

Opening a company bank account

Introduction

If you are using a Limited Company payment structure then you will need to set up a company bank account. Company money needs to be traceable throughout every stage of the transaction and clearly separated from your own personal finances.

This article explains the various options, and issues to consider.

Banking Activity

The types of activity going through your account will be:

Receiving money from clients or agents for your work.

Paying your own salary.

Paying dividends.

Paying monthly NI and PAYE taxes, and annual Corporation Tax.

Claiming for personal expenses incurred.

Direct debits for items like a mobile phone or internet connection.

Quarterly VAT payments (if you are registered) - probably via cheque.

Choosing a bank account

Most high street banks offer business banking. There is no such thing as a special 'contractors bank account' despite what marketing advertisements might tell you.

Some aspects to consider when choosing a provider are:

On line: Making payments on line saves the hassle of writing and posting cheques, or using telephone banking. Access to real time statements are extremely useful, particularly when reconciling items for your quarterly VAT return. Be sure to check if there are any hidden fees for using Internet banking.

Charges or Interest: All banks for small business are required by law to either offer interest rates on the account or free banking. Given the small number of transactions and the fact that you will always have money in the account the interest rate option might be better. Bear in mind that you will have tax money saved in the account which is not due until 9 months after your year end. Some banks also offer a high interest business account in addition to a standard business account

Credit card: A company credit card can be handy for keeping all company credit card purchases in one place. If the bank does not provide one though you can always use a dedicated personal one, and then claim expenses at a later date.

Interest: Some accounts pay interest on balances.

Current Bank: If your current bank has an online facility then it can be low hassle approaching them to set up a business bank account. That is if you don't mind your current bank knowing about your future contracting career.

When you set up the account you will need to provide your Certificate of Incorporation. Most banks are familiar with the concept of contractors, so will not expect to see business plans.

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