

## WHAT IS A DIRECTOR'S SERVICE ADDRESS?

Director's service address is an official address for the director of the limited company, where legal documents and letters from Companies House can be served. It does not have to be the trading address, and it can be your home, your accountant's office or at any address that suits you. It is crucial that the address used is reliable in dealing with incoming post.

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

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

## ARE THERE ANY DISADVANTAGES?

The preparation of annual accounts will probably cost more than a sole trader.

The public can check up on certain aspects of your business that you may prefer to keep private.

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

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# RUNNING A UK LIMITED COMPANY...

**...your questions answered in plain English**



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## INTRODUCTION

A UK limited company is a legal creation which is established in law and governed by the Companies Acts, passed by Parliament. The process of setting up a limited company is usually referred to as company formation, setting up a limited company, registering a limited company or incorporating a limited company. Limited companies are registered at Companies House where a live database of all UK limited companies is kept. It is a distinct and separate entity from its owners and the people who run it. It has its own status for taxation, financial and general legal purposes. A limited company is like another person and is separate from its owners.

We now list questions which are usually asked by those thinking of setting up a limited company, and provide the basic answers. If you are still in doubt whether to proceed after reading through them you should speak to somebody with experience of limited company formation to answer the queries specific to your circumstances.

## WHO OWNS THE COMPANY AND WHO RUNS IT?

The directors run a limited company and the shareholders (members) own it. The directors may also be the shareholders and will always be answerable to the shareholders and are legally bound to act

in their best interests. You only require one member and one director, who can be the same person. The position of company secretary is optional, but the duties of the company secretary must be performed by the company director if there is no company secretary. The company director is responsible for running the business, and the secretary (or director if there is no company 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. Whether or not there is a company secretary appointed the director is the person who bears responsibility for the actions of the company.

## WHAT ARE THE SET-UP COSTS?

The cost of a company formation itself is typically between £50 and £100 with extra costs incurred should you visit an accountant for tax or business advice.

## CAN I TRADE IMMEDIATELY?

Once your company has been registered you can trade with it. An off the shelf company, also referred to as a readymade company, will be pre-registered and you can use it to trade immediately.

## 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. There is an annual statutory fee of £13 - £30 for keeping the company on the register at Companies House. There are penalties for the late delivery of documents at Companies House.

## WILL I NEED AN ACCOUNTANT AND AN AUDIT?

It is not a legal requirement for a limited company to have an accountant, although it is usually advisable to seek the services of a suitably qualified accountant, as they will prevent you from making costly errors, prepare your year end statutory accounts and almost certainly reduce your tax charges. Companies will only need a mandatory audit once their turnover (sales) or balance sheet value is “in the millions” and your accountant can advise you of the exact figures, which change periodically.

## 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 a dormant company (non trading) for as long as you wish.

## WHAT IS A REGISTERED OFFICE?

Registered office is an official address for the limited company, where legal documents and letters from Companies House can be served. It does not have to be the trading address, and it can be your home, your accountant’s office or any address that suits you. It is crucial that the address used is reliable in dealing with incoming post. The public have rights of access to inspect certain company documents.

## CAN I TAKE MONEY OUT OF THE COMPANY?

The director may receive a wage under PAYE and the shareholders are entitled to draw out profits as dividends where allowed by the regulations.