

## Running your limited company - a contractors guide

Having [chosen an accountant](#) and [set up your limited company](#) you will now need to consider the on going requirements and obligations to run your company. Whilst you will have chosen a specialised accountant to assist and guide you through the various matters that arise you will need to consider the following:

### 1. IR35

[IR35](#) is a fundamental issue which you will need to consider at the very start of your contracting career and every time you accept a contract.

You will need to familiarise yourself with the requirements of IR35 and decide whether or not you will choose to work within it.

You may need to seek specialist legal advice for the various contracts you undertake in order to ensure that your decision is valid and will stand up to scrutiny on an IR35 inspection.

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David Colom

### 2. Invoicing your agent

You will need to invoice your agent each week or month together with an approved timesheet. You will need to ensure it is forwarded to them within their prescribed deadline to avoid delays in payment.

### 3. Recording transactions

You will need a system in place to record all the the company transactions: Payments, Invoices, Expenses. A simple spreadsheet will suffice although the method used will usually be determined by the accountant you select.

Some accountants have a recommended software package, while others will recommend a simple spreadsheet which you will keep yourself and forward to them once a year, when they prepare your accounts.

### 4. Payroll matters

As company director you normally take a salary from the company whether or not you are working under IR35. You will need to arrange for payslips to be prepared and ensure that the necessary taxes are paid over in due time.

Most accountants include a full payroll service as part of their package to contractors, which will avoid the need for you to be involved in the detailed calculations.

Following the end of the tax year, it will also be necessary to file an employers annual return (form P35), together with forms P14, P60 and P11D if you have taken any expenses or benefits in kind from the company during the year. Your accountant would normally deal with these so that your involvement is simply approving the documents before they are submitted to HMRC.

### 5. Dividend planning

If you are working outside the scope of IR35 then the bulk of your income from the company will be taken by way of dividends. It is vital that the necessary documents (board minutes and dividend counterfoils) are prepared at the time you take each dividend.

Profound problems can arise if the necessary procedures are not adhered to in this area. In addition you will need to ensure that your dividend drawings are not in excess of the company's profits after corporation tax. Your accountant will be able to advise on a sensible amount to withdraw.

### 6. Accounts

The company will need to submit accounts to the Inspector of Taxes and Companies House once per year. Penalties arise for late filing and it is important that you ensure that the documents are prepared in due time. Your accountant will normally prepare these for you which you then approve for forwarding.

### 7. Company secretarial matters

Companies House will issue a company annual return once every year which you will need to complete and forward to Companies House, together with their annual fee of £15. Various other forms will have to be submitted to Companies House if the circumstances of the directors or company change, e.g. you move home, change company secretary, etc.

### 8. Personal tax return



As a company director it will usually be necessary for you to file a personal tax return under self-assessment. Your accountant can prepare this for you, although bear in mind that this can be a hidden cost depending on which account you choose.

## 9. VAT return

If your company revenue is more than VAT registration threshold (£70,000 in 2010) then you will be required to register your company for VAT. You then add an extra 17.5% to you invoices. You can also claim the VAT back against purchases you make that incur VAT. Every three months you must complete a VAT return and send a cheque to HMRC for the balance of VAT left over after purchases.

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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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