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# Running a Limited Company

Running a limited company presents a range of unique challenges and responsibilities. A limited company is a separate legal entity and the finances of a limited company are separate to the finances of the individual shareholders and directors. Limited companies are subject to reporting and financial responsibilities and the directors of the limited company have their own duties and responsibilities.

Here we outline what owners (the shareholders) should be aware of in order to successfully run their company.

## Administration

### Shareholders

Companies which are limited by shares are usually businesses which set out to make a profit. The shares are owned by the shareholders (who can be individuals, another company or an institution) who must own at least one share of the company. A shareholder invests money in the company by buying shares and has the potential for sharing in the profits of the company. The liability of shareholders is limited to the value of their share capital (including any unpaid part).

The shares issued to the shareholders are decided upon and noted in the Memorandum of Association, which is the initial document setting up the company. The type of shares or the 'class' is recorded together with what rights the shares give to each of the shareholders. This could be the amount of dividend to be paid, if the shares can be redeemed (exchanged) for cash, if the share gives a right to vote on company matters and how many votes each share receives.

The rules for operating the company are contained in the Articles of Association.

When a company is formed the Memorandum and Articles of Association are produced and completed by the initial shareholders.

### Dividends

Dividends are paid from the profits of the company once the tax liability has been met. Dividends can be paid at a different rate on the different types of shares issued by the company. They can either be paid as a final dividend after the year end, or can be paid as an interim dividend in advance of the final profits being established, however it is a legal requirement for the profits of the company to be sufficient to pay these dividends after allowing for the corporation tax liability.

Dividends are income for the shareholders and are subject to the shareholders' individual tax rates, depending on the shareholders' own individual circumstances.

### Limited liability

A company normally provides limited liability. If a shareholder's shares are fully paid they cannot normally be required to invest any more in the company. However, banks may require personal guarantees from the directors for borrowings. The advantage of limited liability will generally apply in respect of liabilities to other creditors.

### Legal continuity

A company will enjoy legal continuity as it is a legal entity in its own right, separate from its owners (the shareholders). It can own property, sue and be sued.

### Directors

A director can be involved from the start in establishing a new company or appointed to the Board of a company. A director is an officer of the company with extensive legal responsibilities. The Companies Act 2006 sets out a statement of general duties.

The legislation requires that directors act in the interests of their company and not in the interests of any other parties (including shareholders). Even sole director/shareholder companies must consider the implications by not putting their own interests above those of the company.

The Companies Act 2006 outlines seven statutory directors' duties:

- Duty to act within their powers - in accordance with the company's constitution.
- Duty to promote the success of the company.
- Duty to exercise independent judgment.
- Duty to exercise reasonable care, skill and diligence.
- Duty to avoid conflicts of interest.
- Duty not to accept benefits from third parties.
- Duty to declare interest in a proposed transaction or arrangement.

Where a company director's income is all taxed at source there is no need for them to file a self assessment tax return, providing earnings are less than £150,000.

## Companies House Reform

As of 8 April 2025, company directors will be required to verify their identity in order to file accounts with the registrar or otherwise interact with Companies House. This can be done directly with the registrar or via an Authorised Corporate Services Provider (ACSP).

### Company secretaries

Since April 2008, unless there is an express requirement in the company's articles of association, the Companies Act 2006 no longer requires private limited companies to appoint a company secretary. Even if the articles do require it, it is relatively straightforward for the directors of a company to amend the provision, subject to shareholder agreement.

The important tasks that would normally fall to a company secretary, including shareholder administration and communication, corporate governance and statutory compliance, must still be done. In the absence of a company secretary, company law states that directors must take on this responsibility.

The company should inform Companies House of the resignation of any existing company secretary.

### Maintaining statutory registers

All companies must maintain up-to-date registers of key details. These include:

- register of directors (including residential addresses)
- register of shareholders and company secretaries (if applicable)
- minutes of board meetings, including results of any shareholder votes and resolutions
- register of debentures
- details of indemnities
- details of transactions when someone buys shares in the company
- register of mortgages and charges secured against the company's assets
- register of People with Significant Control (anyone who has more than 25% shares or voting rights in the company, can appoint or remove a majority of directors or has the right to exercise, or actually exercises significant influence or control the company).

The registers must be made available for inspection by the general public at the company's registered office or at a single alternative inspection location (SAIL), which must also be recorded at Companies House.

### Accounting records

All companies must also keep accounting records, including:

- all money received and spent by the company
- details of assets owned
- debts that the company is owed or owes
- stock owned by the the company at the end of the financial year (including stocktaking used to work out the stock figure)
- all goods bought and sold, and who they were bought and sold to and from (unless the company runs a retail business).

Financial records, information and calculations needed to prepare annual accounts and the company tax return are also required to be kept. This includes:

- all money spent by the company (e.g. receipts, orders and delivery notes)
- all money received by the company (e.g. invoices and till rolls)
- any other relevant documents (e.g. bank statements and correspondence)

If accounting records are not kept, a fine of £3,000 can be issued by HMRC or disqualification of company directors.

There is a requirement for a company to prepare financial statements and for tax purposes a requirement to maintain accounting records for six years from the end of the last company financial year they relate to, or 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 six years, like equipment or machinery, the company tax return was filed late or HMRC started a compliance check into the company tax return.

### Confirmation statement

A confirmation statement (previously annual return) must be filed annually with the Registrar of Companies to ensure that the company information is correct and up to date. The confirmation statement can be used to report changes to specific company details such as the statement of capital and shareholder information.

Non-compliance can lead to penalties of up to £5,000, disqualification of company directors and the company may be struck off.

### Penalties

The Companies Act 2006 provides for the Registrar of Companies to charge penalties and fines, including a penalty of between £150 and £7,500 for the late filing of accounts (the amount depends on the status of the company and the degree of lateness and is doubled if late for two successive years).

Failure to file confirmation statements or accounts is a criminal offence which can result in directors being fined personally in the criminal courts.

## Insurance

Insurance cover should be reviewed for Public Liability, Professional Indemnity and if the company takes on staff, Employers' Liability.

# Taxation

## PAYE, NICs and employing staff

For the directors of the company who receive a salary it will be necessary to register for a Pay As You Earn (PAYE) scheme and the payments made will need to be considered for deduction of PAYE tax, National Insurance contributions (NICs) and pensions auto-enrolment.

If the company employs staff members, they will be paid on a regular basis and along with PAYE tax, NICs and pensions auto-enrolment deductions from their wage, the company as an employer will potentially be required to pay an employers' NIC and pensions auto-enrolment contribution.

The company directors and employees are able to receive benefits-in-kind from the company (for example company cars and private medical insurance). Most benefits are subject to income tax and the company will have to meet an extra charge of NICs on the value of the benefits. Special rules apply to company directors who receive loans from the company at no or beneficial rates of interest.

## VAT

VAT is a tax charged when a VAT registered business sells its goods or services. The company collects this tax and pays it over to HMRC typically on a quarterly basis. The company may also pay VAT on items purchased and in some circumstances can deduct the VAT it has paid from the VAT it has collected from customers.

A company must register for VAT within 30 days of the end of any month, when the total VAT taxable turnover for the last 12 months was over the VAT threshold, or if you expect turnover to go over the VAT threshold in the next 30 days. The VAT threshold for 2025/26 is £90,000.

## Corporation tax and self assessment (CTSA)

The company will be subject to corporation tax.

The main rate of corporation tax is 25% for companies with profits over £250,000. Companies with profits of £50,000 or less pay corporation tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

## CTSA key features

- A company has to calculate its own corporation tax liability.
- A company is required to pay the tax due in advance of filing a tax return.
- A 'process now, check later' enquiry regime applies when the tax return is submitted.
- The inclusion in the tax return of the liabilities of close companies on loans and advances to shareholders and others, and of liabilities under Controlled Foreign Companies legislation.
- The requirement for companies to self assess by reference to transfer pricing legislation.

## Notice to file

Every year, HMRC issues a notice to file to companies. In most cases, the return must be submitted to HMRC within 12 months of the end of the accounting period.

Companies must file their corporate return online. Their accounts and computations must also be filed in the correct format - inline eXtensible Business Reporting Language (iXBRL).

## Penalties

Penalties apply for late submission of the return of £100 if it is up to three months late and a further £100 if the return is over three months late. Additional tax-geared penalties apply when the return is either six or 12 months late. These penalties are 10% of the outstanding tax due on those dates.

## Submission of the return

The return required by a notice to file contains the company's self assessment, which is final, subject to:

- taxpayer amendment
- HMRC correction; or
- HMRC enquiry.

The company has a right to amend a return (for example changing a claim to capital allowances). The company has 12 months from the statutory filing date to amend the return.

HMRC has nine months from the date the return is filed to correct any 'obvious' errors in the return (for example an incorrect calculation). This process should be a fairly rare occurrence. In particular the correction of errors does not involve any judgement as to the accuracy of the figures in the return. This is dealt with under the enquiry regime.

## Payment

Payment of the corporation tax liability must be made by the due date, which is usually nine months and one day after the end of the accounting period. Interest is charged on the late payment of corporation tax.

# How we can help

We would be very pleased to discuss any matters relating to the running of your limited company with you. Please get in touch to find out how we can help.