

## A contractors legal obligations as a company director

After setting up a limited company for contracting purposes, it is necessary to appoint at least one director and one secretary. As the beneficial owner/shareholder and principle employee of the company, it is appropriate for you to be the sole company director.

This article discusses your legal obligations as a company director.

### Director's responsibilities

It is your responsibility to manage the company in accordance with the Articles of Association and company law.

Your main personal responsibility is to ensure that statutory documents are delivered to the Registrar of Companies as and when required by the Companies Act. In particular, you are required to file:

- o Accounts
- o Annual Returns (form 363)
- o Notice of change of directors' and secretary or in their particulars (e.g. change of address)
- o Notice of change of the company Registered Office (form 287)

### What happens if accounts or annual returns are not filed?

As the company's director, you could be prosecuted personally.

Failure to deliver documents on time is a criminal offence. On conviction, a director could end up with a criminal record and a fine of up to £5,000 for each offence.

Approximately 1,000 directors are prosecuted each year for failing to deliver accounts and returns to the Registrar on time. Persistent failure to deliver statutory documents on time may also lead to the director being disqualified from taking part in the management of a company for a specified period.

### What happens if accounts are delivered late?

Since you are the director of a Private Limited Company, you will normally have a maximum of ten months from the accounting reference date in which to deliver your company's accounts to the Registrar of Companies.

If you file the accounts late, then the minimum fine is £100, which rises up to a maximum of £1,000 if the accounts are more than one year late.

### Corporation tax matters

In addition to filing the annual accounts with Companies House, you must also file them with HMRC (Corporation Tax Inspector), together with a corporation tax return (form CT600) and a corporation tax computation.

The corporation tax and forms must be filed within nine months of the company's year end date, following which a penalty of £100 is payable and interest may be charged on overdue tax.

### Payroll matters

As company director, it is your responsibility to fully comply with all payroll regulations, including IR35 issues.

Including filing of the Employers Annual Return (form P35), form P60, P14, P11D, P11D(b) and an IR35 calculation where appropriate.

You are required to make PAYE and National Insurance payments in due time throughout the year by the due dates.

### Isn't my accountant supposed to be doing all of this?

Your accountants' responsibilities depend on the agreement you have with them and they are of course ethically bound to carry out all duties and responsibilities for which they are instructed and paid.

It is however, your personal responsibility to ensure that the accounts and other statutory documents, etc. are done as required by law and by the due dates.

This responsibility rests with you as the director of the company and you will need to ensure that your accountants have all of the necessary information to prepare your accounts, payroll affairs, etc. If necessary, you may need to chase them – don't just assume that they are getting on with the job.



## How can I avoid all of these responsibilities?

The most common and easiest way for a contractor to avoid all of the above responsibilities is to use the services of an umbrella company.

With that system, you will almost certainly not be a company director and it will be the responsibility of the umbrella company and its directors to ensure that all director responsibilities are carried out.

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