

Contractor limited company directors' roles and responsibilities

Directors of **contractor limited companies** have a range of roles and responsibilities, which they must discharge in accordance with their firm's Articles of Association, the requirements of UK company law and other legislation.

Failure to do so can result in serious sanctions. But contractors who are thorough, organised and use the professional assistance offered by their accountants and other specialists should have no problems complying with the law.

In practice, many contractor limited companies only have one sole company director and a company secretary. Typically, the company director is the fee-earning contractor, although this is not always the case as some contractors' partners or spouses take on the role.

UK company law had a significant upgrade with the introduction of the **Companies Act 2006**. These changes were rolled out over three years, and contractor directors should familiarise themselves with the legislation. Contractors should also ensure that their professional advisers are working to up-to-date provisions, too, as it is the directors who are responsible if things go wrong, not their advisers.

Statutory documents

The key responsibility of a contractor limited company director is to ensure all statutory documents are delivered to the Registrar of Companies, at **Companies House**, on time and with the right information, as required by the Companies Act.

The most important statutory documents include:

Company accounts

Annual Returns – otherwise known as form 363

Formal notices of a change in any of the company officers, such as directors or the company secretary. This also includes changes in company officer 'particulars', such as their home address.

Notice of a change in the company's Registered Office address – also known as form 287.

Although they may not appear hugely important, if a contractor who is a director of their contracting limited company does not deliver these documents on time and in the correct format, they could be prosecuted under the Companies Act. They might also fall foul of other legislation, such as tax laws, and in a worst-case scenario could even receive a criminal conviction and a significant fine, not to mention disqualification from being a company director.

Accountants' duties

It is dangerous for contractors to assume that it is their accountant's responsibility to ensure that all their company paperwork is filed correctly and on time. Although it depends on the exact nature of a contractor's agreement with their accountant, this is not strictly true.

Accountants are, in theory, ethically bound to carry out the duties and responsibilities for which they have been instructed by their contractor client, and in fact the overwhelming majority do so, and do their jobs very well.

However, it is still the contractor company director who is personally responsible to ensure their accounts and other statutory documents are filed correctly and on time. Plus, the contractor company director must supply the information their accountant needs in a timely fashion, so the paperwork can be completed.

Contractors should also note that their accountants are bound by law to report their own clients if they suspect them of supplying false information or of being involved in tax evasion. Not surprisingly, this has put many accountants in a difficult position, and contractors should not be surprised to find all sorts of waivers and warranties in their accountant's agreement.

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Company accounts

Contractor limited companies have 10 months from the end of the last financial year, also known as the accounting reference date, before they have to file their company accounts with Companies House.

In practice, most contractors file these accounts well before the 10-month deadline, but they must ensure that their accountant has all the information required for the accounts to be prepared, checked and signed by the contractor company director, and filed with Companies House.

Accountants will normally produce a full set of accounts used for taxation purposes and the contractor's records, plus an abbreviated set comprising of a

directors' report, a modified balance sheet and notes to the accounts for filing with Companies House.

Late filing of company accounts incurs an automatic £100 fine, which can rise to £1,000 if the accounts are more than a year late. Plus, of course, late filing is like waving a red flag and shouting to the taxman, "Investigate me, investigate me!"

Corporation tax and payroll

A key responsibility of every contractor limited company director is to ensure that all paperwork pertaining to the tax affairs of the company are accurately prepared and submitted on time. This covers areas like corporation tax, income tax and National Insurance Contributions.

The tax affairs of the company are typically handled by a different tax office to those of the company's employees. In practice, a contractor's accountant will manage this process, but the contractor should be aware of what is going on, as they may need to send payments to different tax offices.

Contractors must file their corporation tax return, form CT600, together with accounts and a corporation tax calculation within nine months of the end of the financial year.

Employee tax affairs like payroll tend to be an all-year-round affair, and include filing forms P35 Employers Annual Return, P60, P14, P11D, P11d (b), and IR35 calculation, if required, plus PAYE and NIC payments throughout the year. It is usually best for contractor company directors to pay for an accountancy service that covers all these processes, but it is still their personal responsibility to ensure it all happens accurately and on time.

Also, if the contractor's limited company is registered for **VAT**, the company director is responsible for filing of VAT returns and VAT payments accurately and on time.

Other directors' responsibilities

Technically, contractor directors are responsible for a number of other areas covered by the Companies Act and other legislation, and these include:

Acting in good faith and in a way most likely to promote the success of the business

Exercise a degree of skill and care in the running of the company

Ensuring the company is compliant with employment law

Completing risk assessments and a health and safety policy

Being responsible for the actions of company employees

Abiding by data protection legislation.

The vast majority of contractors will automatically abide by these requirements by being good business managers of their own contracting business, or because they do not employ anyone apart from themselves. However, it is important to be aware of these additional responsibilities.

Directors' liability insurance

There are a number of tax **insurance products** on the market that are designed to pay for professional assistance for directors needing help in the event of, for example, tax investigations.

Most of these insurance packages are designed for company directors of larger businesses that face higher risks than contractor limited companies. Contractors with **professional indemnity** and **public liability insurance** will already be covered for many of the risks they are likely to encounter, but should consult an appropriately qualified insurance broker if they want to consider specialised company director policies.

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