

## Moving from a limited company to an umbrella: reasons and practicalities.

### Introduction

This article discusses the reasons why you might decide to change your working arrangements from a [limited company](#) structure to an [umbrella company](#) solution. It also discusses the practicalities of moving. Another article discusses the differences between the two arrangements and offer advices on how to [decide on a payment structure](#).

### Reasons for Moving from a Limited Company to an Umbrella

There are many potential reasons why you would wish to move your contract/working arrangements from your own limited company to an umbrella management company:

#### Hassle Factor

You are fed up with:

the responsibility and hassle factor of being a director of your own limited company.

the 'novelty' of keeping a spreadsheet/accounting system.

responding to endless communications from accountants/HMRC/Companies House etc.

invoicing the agent

running a company bank account

arranging for all documents/returns to be filed in good time to avoid late filing penalties

#### Existing Legal, Accounting or Taxation Problems

Your existing limited company may be encountering legal/accounting/taxation problems and you may not wish to place a new contract within that company.

#### IR35 Issues

All your contract are caught by [IR35](#), and [running a limited company](#) is not tax efficient compared to using a simple [PAYE Umbrella](#).

#### Self Containment

An umbrella company may be ideal for short term situations or to keep the income/expenses of a particular contract 'self contained outside of the usual company arrangement.

#### Overseas Contracts

You may wish to accept a contract outside of the UK, which may involve offshore arrangements, which can be placed through a specialist offshore umbrella company.

#### Personal Issues

There may be personal reasons why a new contract is kept outside of the existing limited company, for example:

Matrimonial issues

Agency contractual commitments

Differing profit sharing arrangements between contracts. For example where the existing limited company is owned by more than one shareholder but a new short term contract is to be entirely for the benefit of one contractor only

### Practicalities

Whatever the reason for transferring from your own limited company to an umbrella company, you will need to consider the formal process of [closing down the company](#) or alternatively, arranging to keep it on a [dormant company](#) basis.

## Closing the Company down

If you decide to [close the company down](#), you will need to advise Companies House who will then commence their dissolution procedure, which takes between three and six months. You will also need to advise HMRC that the company payroll and corporation tax schemes should be closed and also be deregistered for VAT.

## Keeping the Company Dormant

If you would like to keep the company in existence but on a [dormant company](#) basis, then you will need to prepare trading accounts up to the usual accounting date and then from the start of the new dormant accounting period, ensure that you do not carry out any trading transactions whatsoever. No specific notification is required to Companies House if the company is dormant but you will need to advise HMRC of the new circumstances.

## Choosing an Umbrella Company



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Whether you close the company down or it remain dormant you will need to [choose an umbrella company](#) and then run through the relative minor practicalities of [joining an umbrella scheme](#).

Your accountant will be able to advise on the relative pros and cons of each option, which will vary depending upon your own personal circumstances and those of the limited company.

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