Operating as a Limited Company – the things a Director should know

First things first – getting ready

How should you operate?

- Limited Company

  Offers protection (Limited Liability)

  Tax advantages

- Sole Trader

  Simple to run

  Less of an administrative burden

Funding

- Considerations regarding external investment, bank loans (personal guarantee), self funding (savings)

Accountancy considerations

- Which year end to operate on – line up with the tax year?
- Corporation tax return to file
- Typical types of expenditure – is there a difference between operating as a sole trader and via the Company?

    Salary

    Use of home

    Mileage allowance v Company car

    Others – professional subscriptions, travel expenses,

    telephone costs, accountancy fees (!!)

Personal tax considerations

- How to remunerate yourself

  Salary & dividends
- Rates of tax

  Corporation tax (19% / 17% from April 2020)

  Personal tax (0%, 7.5%, 20%, 32.5%, 40%, 38.1%, 45%)

  National insurance (ER – 13.8%, EE – 12%)
- Tax benefit tipping point?

  When profits approach £40k, operating via a Limited

  Company becomes the most tax efficient method of operating
- Sole Trader

  Can I shelter my profits?

Other considerations

- Administrative burden

  Record keeping

  Keeping the affairs of the business separate from your personal affairs
- Mortgage applications

  SA302 tax calculations – personal income & Company affairs looked at
- A family affair?

  Could you look to get family members involved in the business (for example, a spouse who looks after the children at home) and distribute income to them tax efficiently?
- When to incorporate?

  Whilst consideration is required, it is perfectly possible to start out as a sole trader and transfer the business to a Ltd Company