

Setting up a limited company – the basics

There could be a number of reasons why you've made the decision to set up a limited company. For most, setting up as a limited company is an attractive option as it ensures that your personal assets are completely distinct from company finances. This is vastly different from sole traders, who are personally liable for their business actions.

Whatever your motivation, you need to ensure that you strictly adhere to the Companies Act when setting up your limited company. This is the central framework in which companies with limited liability must work.

Our basics guide will help you do this, offering you a useful insight into how to correctly incorporate a limited company, from choosing your company name to filing important legal documents.

Setting up a limited company – deciding on a company name

Before you can supply Companies House with any incorporation paperwork, you need to check that your business name is available for use.

Selecting a name for your company can be harder than you might think. Depending on your industry type and other such factors, you may have to drop a number of names before you find one that you're really happy with and that isn't already taken.

There are a few other rules that you need to bear in mind when choosing your name:

- It seems obvious but your company name should include limited, Ltd, public limited company or plc. This should always be at the end of the name.
- The name should not be offensive.
- The name should not include any sensitive words or expressions unless you have obtained special permission to use them.

To check whether your name is already in use, you can phone Companies House direct on 0303 1234 500, or by using their useful [WebCHECK](#) service. You will need to check your chosen name on both the 'Current and Recently Dissolved' register and the 'Proposed Names' register.



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Setting up a limited company – Incorporating a limited company

There are three key documents that you need to file in order to incorporate a limited company. It is quite common for company directors to employ an intermediary to complete these on their behalf, but this is not actually a legal requirement. The documents are:

Form IN01

On this form, you need to state your intended Registered Office location (must be in the UK), details of the consenting Secretary and Director(s), subscribers, and details of the share capital if the company is limited by shares.

Memorandum of Association

This contains the names and signatures of subscribers wishing to form the company. Also, if the company is limited by shares, you will need to obtain a commitment by subscribers to take at least one share each.

Articles of Association

This contains the rules for the management affairs of your company. The Articles of Association (often referred to as just ‘articles’) looks at meeting procedures, shareholder rights, how dividends are paid, and similar items.

Setting up a limited company – Your obligations

After you have completed the initial set up of your limited company, there are a set of requirements that need to be followed on a regular basis. This is an overview of some of the obligations you’ll need to fulfil as a limited company:

- **Any person employed by the company must pay income tax and national insurance.**
- **Annual accounts must be filed with Companies House.** Your Annual Reference Date (ARD) is put at the end of the month in which you set up your limited company. Typically, you are required to submit your accounts within 9 months of this date.
- **An annual return must be filed with Companies House.** This gives a snapshot of key information such as your registered office, company directors, the company secretary, the share capital etc.
- **An annual HMRC corporation tax return must be completed within 9 months of the company year end every year.** This is a tax on the taxable profits of your limited company. If your



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company is UK-based, you will have to pay Corporation Tax on all your taxable profits, regardless of whether these were generated from outside of the United Kingdom.

Setting up a limited company – Business insurance

After you have set up your limited company, you need to make sure that you carry the correct business insurance.

Legal payouts can often run into thousands of pounds, and it is important that your business is adequately prepared for such an eventuality. A recent survey from AXA highlighted the danger that businesses without the relevant insurance could be putting themselves in, with nearly 50% holding less than £10,000 in spare funds.

There are generally three core types of business insurance – public liability insurance, employers' liability insurance, and professional indemnity insurance. These may vary depending on the exact nature of your business.

Public liability insurance

As a general rule, if you own a business that comes into regular contact with clients or customers, you should probably consider taking out public liability insurance. This type of insurance covers you against compensation claims awarded to members of the public should your business operations injure them or damage their property.

Employers' liability insurance

Further to public liability, it is likely your business will need employers' liability insurance. Employers' liability insurance is a legal requirement for any business in the UK that has employees. It protects you against any claims issued against your business by employees that have allegedly suffered injury, illness or any other hardship while working for you.

Professional indemnity insurance (also known as PI insurance)

Professional indemnity insurance differs from liability insurance in that it covers those who provide advice, design work or other types of professional services. Architects, accountants, engineers, and publishers are just a few examples of the types of professions that may need this type of insurance. As well as insuring against claims of professional error, omissions or neglect, it can cover the legal fees involved with defending a claim.

Where do I buy it?

It is important that you get the policy that is right for you. Whatever your business, it is important that you find an insurance provider that is able to understand your precise requirements and can offer flexible levels of cover so you're not paying over the odds.



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