



**Guide:
From sole trader to
limited company**

Accountants
Experts for Experts



From sole trader to a limited company

Are you currently, or have you previously, operated as a sole trader? Are you considering setting up your own company? Here's what you should expect from incorporating yourself as a contractor or freelancer.

With a new tax year almost upon us, many sole traders will be reviewing their business structure and considering whether it's worth switching to a limited company.

There's no denying that incorporating a business proved popular in 2017, with Companies House reporting a 7% rise in the number of actively trading companies – bringing the UK total to 1.9 million.

Last year's statistics also showed this trend is no flash in the pan as the number of actively trading companies increased by around 610,000 since 2010.

If you're a sole trader who has weighed up the pros and cons and decided to form a limited company, here's what you need to know to complete the transition.

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Looking to set up your own company? We do this for free for our clients. Contact us on **01707 818162 to get started.**



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Where to start

As a sole trader, there's little distinction between you and your business so it's important to know that moving to a limited company will mean your business becomes its own legal entity.

Before you stop working as a sole trader, you should settle on a unique name for your company (one that is not being used by another company) and on the following details:

- a standard industrial classification of economic activities (SIC) code
- a memorandum of articles and association
- a people with significant control (PSC) register, such as someone who holds a 25% stake in your company or has voting rights.


You will need these details when the time comes to register your organisation with Companies House, and to register for Corporation Tax with HMRC.

Company bank account

If you don't already have a bank account set up in the name of your business, setting one up in the name of your limited company is usually one of the next steps to take.

This will make it easier for you to handle the more complex and often time-consuming accounting processes involved after you've started trading as a limited company.

It would also be wise at this stage to look into hiring an experienced accountant, who can work with you to potentially reduce your tax liabilities further down the line.



We can help you set up your business bank account for free. Get in touch to find out how: **01707 818162.**



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Contact HMRC

You should let the Revenue know at the earliest opportunity that you've stopped, or when you intend to stop, working as a sole trader.

Depending on when you cease working as a sole trader, HMRC will expect you to file a tax return under self-assessment for the rest of the year and possibly the previous year.

You are then obligated to submit tax returns going forward as a director and shareholder by the 31st of January for the previous tax year.

Inform stakeholders

Another thing to consider is that it is standard practice to inform any of your existing stakeholders of your intention to trade as a limited company.

This includes notifying any customers and suppliers, plus anyone you've borrowed from, providers of services, and your employees (if you have any).



Register with Companies House

The next step is to register – either online or through the post – with Companies House. You will need your company name, a company address, and at least one director and shareholder.

You'll also require your business' SIC code, your memorandum of articles and association, and your PSC register. Once you have these details, you pay £12 to register online with Companies House and the process can take up to 24 hours to complete.

Postal registrations can take up to 10 days and cost £40, although a same-day service is available for £100 so long as the application is received before 3pm.

If this sounds confusing - don't worry as Churchill Knight can handle the set up of your business for you as your contractor accountant, for free.

Your company can then begin actively trading once it receives a certificate of incorporation.



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Corporation Tax

You must also register with HMRC to pay Corporation Tax within three months of doing business.

Business in this context includes any buying, selling, advertising, renting a property and employing someone. Be aware you may face a fine if you fail to register within the first three months.

Wherever your limited company is based in the UK, you will pay Corporation Tax at 19% on any profits you make in 2018/19.

That may sound like a large chunk of your income going to the taxman, but the UK rate of Corporation Tax is actually one of the lowest in the developed world – and is set to fall to 17% by 2020.



Registration

You will need your company's 10-digit Unique Taxpayer Reference before you register for Corporation Tax, which will be posted to the company address you submitted to Companies House.

To register with HMRC for Corporation Tax, you will need:

- your company's registration number
- the date you started trading (to determine the start of your accounting period)
- the date your annual accounts are made out to.

You will then receive a deadline for paying Corporation Tax, and it's also wise to be aware you'll need to file a tax return regardless of making a profit or loss.

Registering our clients' companies for Corporation Tax is part and parcel of our accountancy service.

Find out more: www.churchill-knight.co.uk/



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Claimable expenses

You have the ability to claim certain expenses through your limited company to reduce your Corporation Tax bill and maximise your take home pay. These usually have to be expenses that are wholly related to the business you do through your company.

It's also possible to claim back capital allowances on certain items, such as any machinery, equipment or vehicles, which are used by your company or any employees you may have.

Churchill Knight can give you all the information you need to claim any valid expenses you may incur against your company's Corporation Tax bill. You can find further information on claimable limited company expenses [here](#).

Reporting and payments

As a director of a limited company, it is essential for you to maintain accurate records for paying Corporation Tax.

For this reason, and the looming prospect of Making Tax Digital, it's worth considering the use of a contractor accountant that provides an easy-to-use client portal to help you manage your company's finances.

Not only will it help you remain compliant, it will make our job considerably easier to minimise your tax bill.

Make sure you keep all receipts, expenses, sales and purchases, plus up-to-date records of any company assets and liabilities.

These records must be retained for six years after the tax year they related to.

For taxable profits up to £1.5 million, you will pay your Corporation Tax bill nine months and one day after the end of your accounting period. Anything above this threshold and you pay Corporation Tax by instalments.

You must pay Corporation Tax before your deadline to avoid any fines and any interest accruing, and the fastest ways to pay are by either paying online, over the phone or through CHAPS.

Get reliable support
from professionals

Churchill Knight will complete your Company Tax Return (CT600)
and advise you on the amount of Corporation Tax you need to pay.



Limited company accountancy options to suit your needs

Let's discuss your requirements.



01707 818162

Churchill Knight Services	Basic Package	Professional Package	Elite Package
24/7 access to secure, mobile responsive client portal*	✓	✓	✓
Unlimited email support	✓	✓	✓
Assistance with all HMRC correspondence	✓	✓	✓
Assistance with bank account set-up	✓	✓	✓
Preparation of Confirmation Statement	✓	✓	✓
Year-end Accounts	✓	✓	✓
Dedicated Account Manager	✓	✓	✓
Churchill Knight 360 - switch to Umbrella and back for free	✓	✓	✓
Incorporation	One-off fee	✓	✓
Registration for Corporation Tax, PAYE and VAT	Optional extras	✓	✓
Payroll and RTI	Optional £15 p/m	✓	✓
Payroll and RTI - additional employee		✓	✓
Bookkeeping	Optional £35 p/m	✓	✓
Dividend Documentation Support		✓	✓
Quarterly VAT Returns		✓	✓
Issue of Additional Shares		✓	✓
Mortgage and Visa References (non Tier 1)		✓	✓
Unlimited Phone Support		✓	✓
Quarterly Management Accounts			✓
Personal Tax Return			✓
Business Insurance Cover: £1m Professional Indemnity £5m Public Liability £10m Employers Liability			✓
Unlimited IR35 Contract Reviews			✓
Free Financial Services Review			✓



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“ Churchill Knight helped me set up my limited [company] business at the time when I was abroad and on my way back to UK. They helped me to set up my business account as well and all for free... What was very brave decision at the time, with great help and advice from Churchill Knight, became the best one in my professional career. ” - **Daniel M.**

Churchill Knight & Associates Ltd has provided business support and accountancy services to contractors and self-employed professionals all over the UK for 20 years. With specialist contractor accountancy services from Churchill Knight, the transition from sole trader to limited company director is seamless.