

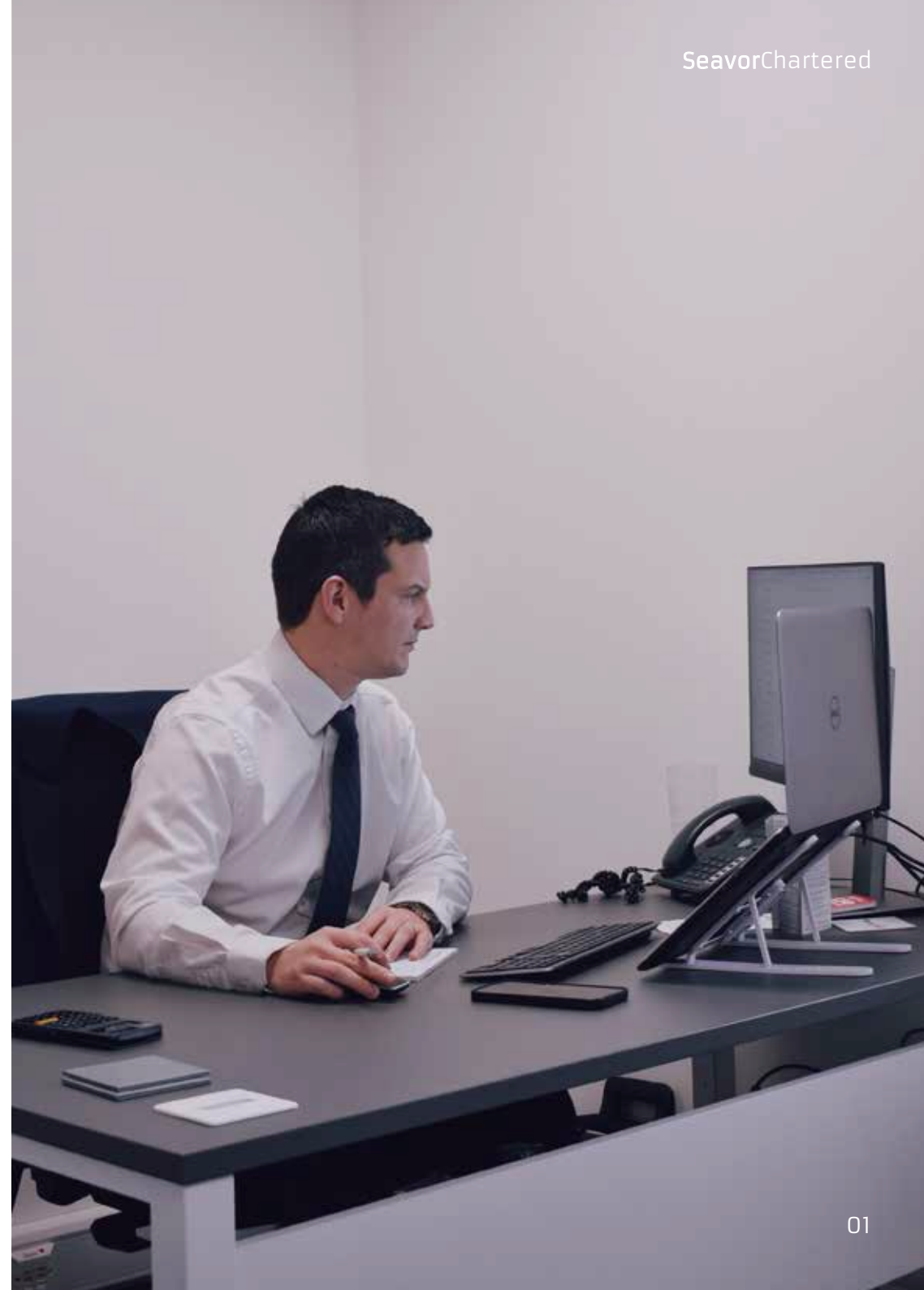
SeavorChartered's Guide to Becoming a Limited Company

SeavorChartered
Accountancy, Tax & Business Advisers



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| Corporation Tax

Corporation tax is company tax which is due to be paid on any profits made during the financial year which will be taxed at 19%. Once your company is registered, you will receive a Notice to Deliver a Company Tax Return from HMRC.

From 1 April 2023, Corporation Tax is rising to 25% for companies with profits between £50,000 and £250,000. Companies whose profits are £50,000 or less will continue to pay the current rate of 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

Even if your company makes a loss and has no Corporation Tax to pay, you must still submit a return to HMRC.

Profits you pay Corporation Tax on:

- Taxable profits for Corporation Tax include the money your company or association makes from doing business ('trading profits')
- Investments
- Selling assets for more than they cost ('chargeable gains')

If your company is based in the UK, it pays Corporation Tax on all its profits from the UK and abroad.

If your company isn't based in the UK but has an office or branch here, it only pays Corporation Tax on profits from its UK activities.

SeavorChartered will submit your Corporation Tax return to HMRC on your behalf.

When is Corporation Tax paid?

Corporation tax is due to be paid no later than 9 months and 1 day after the financial year end.



Taking Money from the Company

As a director of the company, we would usually recommend you set up a company payroll scheme to then pay a small tax efficient salary which is under the tax and national insurance thresholds.

SeavorChartered can set this up and prepare this on your behalf.

We would then advise you to take the remainder as dividends.

What is a Dividend?

A dividend is the payment a company can make to shareholders to increase their earnings if it has made a profit.

You do not pay tax on any dividend income that falls within your Personal Allowance (the amount of income you can earn each year without paying tax).

You also get a dividend allowance each year. You only pay tax on any dividend income above the dividend allowance. Anyone with dividend income will receive **£2,000** tax-free, regardless of any other income they receive.

The company must not pay out more in dividends than available profits (reserves left in the company) from current and previous financial years.



| Bookkeeping

Bookkeeping is the preparation of your sales and expenses using a recording system such as an excel spreadsheet or accounting software.

We would recommend using an accounting software called Xero which is a cloud-based software that simplifies the process of ensuring your records are up to date. We advise maintaining Xero as regularly as possible to ensure the accuracy of your records.

If you would like to learn more about Xero and the benefits it has for your company, head over to our website to find out more.

We would also recommend another cloud accounting software called QuickBooks Online. QuickBooks Online, like Xero is a cloud-based software which simplifies the record keeping process. If you'd like to check out the benefits that Xero or QuickBooks Online would bring to your company, please contact us for more information.

SeavorChartered's Top 5 Tips for Bookkeeping:

- Keep personal and business expenses separate
- Set reminders for payments and deadlines
- Keep track of cash payments
- Create sales invoices using your Cloud Accounting software
- Use receipt processing software's such as Dext Prepare to capture receipts and invoices on the go



Claiming Company Expenses

As a rule, majority of business expenditure is allowable to be claimed. This includes expenses incurred personally due to business purposes i.e., a marketing event which requires travelling to via train.

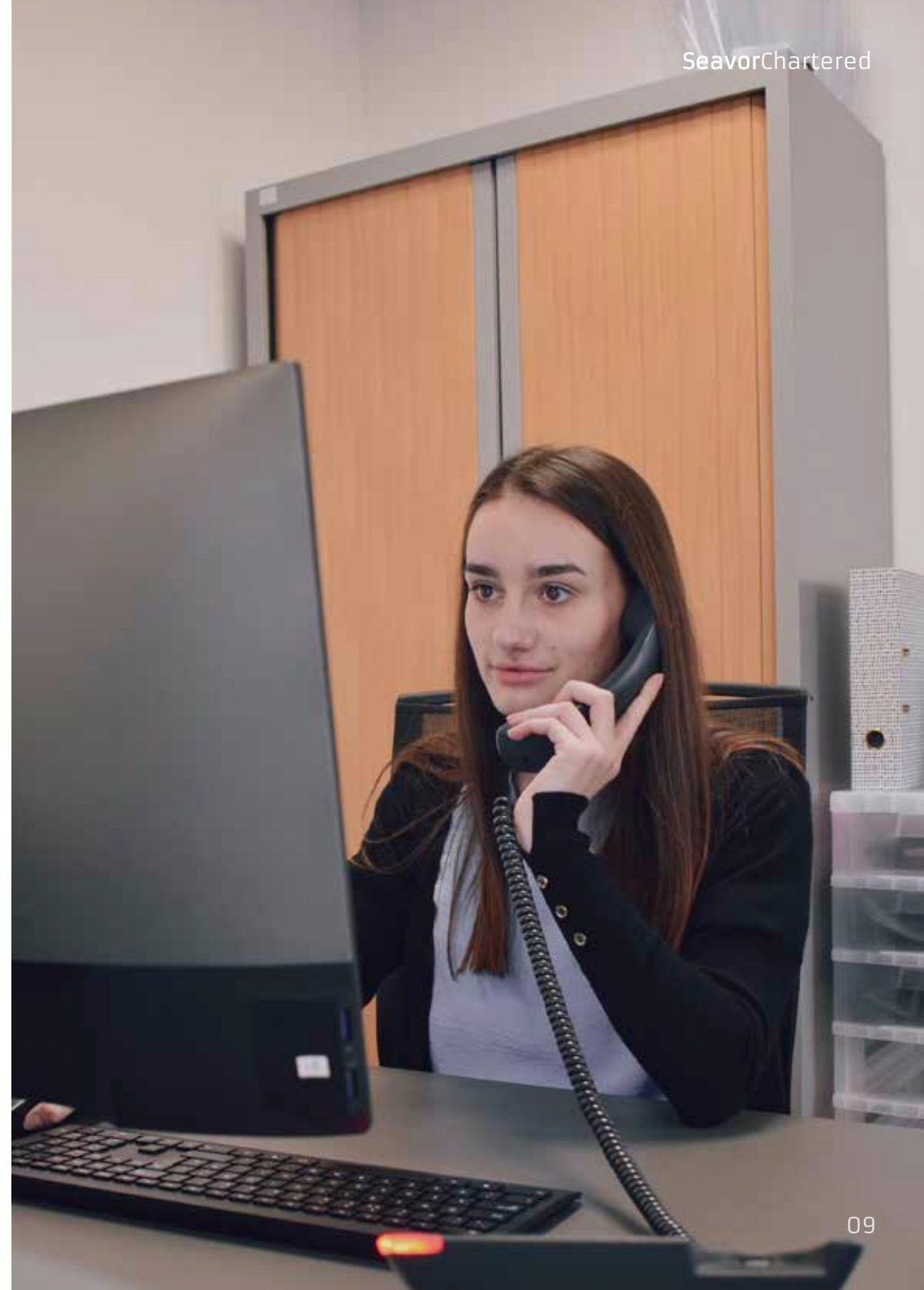
The most common company expenses are:

- Motor expenses
- Business insurance
- Telephone and internet
- Repairs and renewals
- Travel and subsistence
- Bank charges and interest
- Professional fees (Accountancy and Legal etc.)
- Advertising expenses
- Membership and subscription fees
- Company premises costs (Heating, Lighting, Repairs etc.)

When Business Expenses are also Personal Expenses

Sometimes in business, your business expenses can also be a part of your personal expenses especially if your company is based from your home.

Services such as, mobile telephones, broadband and heating and electricity are examples of this. When business and personal expenses cross, we allow a proportion of the expense as company related expenses.



VAT

VAT registration would usually happen once the company exceeds the set taxable turnover threshold of £85,000 (within a 12-month period). Your VAT taxable turnover is the total of everything sold that is not VAT exempt.

However, it may be beneficial to voluntarily register the company prior to exceeding the threshold if you are expecting to exceed within the next 12 months.

SeavorChartered will be able to advise on registering for VAT and the options of becoming VAT registered. We can also prepare your VAT returns, please see our website for more information.

If you are a sole trader or partnership and become a limited company, your VAT number is transferable to the company. SeavorChartered can ensure this transfer is simple and hassle-free.

What is Making Tax Digital (MTD) for VAT?

Making Tax Digital for VAT is now mandatory for all businesses (regardless of turnover).

Making Tax Digital is the preparation and storing of the business VAT records digitally via Accounting Software or Excel Spreadsheets. If using Accounting Software, this allows the VAT Returns to be submitted through the software to HMRC. If VAT records are kept using Spreadsheets, a bridging software must be used to submit the VAT Returns to HMRC.

SeavorChartered can prepare and submit the VAT Returns on your behalf, either using Cloud Accounting Software or Spreadsheets. If you'd like more information on our VAT Services, head to our website or give us a call.



| Taking on an Employee

Taking on employee(s) is a big step for any new business. An employee can boost your businesses' productivity and can even help you offer additional services to your clients or customers.

If your company requires taking on an employee(s), this is when you need to register with HMRC as an employer.

SeavorChartered can do this for you and provide the help and support you need to pay your employee(s) effectively and correctly.

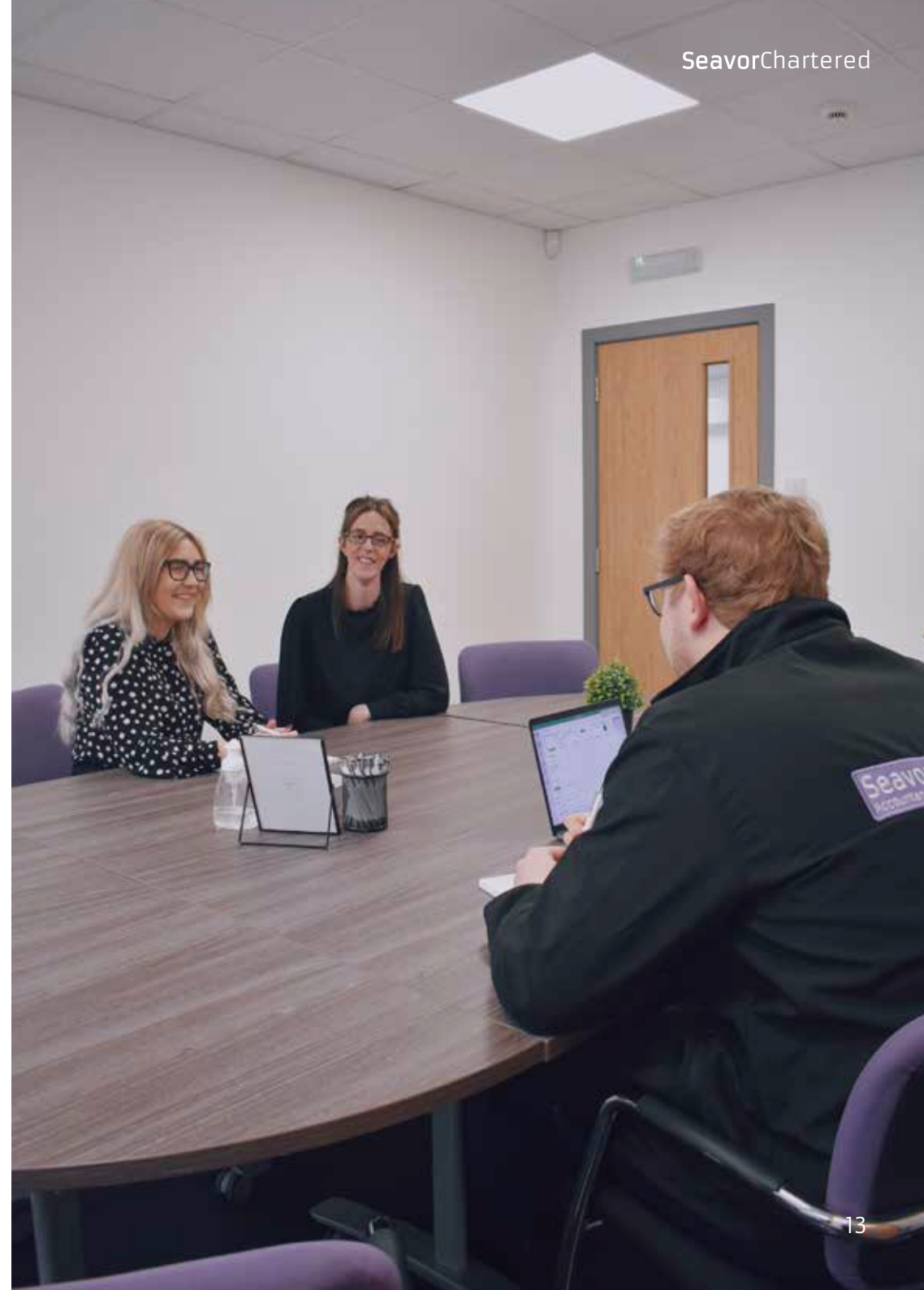
If you are a sole trader or partnership and are becoming a limited company but already have a payroll scheme in place, we are required to cease your current payroll scheme and transition over to a new limited company scheme. SeavorChartered will be able to assist with this at every step of the way.

Payroll schemes tend to run weekly paid or monthly paid and are due to be submitted in real time to HMRC. SeavorChartered can prepare and submit the payroll for you for at an additional charge.

Employer Thoughts

Here are some steps as an employer to think about when preparing to take on an employee:

- Employment Contracts
- Statutory Rights (SMP, SPP, SSP etc.)
- Employer's Liability Insurance
- Rates of Pay



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