

Setting up a limited company

The decision to use either a limited company or an umbrella company is discussed in our article [Limited Company or Umbrella - Deciding on a payment structure](#). The topic of [choosing an accountant](#) has also been covered.

This article discusses the practicalities of setting up your own limited company prior to contracting.

Company Formation - The Options

Having made the decision to form your own limited company you will need to arrange for the company to be formed and then deal with the various matters arising following formation.

There are three options to consider:

1. Use an accountant to form your own company.
2. Incorporate the company yourself.
3. Use a [company formation](#) agent.

Using an Accountant to Form Your Own Company

If you are new to contracting and do not have an awareness of company accounts and taxation matters, it is well worth using an accountant to form the company for you. They will be able to offer a full service to get you "up and running" and ready to trade with your company.

If you choose an accountant to deal with your ongoing work they will probably provide you with a formation package which usually consists of the following main aspects:

- o Providing the limited company
- o Applying for a company bank account
- o VAT registration
- o Payroll registration
- o Corporation tax registration
- o Other minor formalities.

They will also:

- o Set you up with a simple accounting system like a spreadsheet
- o Explain your responsibilities as a company director
- o Establish the amount of your salary
- o Help determine and agree your IR35 status
- o Establish shareholding structure
- o Deal with other minor issues following formation.

Expect to pay between £150 and £250 for this complete service, depending on what is included in the package. Some accountants market a "free" service but their costs are usually included elsewhere. Accountants rarely work for free!

Incorporating the Company Yourself

If you intend to deal with the accountancy matters yourself, you could incorporate the company yourself for as little as £20, by approaching Companies House directly. Their website can be found on www.companies-house.gov.uk.

Using Company Formation Agents

As an alternative to approaching Companies House directly, you could go to a [company formation](#) agent. These firms are not accountants and will simply supply you with either an "off the shelf" company or a "tailor made" company, where you can choose the name.

Company formation agents will only supply you with a limited company package, including the Certificate of Incorporation, Memorandum & Articles of Association and certain other Companies House forms.

They will usually not offer the full package of getting you into a position of being able to trade, including making sure that you fully understand your ongoing responsibilities as a company director (as a firm of accountants would do).

[Formation agents](#) typically charge from £45 for the service and the product supplied actually varies very little between the cheapest and most expensive.

Matters Arising on Formation



A list of points to consider when you form your company is as follows:

1. Appointment of Director
2. Appointment of Secretary
3. Accounting reference date for the company
4. Registered office address
5. Opening of company bank account
6. VAT application
7. Payroll scheme application
8. Corporation tax reference application
9. Accounting system set up (a simple excel spreadsheet should suffice for a one person company)
10. IR35 status of your contract
11. Shareholding structure
12. Salary levels
13. Expenses to be claimed

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David Colom
Principal
D J Colom & Co Chartered Accountants

David Colom qualified as a Chartered Accountant in the City of London in 1981 and is the founder and principal of D J Colom & Co Chartered Accountants established in 1989.

Started specialising in serving IT contractors in 1993 and is now one of the longest standing suppliers of accountancy services to computer contractors. [Read Full Profile...](#)

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