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HOW TO SET UP A LIMITED COMPANY IN THE UK

A STEP-BY-STEP GUIDE

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Starting a business is an exciting venture, and one of the first decisions you'll face is choosing the right structure for your company. In the UK, setting up a limited company is a popular option due to the benefits it offers, such as limited liability for shareholders and a more professional image. Here's a comprehensive guide on how to set up a limited company in the UK.

Step 1: Decide on a Company Name

Your company's name is crucial as it represents your brand. When choosing a name:

- Ensure it's unique and not already in use by another company.
- Avoid offensive or sensitive words unless you have special permission.
- Check the name's availability using the Companies House name availability checker.

Step 2: Choose a Company Structure

You'll need to decide on the type of limited company:

- **Private Company Limited by Shares (Ltd):** The most common structure, where shareholders' liability is limited to the amount unpaid on their shares.
- **Private Company Limited by Guarantee:** Typically used by nonprofits, where members' liability is limited to a pre-agreed amount.
- **Public Limited Company (PLC):** Suitable for larger businesses, requiring a minimum share capital of £50,000.

Step 3: Appoint Directors and a Company Secretary

A limited company must have at least one director, who is legally responsible for running the company. The director(s) must be:

- At least 16 years old.
- Not disqualified from being a director.
- Although not mandatory, some companies also appoint a company secretary to handle administrative tasks.

Step 4: Decide on Shareholders and Allocate Shares

The company needs at least one shareholder. As a director, you can also be the sole shareholder. You'll need to:

- Issue at least one share per shareholder.
- Decide on the value of each share.
- Prepare a statement of capital detailing the total number of shares and their value.

Step 5: Create Your Company's Memorandum and Articles of Association

These are essential documents that outline how your company will operate:

- **Memorandum of Association:** A legal statement signed by all initial shareholders agreeing to form the company.
- **Articles of Association:** The rules your company will follow, which can be standard (provided by Companies House) or customized to your needs.

Step 6: Register Your Company with Companies House

You can register your company online or by post. To do this, you'll need:

- The company's name and registered office address.
- Details of directors, shareholders, and share capital.
- The Memorandum and Articles of Association.
- A Standard Industrial Classification (SIC) code that describes your business activity.
- The registration fee is £12 for online applications or £40 by post, and it typically takes 24 hours to register online.

Step 7: Register for Corporation Tax

Within three months of starting your business, you must register for Corporation Tax with HM Revenue and Customs (HMRC). You'll need your company's Unique Taxpayer Reference (UTR), which is sent to your registered office address shortly after incorporation.

Step 8: Comply with Ongoing Responsibilities

After setting up your limited company, you must:

- File annual accounts and a confirmation statement with Companies House.
- Submit a Corporation Tax return to HMRC.
- Keep accurate financial records and register for VAT if your turnover exceeds the threshold.

Setting up a limited company in the UK is a structured process that provides numerous advantages, including limited liability and a professional image. By following these steps, you can establish a solid foundation for your business and ensure compliance with legal requirements. With the right planning and execution, your limited company can thrive in the competitive business landscape.

If you need expert assistance in managing your accounting, consider partnering with Octa Accountants. We offer comprehensive accounting services tailored for sole traders, ensuring your financial records are accurate and up-to-date. Let us handle the numbers so you can focus on growing your business.



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octaaccountants.co.uk



58 Peregrine Road, Hainault,
Ilford, Essex IG6 3SZ, UK



business@octaaccountants.co.uk



+44 033 0001 0872