

can be your home. If you prefer, you can pay Formations Direct to be your registered office.

#### APART FROM LIMITED LIABILITY WHAT OTHER ADVANTAGES ARE THERE?

- You can give a share of the business to others eg family.
- It may be easier to attract people to invest money in your business.
- Obtaining bank loans may be easier.
- There is no higher rate tax bands.
- In the event of a partner leaving or somebody dying it is easier to continue the business.
- It is easier to sell the business.
- You have better standing in the public eye.
- It can assist in the protection of a name.
- People have more confidence in your business as they can check up on your company on the public records at Companies House.
- Subcontractors and agency workers will find it easier to obtain work.

#### ARE THERE ANY DISADVANTAGES?

The preparation of annual accounts may cost more.

The public can check up on certain aspects of your business

#### HOW DO I PROCEED FROM HERE TO "GO LIMITED"?

Give us a ring or drop us a line. We use the easiest and simplest methods of incorporation at Formations Direct, from free name checks to after sales service.

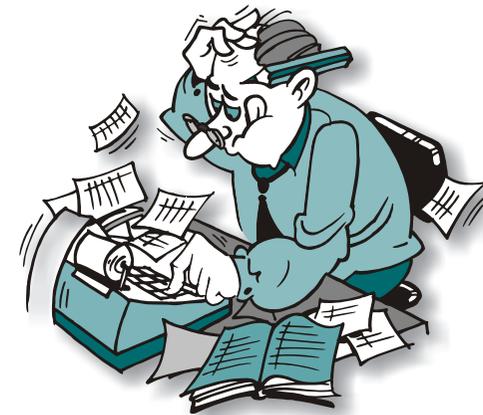
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## RUNNING A LIMITED COMPANY- WHAT DOES IT MEAN?

*Your questions answered in plain English*



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## INTRODUCTION

A limited company is a legal creation which is established in law and governed by the Companies Acts, passed by Parliament. Certain Government departments are responsible to ensure that companies keep to the law, for example Department of Trade and Industry.

It is a distinct and separate legal entity from its owners and the people who run it. It has its own status for taxation, financial and general legal purposes. It is like being another person.

We now list questions which are usually asked by those thinking of “going limited” (incorporating), and provide the basic answers.

If you are still in doubt whether to proceed after reading through them you should speak to somebody with the appropriate experience and knowledge to answer the queries specific to your circumstances, for example Chartered Certified Accountant, Solicitor.

If you so wish we are able to advise you in a general way, free

of charge, or we can arrange for you to meet an accountant.

## Q&A

### WHO OWNS THE COMPANY AND WHO RUNS IT?

The directors run the company and the shareholders (members) own it. The directors may also be the shareholders. You only

secretary is optional, but the duties of the secretary must be performed by the director if there is no secretary.

The director is responsible for running the business, and the secretary must ensure that all the statutory procedures are carried out and complied with. This includes dealing with minutes of meetings and filing forms at Companies House.

### WHAT ARE THE SET-UP COSTS?

The initial set-up is as per the price list, fully inclusive of all charges and fees. Once this is paid you will be able to open a bank account and trade

immediately if you buy a readymade company.

### WHAT ABOUT THE RUNNING COSTS?

These are basically the same as any type of business. It may cost extra to arrange your own wages and prepare year end accounts, but many accountants will agree charges in advance to sort these matters out for you.

### WILL I NEED AN ACCOUNTANT AND AN AUDIT?

An accountant is not a legal requirement, although it is usually advisable to seek the services of a suitable qualified accountant, as they will prevent you from making costly errors and almost certainly reduce your tax charge.

For companies with a turnover (sales) below £5.6 million per year, no form of examination of year end books by an accountant is necessary by law, although it is advisable to consult an accountant. An audit is necessary for turnover above £5.6 million per year (correct at time of printing).

### AM I LIABLE FOR THE COMPANY'S DEBTS?

No. Unless you sign a personal guarantee or trade fraudulently. A limited company is “limited” in the sense that its owners are not liable for its debts. Some people see a limited company as an insurance policy, especially for a new business or a high risk business. Many people lose their savings and other assets because they started up not “being limited”. You need to assess the risk of your situation.

### DO I HAVE TO TRADE IMMEDIATELY?

No. Your company can remain dormant (non trading) for as long as you wish.

### ARE THERE COMPLIANCE COSTS?

The annual return (form 363) costs £15 if submitted electronically or £30 if submitted manually (at time of printing).

### WHAT IS A REGISTERED OFFICE?

This is an official address for the business, where legal documents can be served. It does not have to be the trading address, and it

**APPROVED**

By Norman Younger at 9:51 am, Apr 09, 2008