

Limited Company

A limited company business is legally separate from its owners, shareholders or directors. In the UK, the company needs to be registered at Companies House. This clarifies the status of being a separate legal entity, from the people who run it, with a unique company registration number.

Once registered, it is governed by the requirements of the Companies Act (and its own articles of association). It must make returns of information to Companies House. That information about limited companies is held on the public register, which is available for anyone to see.

Even if a limited company has one person involved, who happens to be the sole shareholder and lone director, it's still a distinct legal entity, legally separate from that person.

Limited company names are like website addresses – there can only be one of each. If you want to set up Waxing Works Ltd (as an example), you'll probably find some enterprising beautician has already registered it. However, all is not lost.

Limited companies can use trading names, meaning that you can still trade as Waxing Works as long as you're not infringing another company's trademark. It is important to dot the i's and cross the t's so to speak. Do your research and where you are unsure take advice.

Some pros:

- **Tax efficient** – A limited company is more likely to be tax efficient compared to a sole trader.
- **Limited liability** – A limited company offers limited liability to the owner, unlike other business types.
- **Separate entity** – A limited company is a separate legal entity that is responsible for its own income, assets, debts, and liabilities.
- **Professional status** - When you register your business with Companies House, you may also wish to trademark your business name so no other business can use it. This makes your business unique and aids it being found easily online.
- **Company pension** - As an owner of the limited company, the director can invest pre-tax sum into a company pension scheme.
- **Maximising tax-free income** - A limited company will allow you to maximise tax-free income, by having your husband/wife/partner and children as shareholders.

Some Cons:

- **Added set-up is necessary** - setting up a limited company will mean registering with the Companies House. You will also have to pay a small fee for setting up.
- **More detailed accounts** - Some of the things that need to be covered are tax returns, business expenses and keeping the business accounts up to date. As the accounts for limited accounts can be more complex, it is essential that you hire external help.
- **Accountancy costs** - Some of the tasks that an accountant can do for you include,
 - filing your company tax returns,
 - paying your corporation tax,
 - as well as filing your VAT returns (if applicable).

This means that you will need to budget for the accountancy fees, which can vary from region to region. However, as a limited company, these costs are necessary to avoid paying penalties.

- **Ownership** - if a limited company has multiple shareholders then their opinions and views need to be taken into account. Think carefully when considering added business partners and remember, the bigger the share that other people have, the less ownership you will have.
- **Public records** - As a limited company owner, you have to register and provide regular personal and business information with the Companies House in the UK. For example,
 - on company accounts,
 - company records,
 - company directors and company shareholders,
 - names, addresses and dates of birth.

The majority of the information you provide to the Companies House is then published and can be accessed by anyone.

We support businesses to amplify growth

