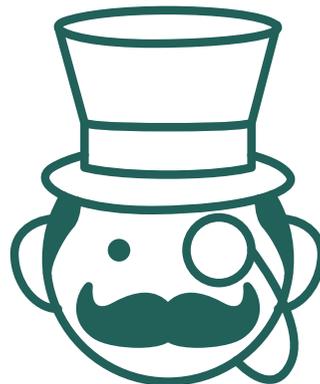




Most people dream of being their own boss, to ditch their day to day jobs and go it alone. And whilst the prospect of earning more money and the ability to work in a more flexible manner are all strong motivators, it is often the financial fears and the processing of paperwork that is putting off wannabe entrepreneurs.

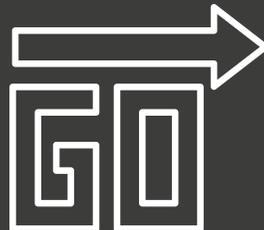
But those who do have the courage to take the plunge can enjoy a host of benefits – especially when they choose to operate as a limited company – proving that dreams really do come true.



# What are the *benefits* of setting up a limited company?

There are significant benefits to becoming a limited company. Offering companies, a way to maximise earnings whilst minimising risks, it ensures limited liability and provides tax efficiencies and credibility to organisations of all shapes and sizes.

It can feel like a big step when you go from working for someone else or being self-employed to becoming the director of your own limited company. At SJC+0, we are well versed at working with individuals, sole traders and small businesses and can help them adapt, adjust and take advantage of the many benefits that being a limited company brings. Here we explain more...



## *Reasons to become a limited company.*

According to Companies House, there were over 2 million Limited Companies in the UK last year, accounting for 34% of the business population. So why is being 'Limited' such a popular business model?

Due to the many benefits that being a limited company provides over other types of business structures, we can help you can choose to register a commercial ('for-profit') company, which is limited by shares.

By doing so you can enjoy a number of advantages that far surpass those available to a sole trader or contractor working through an umbrella company.



## The *benefits* of setting up a limited company include:

**Limited personal liability** – The biggest benefit of forming your own limited company is that it allows you, as the owner(s), to separate your personal entity from your business venture. This means that the owner's liability is limited to the amount of money and assets that they have invested, ensuring that they are not personally liable for any company debts

**Protecting a company name** – All company names must be entirely unique, which means that another company cannot use or register the same name as you.

**Professional status, credibility and trust** – Your professional status and image may well increase when you start trading as a limited company. Especially if you are doing business with larger, corporate companies, as being limited is anything but limiting and is often held in higher regard.

**Tax efficiencies and planning** – Limited companies currently pay 18% Corporation tax on profits , as opposed to sole traders who pay 20-45% in Income Tax on any profits made. This offers greater flexibility for tax planning.





**Personal remuneration** – As a company director and shareholder of a limited company, you can take your earnings from the business as a combination of salary and dividends – limiting the amount of tax you’ll personally have to pay.

**Separate legal identity** – Unlike the sole trader structure, a limited company is a legal ‘person’ in its own right, with an entirely separate identity and bank account from its owners and directors. This means that companies can enjoy perpetual succession and can be sold or transferred to other people at any given time.

**Investment and lending opportunities** – Over half of all businesses trading as a limited company last year, were made up of multiple owners. The benefit of having more than one owner is the ability to raise additional capital by selling shares in the business to new investors. As a limited company you can also borrow an interest-free loan of up to £10,000, providing you pay it back within a nine month period, to prevent paying additional tax charges.

**Splitting income** – If you own a limited company and it is split up by shares, then you can issue shares out to your spouse or family members. The benefit of doing this means that you can divide your business profits and minimise your personal tax liabilities.

## How *much* does it cost to set up a limited company?

Most people, prefer to set up a limited company via their accountants as this makes it a hassle-free process, especially for those who are unfamiliar with running a business.

Becoming a company director can be daunting, we will guide you through the paperwork and processes and will answer any questions you may have relating to director responsibilities and the formation of your business itself.



# *What do you need to set up a limited company?*

Once you've decided to set up a limited company, there are a few steps you need to complete.

**Identity** – You need to decide whether you want to become a Private Limited Company (LTD) or a Public Limited Company (PLC). Most freelancers, sole traders, start-ups and small businesses will opt to go Ltd, as a Plc requires you to have a minimum share capital of £50,000, at least 2 shareholders, 2 directors and a qualified secretary.

**Name** – Next you need to brainstorm a name in order for your limited company to be born. This can prove more challenging than you think, as it has to be completely unique to ensure that it is not already registered with Companies House.



**Paperwork** – Whilst steps 1 & 2 are fun to do, step 3 is often more laborious. As a number of legal documents need to be completed correctly and returned to Companies House in order to finalise the incorporation process, most business owners employ an accountant to deal with the finer details.



## Can you set up a limited company with *one person*?

When you (or your accountant) fills out your application form, you will need to list a minimum of one director and one shareholder or guarantor.

This does not mean that you need at least two people in order to form a limited company, as it is not uncommon for the same individual to be listed for both roles. This means you can set up a limited company as an individual.

This is useful for many small business owners who like to work alone or have no need for a business partner. Furthermore, the limited company structure is very flexible, so additional members and directors can join the business at any time after the initial company formation and shares can be divided up however you decide.



# What *taxes* do I pay as a limited company?

As a business owner, getting your tax right is of upmost important, but when you run a limited company, you want to make the most of your tax efficiencies. Here's why!

## **Corporation Tax**

All limited companies must pay Corporation Tax on their profits, and one of the first things you or your accountant will do as a new company owner, is to register to pay Corporation Tax – this is set at 18% . Each year, you must complete a company corporation tax return (CT600). You must also pay any Corporation Tax owed within 9 months and 1 day of your company's 'due day'. This is typically the anniversary of when the company was formed.

## **Income Tax and National Insurance**

As a limited company, you can deduct your salary from your profits as a business expense, however, you may have to pay personal income tax and National Insurance. Depending on the salary you draw, your company may also have to pay employers' National Insurance. You can avoid income tax and National Insurance by paying yourself just below the threshold for National Insurance. This amount falls within your tax-free personal allowance and although you don't pay national insurance, you'll still reap the benefits.





## **Dividends**

Of course, paying yourself just below the NI threshold a year probably won't be enough for you to live comfortably – so most people make up the difference by paying themselves a dividend. These are paid from post-Corporation Tax profits and you will not have to pay any personal tax on the first £2,000 of dividend income in a single tax year.

Above this sum, you will be required to pay dividend tax, but this is invariably lower than Income Tax rates, saving you hundreds to thousands of pounds in tax every year.

*We can help you get there.*

At SJC+0 we aim to create *transparent relationships* with my clients that will help them build and plan today to ensure they are still here tomorrow.

There will be no unanticipated bills received nor will there be once a year meetings. I stay in touch with all of my clients throughout the year, delivering a tailored service, to ensure that *tax is minimised* and *growth maximised*.

*Susan Crichton*  
SJC+0 Accountants

07957 581757  
susan.crichton@sjcplus0.co.uk  
*sjcpluso.co.uk*

