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Making your contracting limited company dormant

Introduction

You might decide to take a break from contracting, or perhaps use an umbrella solution for a while. One option would be closing down your limited company which can be costly and time consuming.

If you believe you will need the company in the future then it might be better to make the company dormant for a while. This article describes what is involved.

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Started specialising in serving IT contractors in 1993 and is now one of the longest standing suoppliers of accountancy services to computer contractors. **Read Full Profile...**

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Matters Leading up to dormant company status

Preparing final trading accounts

- Use the company's usual accounting reference date.
- Companies House expects accounts made up to the usual financial year end, regardless of the date that the company actually ceased trading within the year.

Pay final Corporation Tax

- File final trading accounts with the corporation tax inspector
- Provide final corporation tax return (form CT600) with computation.
- Following agreement and settlement of the final corporation tax assessment, advise the corporation tax inspector that the company is now dormant.

Close payroll

- Close the payroll scheme by notifying the Inspector that trading has now ceased and there are no employees.
- The Inspector of Taxes dealing with the payroll affairs will then issue a final form P35 for the current tax year ended on the following 5 April. This form should be completed without delay and filed together with any associated P14's, P11D, etc.

Close bank accounts

- All interest bearing bank accounts should be closed
- It may be desirable to close any non interest bearing current accounts, in order to avoid bank correspondence/statements being issued.

Terminate accountant services

- Advise your company accountant and let any other professional acting for company know that any ongoing services/agreements are to be terminated while the company is dormant.

Matters Arising During Dormant Company Period

Companies House

- Even though the company is dormant, an Annual Return must be filed at Companies House together with the £15 fee.
- Complete a dormant Companies House form (DCA), made up to the usual accounting reference date.

Registered Address

- The company will need to maintain a registered office address, which can be either your home address or your accountant's office address.
- Companies House will need to be advised if there are any changes in the company director or secretary's circumstances, by filing the appropriate change of director/secretary form (form 288C), which can be downloaded from the Companies House website.

Cease Trading

- It is important to ensure that the company does not undertake even a single trading transaction, including receipt of bank interest or revenue generating transaction.
- Any such transactions occurring would require full trading accounts to be filed and the corporation tax return made to HMRC.

Published: Monday, April 03, 2006

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