



A Business Owners Guide to **Running a Limited Company**



Who are Beansprout?

At Beansprout, we don't just manage your numbers—we help you **grow** with them.

We've supported **hundreds of business** owners who started their ventures driven by passion, a great idea, investment, community, or seeking control over their time. We understand that without clarity in finances, achieving these goals is tough.

Founded by Helen and Kevin and backed by our friendly, experienced team, Beansprout makes accountancy **clear, collaborative, and genuinely useful**. Whether you're starting or scaling, we act as trusted partners, helping you build a stronger financial future.

Through mentoring and coaching, we help you overcome growth challenges, **build financial confidence**, and gain clarity—key for informed decision-making and future planning.



Helen & Kevin | Beansprout Founders

Starting **Your** Business

More and more people are taking the leap into business ownership. For some, it's about increasing their income. For others, it's about finding a better work-life balance or finally turning a long-held dream into reality. Whatever your reason, becoming a business owner has never been more popular.

Starting a business is **exciting** – and, if we're honest, a little daunting too. It can bring huge personal satisfaction, professional pride, and financial rewards. But success rarely happens by chance. The decisions you make at the start will shape your business's future, which is why getting the **right advice early** is so important.

This guide will walk you through the essentials of setting up and running a limited company – helping you understand what's involved, the responsibilities you'll take on, and the **opportunities** it can offer.



Running Your Limited Company – What to Expect

So, you've chosen to run your business as a limited company – congratulations! It's a big step and one that can offer many advantages for your future growth, financial planning, and long-term security.

With this decision comes a mix of **exciting opportunities** and important responsibilities. Here are the key things to keep in mind as you move forward:

- **Access to finance and investment** – As a limited company, you're often more attractive to lenders and investors, which can open doors for expansion and new projects.
- **Tax planning opportunities** – You now have greater flexibility in how you pay yourself, using a combination of salary, dividends, and pension contributions to suit your needs.
- **Director's duties** – As a company director, you have legal obligations under the Companies Act. Staying compliant **protects you from penalties** and ensures the business runs smoothly.

- **Future-proofing your business** – Your company is a separate legal entity, which means it can grow beyond your personal involvement, making it easier to step back or sell in the future.
- **Limited liability** – One of the biggest benefits: your **personal assets** are generally protected if the business encounters financial difficulties.



How to Register Your Company

Now that you've decided to run your business as a limited company, the next step is incorporation – officially **registering your business** with Companies House.

Here's what you'll need to have ready:

- **A company name** – Make sure it's unique and follows Companies House rules. Check that your preferred name isn't already in use and consider securing the matching domain name for your website.
- **A registered office address** – Your company's registered office address is the location where official correspondence is sent. It will appear on your invoices, website, email sign off and stationary. Your registered office **cannot be a PO Box**, and if you don't yet have a trading address you may want to keep your personal residential address out of the public domain. Many business owners choose to use their accountant's address as the registered office and for receiving official correspondence. Another option is to use a **specialist provider** that offers registered office addresses along with mail forwarding services.

Your company name must be unique and follow Companies House rules!



How to Register Your Company

- **At least one director** – That's likely you! You'll also need to provide your home address for the register (this won't be public).
- **Details of company shares** – Decide **how many shares** your company will have and who will own them. Speak to your accountant before making this decision, especially if you are thinking of appointing other shareholders such as a spouse or a partner.
- **Your SIC code** – This "Standard Industrial Classification" code describes your business activity. It's used by Companies House and HMRC for statistical and reporting purposes.
- **People with Significant Control (PSC)** – These are individuals who own or control **more than 25%** of the company's shares or voting rights, or who have the right to appoint or remove most directors. You'll need to provide their details when you register.

- **Memorandum and articles of association** – These are your company's **written rules**. Standard versions are available online, but they may not be right for every set-up – especially if you're the sole director or have a unique share structure. Your adviser can help tailor these to your needs.

Once you have all this information, you can register your company online through the Companies House website or ask your accountant to handle the process for you. Having a **professional** manage the incorporation can save you time, avoid mistakes, and ensure your company is set up in the most tax-efficient way.



Remember!
Good record
keeping is
essential for legal
compliance and
peace of mind!

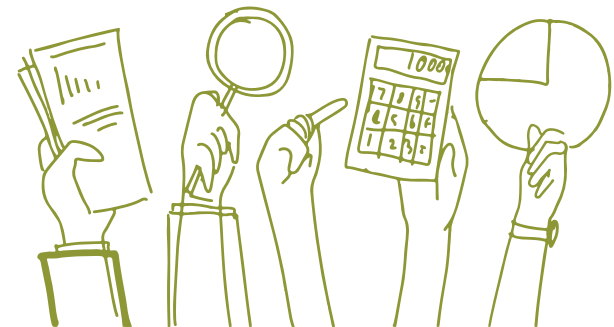
Your Duties as a Director

As the director of a limited company, you're more than just the business owner – you have **legal responsibilities** set out in the Companies Act 2006. These duties are there to make sure your company is run properly, in the best interests of the business, and in line with the law.

Here's what you need to know:

- **Act in the company's best interests** – You must always put the **company first**, even ahead of your own personal interests. For example, if the company owes money to suppliers and to you, you must prioritise paying suppliers.
- **Follow the company's constitution** – This includes the rules in your memorandum and articles of association.
- **Keep accurate records** – Good record-keeping is essential for legal compliance and sound decision-making. Your accounting software can help, but it must be kept **up to date** through regular bookkeeping

- **File statutory accounts on time** – You must file annual accounts with Companies House within **nine months** of your company's year end.
- **Meet tax obligations** – You are responsible for ensuring Corporation Tax returns are filed and paid on time, along with VAT and PAYE if applicable.
- **Avoid wrongful trading** – If your company can't pay its debts, you must not continue trading if there's no reasonable chance of recovery. Continuing could make you personally liable for some debts.
- **Keep personal and company assets separate** – The company is a **separate legal entity**, and its money and property must be kept distinct from your own.



Setting Up Your Business Finances

Once your limited company is incorporated, it's time to get your **financial foundations** in place. This means opening a business bank account, setting up accounting software, and understanding your record-keeping and expense responsibilities.

Open a Business Bank Account

Your limited company is a separate legal entity from you personally, so it must have its own bank account to receive payments and pay expenses.

Open your account as soon as possible after incorporation – ideally before you send your first invoice. Banks are required under **Know Your Customer** (KYC) and **Anti-Money Laundering** (AML) rules to check the identity of directors and shareholders. These checks can be detailed and may take time, so starting early will help avoid delays.

When choosing a bank, consider:

- Integration with your accounting software – this can save time by automating transaction uploads.
- Online banking and app features – for quick, secure account management.
- Charges and fees – compare transaction fees, monthly charges, and extras.



Setting Up Your Business Finances

Choose Your Accounting Software

From day one, keeping **accurate financial records** is vital. Good accounting software will:

- Make bookkeeping faster and more accurate
- Help you stay compliant with tax rules, including Making Tax Digital (MTD)
- Give you real-time financial data to support better decision-making
- Prepare you for growth by streamlining invoicing, expense tracking, and reporting

Keep Proper Records

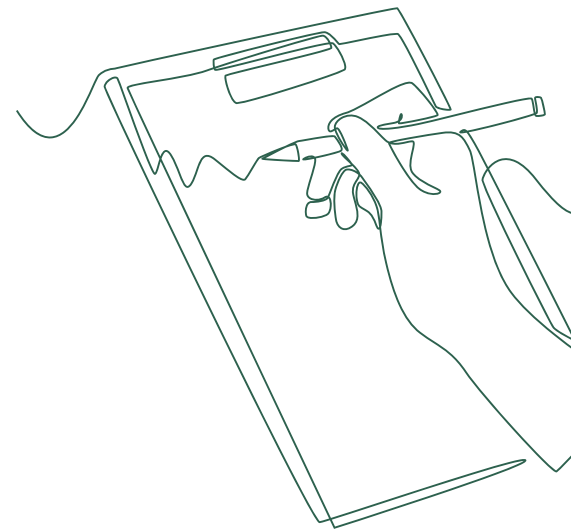
As a company director, you're **legally required** to maintain and retain accurate records of your company's transactions and financial position – even if your company isn't trading.

You must keep:

- Records of company assets (e.g. equipment, vehicles, furniture)
- Details of liabilities
- Records of income and expenditure
- Stock levels at your financial year end

You should also keep supporting documents such as:

- Annual accounts (profit and loss statement and balance sheet)
- Bank statements and paying-in slips
- Timesheets, sales invoices, and credit notes
- Purchase invoices and receipts for expenses



Setting Up Your Business Finances

Understanding Allowable Expenses

You can claim expenses that are wholly, exclusively, and necessarily for the **purposes of your business**. This reduces your company's taxable profit and can save you money.

Examples include:

- Operational costs – utilities, rent, software subscriptions
- Financial costs – bank charges, loan interest, accountancy fees
- Sales and marketing – advertising, websites, promotional materials
- Business purchases – laptops, office furniture, stationery
- Communications – mobile phone contracts (in the company's name), broadband, landlines
- Director and staff costs – travel, accommodation, staff training

Some expenses are more complex (e.g. business use of a personal asset or entertaining clients), so always **check with your accountant**.

We have a separate guide that explains allowable expenses in more detail – download a copy from our website –

www.bean-sprout.co.uk



Corporation Tax

Corporation Tax is charged on your company's profits – this is your sales income minus allowable expenses and salaries, but **before** any dividends are paid.

Current rates (2025/26):

- 19% on profits up to £50,000
- 25% on profits over £250,000
- A sliding “marginal rate” applies between these two thresholds.

(Note: If you own more than one limited company, these thresholds may be **lower**.)

Profits include:

- Trading profits (income from your core business)
- Investment income (e.g. rental income from company-owned property)
- Chargeable capital gains (profit from selling company assets such as vehicles or equipment)



Filing and payment deadlines:

Your Corporation Tax return (CT600) must be filed online with HMRC every year.

Payment is due **within 9 months** of your financial year-end.

You can file the return up to 12 months after your year-end, but don't wait – you'll still need to pay on time.

Setting aside money for Corporation Tax

If you've always had tax deducted directly from your wages, the idea of paying a lump sum once a year can come as a shock.

With Corporation Tax, it's important to **plan ahead** so you're not caught out. The simplest way is to set money aside regularly throughout the year. By reviewing a monthly profit and loss report – and factoring in expected allowances and deductions – we can estimate your upcoming tax bill and advise on how much of your turnover you should reserve. This way, when payment time comes, the money is **ready and waiting**.

Value Added **Tax** (VAT)

VAT is a sales tax charged on most goods and services at a standard rate of **20%**. You must register for VAT if your taxable turnover exceeds £90,000 in any rolling 12-month period, though you can register voluntarily sooner. There are sometimes advantages to doing so.

How VAT works:

Output VAT – VAT you charge on sales.

Input VAT – VAT you pay on purchases, which you can usually reclaim.

Each quarter, you pay HMRC the difference between the VAT you've collected and the VAT you've paid.

Remember!

You must register for VAT if your taxable turnover exceeds £90k in any rolling 12-month period!

VAT schemes:

- Standard Scheme – Report actual sales and purchases.
- Flat Rate Scheme (FRS) – Pay VAT at a fixed percentage based on your industry (simpler admin where your turnover is below £150,000).
- Cash Accounting Scheme – Pay VAT when your customers pay you, rather than when you invoice them – useful for cash flow.

Digital rules: All VAT-registered businesses must follow Making Tax Digital (MTD) rules – keeping digital records and filing VAT returns through HMRC-approved software.



Pay As You Earn (PAYE) & National Insurance Contributions (NICs)



If you take a salary as a director or employ staff, your company must operate PAYE to deduct income tax and NICs from wages at source.

Managing Payroll, RTI, and Auto-Enrolment

Running an accurate, compliant payroll is an important responsibility for any limited company. Even if you have no other employees, as a director taking a salary you are both an employer and an employee – which means payroll **still applies to you**.

For many small businesses, payroll is handled by their accountant as part of their service package, making the process simple and stress-free. Your role is to provide accurate pay details and ensure the company pays any Income Tax, National Insurance Contributions (NICs), and (where applicable) workplace pension contributions on time.

Real Time Information (RTI)

HMRC requires payroll data to be reported in Real Time Information (RTI) – meaning you must report each payment to employees (including yourself) on or before payday. This ensures HMRC has **up-to-date** information on your tax position and avoids large adjustments at year-end.

In practice, your accountant will usually process your payroll each month, send you your payslip, and submit the RTI return online to HMRC. RTI reporting only applies to employment income (salary) – it does not affect dividends or other tax filings.

Pay As You Earn (PAYE) & National Insurance Contributions (NICs)



Workplace Pension Auto-Enrolment

If your company employs qualifying staff, you must enrol them into a workplace pension scheme and make contributions alongside theirs – this is known as **Auto-Enrolment**. You'll also need to choose a pension provider and make payments via your payroll system.

The government's **NEST** scheme offers a simple, free option for small employers, although other providers may suit your circumstances better.

If you are the only director and the only employee of your company, Auto-Enrolment rules do not apply.

Your Obligations as an Employer

If you operate PAYE, you must:

- Run payroll and deduct tax/NIC each pay period
- Issue payslips to employees (including yourself if taking a salary)
- Report pay and deductions to HMRC via RTI on or before each payday
- Submit annual returns to HMRC, including details of expenses and benefits

You can do this using:

- Accounting software with payroll functionality
- A dedicated payroll system
- Your accountant's payroll service

Self-Assessment

As both a director and an employee of your limited company, you need to keep on top of both **company and personal taxation**. Part of this involves completing a Self-Assessment tax return every year. Your accountant can guide you through the process, help you stay compliant, and ensure you never miss a deadline.

What is a Self-Assessment Tax Return?

A Self-Assessment tax return is HMRC's way of calculating how much income tax, dividend tax, National Insurance Contributions (NICs), and (if applicable) capital gains tax you owe on income you receive **outside** of regular PAYE deductions.

For a company director, this often includes:

- Salary and dividends from your company
- Rental income from property you own personally
- Income from investments, savings, or other businesses

Essentially, if tax isn't automatically deducted at source, you'll need to declare it through Self Assessment.



What Your Accountant Needs from You

To complete your return, your accountant will require:

- Details of all personal income from all sources during the tax year
- Evidence of any expenses and reliefs you can claim
- Supporting records kept throughout the year (keeping these organised will save time and stress)

Payments on Account

If your income tax bill is more than **£1,000**, HMRC will usually ask for payments on account – advance payments towards your next year's tax bill. These are based on your previous year's tax liability and are due in two instalments:

- 31 January during the tax year
- 31 July following the end of the tax year

Your accountant can help you plan for these, so they don't come as an unwelcome surprise.

Paying Yourself from Your Limited Company

One of the biggest advantages of running a limited company is the flexibility you have in deciding when and **how to take money out of the business**. Unlike sole traders or employees, you're in control of your remuneration strategy – and with the right approach, you can make it as tax-efficient as possible.

Salary and Dividends

A common strategy for director-shareholders is to take:

- A salary – Often set at or below the personal allowance and NIC thresholds, so **no income tax or employee National Insurance is due** (although a small amount of employer's NIC may still apply). This level will depend on your personal circumstances, so it's important to take professional advice. Paying a salary also reduces the company's taxable profit, which in turn reduces the Corporation Tax bill.

Be Smart!

There are a few different ways to pay yourself efficiently using your own Limited Company!

- Dividends – Paid from profits after Corporation Tax. Dividends are taxed at **lower rates** than salary and do not attract NICs. For 2025/26, there is a £500 tax-free dividend allowance.

Because you decide when to declare dividends, you can time payments to make the best use of personal allowances and tax bands – for example, deferring dividends into a new tax year or accelerating them to make use of unused allowances.

Pension Contributions

Your company can also make employer pension contributions on your behalf. These are usually **tax-free** for you and deductible for the company, making them a powerful tool for both tax planning and retirement savings.



Paying Yourself from Your Limited Company

Strategy in Practise

Let's compare two company owners, each with £70,000 profit in the same year:

1. Paul takes most of the profit as salary.
2. Jane takes a small salary and the rest as dividends.

We have applied the tax rates for 2025/26.

The tax difference between the two is significant, but the best approach for you will depend on your circumstances, other income sources, and your company's Corporation Tax rate. Your accountant can run the numbers to find the most efficient mix for you.

1

High Salary - Paul

Paul takes the profits as salary

Profit: 70,000
Salary: -62,615
Employers NIC: -7,835

Employees NI: 4,771
PAYE: 12,478

Post tax income

Salary after PAYE & NIC: **45,366**

Total tax paid: 24,634

The company has to pay Employers NIC on Paul's salary above £9,100 secondary threshold.

Paul's salary and NIC payments are tax deductible for the company, reducing the corporation tax it needs to pay.

Paul has to pay income tax and employee's NIC on his salary.

His total income after tax is £45,366.

2

High Dividends - Jane

Jane takes a salary of £12,570

Jane takes the rest of the profit as dividend.

Profit: 70,000
Salary: -12,570
Employers NIC: -479

Net profit after salary and NIC: 56,951

Corporation Tax: -11,342
Net profit after tax = dividends: 45,609
Tax on dividends: 5,881

Post tax income

Salary: 12,570
Dividends: 45,609
Less income tax on dividends: -5,881
Total post tax income: **52,298**

Total tax paid: 17,702

Salary is tax deductible and reduces corporation tax. The company pays £11,342 corporation tax.

No income tax or employee NIC due on the salary.

Income tax is due on the dividends, totalling £5,881

Jane's total take home is £52,298, some £7,000 by taking the money as dividends.

Director's Loans

One advantage of being a director-shareholder of a limited company is the flexibility in how you take money from the business. In addition to salary and dividends, you can also take a director's loan – **borrowing** money from the company.

Directors' loans are allowed under company law and are common in owner-managed businesses, but they come with important rules and possible tax consequences. Taking a loan without understanding these can lead to **unexpected tax bills** or even personal financial risk if the business experiences difficulties.

Section 455 Tax

If you borrow money from your company and still owe it at the end of the company's financial year, the loan may trigger a Section 455 tax charge:

- Charged at 33.75% of the outstanding loan balance
- Payable by the company, along with Corporation Tax, nine months after year-end

This tax is a payment on account, meaning it can be reclaimed once the loan is repaid or reduced – but refunds can only be claimed **nine months** after the end of the accounting period in which repayment took place, so can have a significant impact on cashflow.

No S455 tax is due if the loan is fully repaid within nine months of the year-end.



Director's Loans

Benefit in Kind – Interest-Free or Low-Interest Loans

If you borrow more than £10,000 from the company and do not pay interest at HMRC's official rate, the loan is treated as a **taxable** benefit in kind:

- The benefit must be reported on a Form P11D and will be taxable on you personally
- The company must also pay Class 1A National Insurance on the value of the benefit

Personal Liability Risks

Normally, running a business as a limited company protects your personal assets. However, a director's loan changes the picture — you become a **debtor** of the company. If the company faces financial difficulties, creditors can demand the loan be repaid, making you personally liable for the outstanding amount.

Key takeaway: A director's loan can be useful for short-term cash needs, but it must be carefully managed. Always seek advice before borrowing from your company to avoid unexpected tax charges and to protect your personal finances.



FAQs – Common Questions for New Company Directors

Can I give shares to my spouse or partner?

Yes – you can issue shares to anyone over the age of 18. However, HMRC may take a closer look if they believe the main purpose is to **reduce tax**, particularly if the shares were not allocated at the time the company was incorporated.

Before transferring shares, think carefully about:

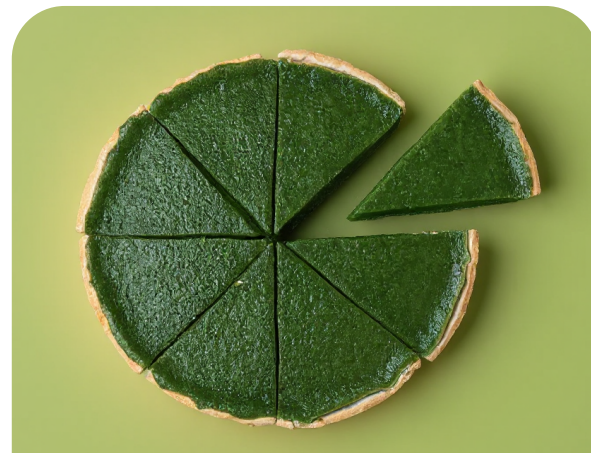
- Their role in the business – Do they generate income, manage clients, or handle essential operational tasks? A clear commercial reason for them holding shares strengthens your position.
- Frequency of changes – Repeatedly transferring shares back and forth can raise red flags with HMRC.
- Timing of dividends – Allocating shares just before a dividend payment may be challenged as tax avoidance.

Your accountant can help you design a share structure that is both commercially sound and efficient, ensuring it works for your business now and in the future.

Do I need different classes of shares?

When you set up your company, you can issue different classes of shares. These can carry different rights – for example, the right to vote at shareholder meetings, receive dividends, or be repaid first if the company closes.

Different share classes are most common when you have multiple investors or **business partners**, particularly if they join the business at different times. Your accountant can help you decide if multiple share classes are right for your situation.



FAQs – Common Questions for New Company Directors

Do I need a shareholders' agreement?

A shareholders' agreement is a private contract between shareholders that outlines how the company will be run, how decisions are made, and what happens if someone leaves.

While it's not a legal requirement, it's **strongly recommended** if you have more than one shareholder, even for married couples. It helps **prevent disputes** and ensures everyone is clear on their rights and responsibilities.

If you work from home, you may also need specific home-working insurance – your standard home policy may not cover business use.

What insurance should my company have?

Insurance protects your business, your team, and yourself from unexpected risks. Consider:

- Professional Indemnity (PI) Insurance – Covers claims of professional negligence or mistakes.
- Public Liability Insurance – Protects against claims from third parties for injury or property damage.
- Business Equipment Insurance – Covers damage or loss of key assets like computers, machinery, or office furniture.
- Employers' Liability Insurance – A legal requirement if you employ anyone.
- Buildings and Vehicle Insurance – Protects your premises and company vehicles.
- Income Protection Insurance – Provides cover if illness stops you working for a long period (often tax-deductible).
- Life Insurance – Replaces the “death in service” benefit you lose when leaving employment, giving financial security to your dependants.



FAQs – Common Questions for New Company Directors

Can I have a company car?

Yes – your limited company can provide you with a car, but it's important to understand the tax implications. A company car is classed as a Benefit in Kind (BIK), which means you'll **pay personal tax** on it, and the company may also have to pay Class 1A NIC.

The tax rate depends on the car's CO₂ emissions, fuel type, and list price. Electric or low-emission vehicles often offer more **favourable** tax treatment.

For more detail and worked examples, see our Company Car Guide available on our website www.bean-sprout.co.uk



Let us handle **the numbers**

Running a business comes with a never-ending to-do list — but your accounts don't need to be one of them. Whether you are a small or medium sized business starting out, growing or scaling – **we've got the numbers covered**. At Beansprout, we take the stress out of financial management, giving you the space to focus on what you love and do best.

Without a clear understanding of the numbers, business becomes harder than it should be. On top of everything you're managing, you may also feel like:

- You fear the numbers
- You have no cash despite making a profit
- You're not sure how to plan and save for your taxes
- You're unclear on what money is coming in and going out
- You're not able to take enough from the business to support your lifestyle

Let's Connect | 01525 306920 | letschat@bean-sprout.co.uk | bean-sprout.co.uk |

If this sounds like you, you don't have to navigate this alone. With the **right financial partner**, you can make empowered decisions that grow your business, take control of your cashflow, and sleep better at night.

Let's Connect

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