation that you set up to run your business. It's an entity in its own right, separate from yourself, with its own responsibilities. In effect, it counts as a 'legal person'. The financial state of the company and the money in the company are separate from your own personal finances.

After paying Corporation Tax, any profit made is owned by the company, not by you. However, the company can then share those profits with Shareholders. Shareholders own the company and empower the Directors to run the company for them. It is possible for a business owner to be a 100% shareholder in the company, and be the only company Director.

A LIMITED COMPANY'S TAX RESPONSIBILITIES

Every financial year, the company must:

1. Put together Statutory Accounts, which have to be sent to all Shareholders and Companies House by a set date. The statutory accounts include:
 - i. A 'balance sheet' (showing the value of everything the company owns and is owed on the last day of the financial year).
 - ii. Notes about the accounts.
 - iii. A Director's report.

If the company turnover is greater than £6.5 million, it will also have to include:

- iv. An auditor's report (someone external who has checked the accounts) and . . .
 - v. A 'profit and loss account' (showing the company's sales, running costs and the profit or loss it has made over the financial year).
2. Send HMRC a Company Tax Return and accounts showing how much Corporation Tax you need to pay or, if you have made a loss, how much you could get back as a refund or to reduce your profits from other years.
3. Send Companies House an Annual Return within 28 days of the anniversary of the company's formation (they charge a £13 filing fee). If the deadline is missed, Companies House has the authority to close down the company or prosecute the Directors.
4. Submit VAT returns and make VAT payments to HMRC, if you have registered for VAT. You register for VAT with HMRC if you expect your total business takings to be more than the current threshold. If your turnover is less than £150,000, you could simplify your VAT accounting by using the flat rate VAT scheme. This allows you to calculate your VAT payments as a percentage of your turnover instead of going through all your invoice and expenditure transactions.
5. If you are a Director of the company, you will also need to register for Self Assessment and fill in a personal tax return every year, even if you are on PAYE and don't take any other company benefits. This must be completed by 31 January following the end of the HMRC tax year (5 April).

SHAREHOLDERS

Every Limited Company will have a Shareholder or Shareholders. They own the company, not the Directors, although the Director may often be the only Shareholder. If the majority of Shareholders agree to share out the profits, they receive profit payments called dividends divided in proportion to the share percentage they hold. In reality, Shareholders have little influence over the running of the company. However, in certain circumstances, they can remove a Director from office, change the name of the company and/or ensure the Directors do not go beyond their powers.

WHAT YOU NEED TO DO

You will need to decide how many Shareholders you want, and what proportion of the shares you wish them to have. Don't forget that, if you are a minority Shareholder, you will not have total influence over decisions such as dividends.

COMPANY DIRECTORS

Company Directors are responsible for running the company. The Directors usually earn a salary, but unless they are Shareholders too, they cannot be paid dividends. They are legally responsible for making decisions for the benefit of the company, not themselves, keeping company records and reporting changes to Companies House and HMRC. They must also make sure the company's accounts are a true and fair view of the business' finances.

WHAT YOU NEED TO DO

You will need to decide how many Directors you want. These will usually form the 'Board' or management team of your company.

LEGAL RESPONSIBILITIES

Most Limited Companies are “limited by shares”. This means that the Shareholders’ responsibilities for the company’s debts are limited to the value of the shares they own. For example, if the company goes bust and it has been set up with 100 shares at £1, the total amount the Shareholders have to pay toward its outstanding bills is £100. However, this is only applicable if the company has not been trading while it is technically insolvent, i.e. knowingly carrying out its business when it knew it could not cover the cost of its debts. Directors are not responsible for company debts unless they have done something illegal or given personal guarantees for loans.

HOW TO SET UP A LIMITED COMPANY

In order to trade as a Limited Company, you must:

- Register (incorporate) and set up the company with Companies House. Once the company is registered, you’ll get a ‘Certificate of Incorporation’. This confirms the company legally exists and shows the company number and date of formation. The formation date is usually the start of the company’s financial year.
- Register for PAYE with HMRC when you appoint an employee.
- Register for VAT with HMRC if you expect your total business takings to be more than the current threshold.

WHAT RIFT ACCOUNTING CAN DO

- We can register and set up your company at Companies House.
- If you would like us to deal with HMRC on your behalf, you will need to sign a form (Form 64-8) or they will not communicate with us. We then officially become your ‘agent’ with HMRC.
- We can also register you for VAT and PAYE with HMRC, if applicable.

WHAT RIFT ACCOUNTING CAN DO

- We can put together the statutory accounts for Companies House and HMRC.
- We can complete your Company Tax Return on time every year for you. HMRC will then inform you how much you have to pay them, or whether you are due a refund or an amount you can offset against future profits.
- We can complete and file your Annual Return each year with Companies House. You will need to pay the Companies House filing fee, which is £13.
- We can calculate and inform you of the VAT payments you will need to make quarterly.
- We can complete your personal Self Assessment return on time every year for you - and for the other company Directors, if you wish. However, we will need to become the official 'agent' for each before we can do this. HMRC will then inform each person whether there is any outstanding personal tax to pay, or whether they are owed a refund.

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