boox guides

Guide to your Company Director responsibilities

See what **you'll** have to do when you choose to run your **own business**.

boox

people • advice • technology

ICAEW CHARTERED ACCOUNTANTS

Contents

Foreword

Hello and welcome to our guide to the obligations of a Limited Company Director.

This guide will provide you with the information on what you have to do if you operate a Limited Company.

Setting up and running a Limited Company is a very big decision that can't be taken lightly, but it can be a very rewarding path to go down.

When you become the Director of a Limited Company, there are rules and regulations you have to follow. The good thing is that as your accountant, we make things A LOT easier for you and help you get it right. So there's no need to be afraid by the complexities involved with what we cover in this guide.

Thanks for reading,

The Boox Team

Introduction

As a Director of a Limited Company you have a number of legal obligations which you are required to take into account when you start your business.

In this guide we will be focusing on the obligations Directors have to two of the main UK authorities: Companies House and HMRC.

The guide will outline the information you need to understand exactly what is expected of you when it comes to the legal responsibilities and tax legislation of these two authorities.

Who are Companies House & HMRC?

While most people will have already heard of HMRC, Companies House is responsible for incorporating and dissolving Limited Companies. It also manages the information it collects from all UK registered businesses, and makes it publicly available.

HMRC is the UK's tax and customs authority which administrates and collects your personal tax. They also collect company VAT, PAYE, National Insurance Contributions, Corporation tax and other relevant taxes.

An introduction to Limited Companies

A Limited Company is a legal entity that can be set up quickly and easily (there are a few restrictions to who can set up a Limited Company and who can become a Director). However, setting up a Limited Company and becoming a Company Director brings a certain level of responsibility.

The Directors of the company may, or may not, also be the shareholders. The Directors are the people who are responsible for running the company and ensuring it meets all of its obligations.

The shareholders of a company are the people who own it.

Once the appropriate tax has been paid, the profits can be shared among the shareholders by way of dividends. The shareholders may be liable for personal tax on the dividend income.

Introduction continued...

What is a Limited Company Director?

While every Limited Company has shareholders, the Director is responsible for running the company and doesn't necessarily have to own shares.

You can become a company Director if you are 16 or over, unless you are an undischarged bankrupt, or have been disqualified from being a Director.

As a Director, you are responsible for making sure that the Company meets its numerous legal duties.

In certain circumstances, the directors are specifically liable for a breach, for instance if the company fails to keep accounting records, every Director can be liable for a fine, imprisonment or both.

There are numerous circumstances where a director could be personally liable. By way of illustration only:

› A Director may be liable for the company's failure to make filings at Companies House

› Under the Insolvency Act, a Director may be personally liable for wrongful or fraudulent trading if the company becomes insolvent.

› Under the Health and Safety at Work Act, a breach may result in criminal sanctions as a Director.

Can a Director be relieved of liability?

A Director cannot be exempted from any liability in connection with any negligence, default, breach of duty or breach of trust.

It is possible to purchase Directors and Officers insurance for directors, but this does not remove their obligations.

General obligations

From The Companies Act 2006, legally as a Director you must try to make the company a success, while making decisions which will benefit the company rather than you personally.

All contracts must be made with the company rather than the individual and you must follow the rules shown in the Articles of Association, which are the rules you all agree to about how the company will run.

You must keep records and report changes. You must file your accounts and Company Tax return. You must pay Corporation Tax.

You must also inform shareholders if you may benefit from a transaction personally.

Chapter One:

Your obligations to Companies House

Companies House incorporates and dissolves Limited Companies. It administers all aspects of the company register and manages the information, making certain information available to the public.

When you decide to start a Limited Company it is Companies House with whom you need to register the company. Your obligations as a Company Director include submitting your annual return, accounts and informing Companies House of any changes to your company.

Confirmation Statement

As a Limited Company Director, you are obliged to submit a compliance statement, which can either be mailed or completed online. Companies House charges £40 for paper submission or £13 for online.

The Confirmation Statement is a legal requirement and once you have filled it, it gives Companies House confirmation of the information about the Limited Company. This includes details of the Directors, the company's registered office address, service (correspondence) address, details about the shareholders. If you have a company secretary, this information will also be required as part of the Confirmation Statement.

The date on which your annual return is due is typically the annual anniversary of the company's creation. You will then have 14 days after in which you can send the form without being penalised, so it's best to ensure that you always note the date in your diary for future reference or register with Companies House for reminders.

If you do not submit your Confirmation Statement, your company may be struck off the Register of Companies, which could be a costly sum to resolve, and any assets of the company may be claimed by the Crown.

Accounts

As a Limited Company Director, as well as your Confirmation Statement, you are obliged to submit annual accounts to Companies House, which are made available for public inspection.

The accounts must be an accurate and fair insight into the finances and should 'report on the performance and activities of the company during its financial year'. It is very important that all companies keep records of their accounts regardless of whether or not they are actually trading.

The annual accounts record must include information about the sales, running costs and profit or loss, (although the level of disclosure will depend on the company's size) as well as a record of the assets and the liabilities of the company.

Unless filing the accounts for the first time, the time allowed for submission is either nine months from the accounting reference date (ARD), which tends to be at the end of the company's financial year and the anniversary of it for a private company, or six months from the ARD for a public company.

Boox tip

If you are concerned that you might accidentally miss some information, or not send your Confirmation Statement in on time, we can make sure you avoid such issues by reminding you that your Confirmation Statement is due. Then, once you have confirmed the details, we'll ensure that it is correctly filled in and delivered on time.

Chapter One: continued...

For a new company, the first ARD (accounting reference date) is the last day in the month in which the company's first anniversary falls, with all subsequent ARDs falling on the same date each following year. It is possible to change the ARD, but there are restrictions in doing so.

The Directors of the company are obliged to prepare the accounts for each financial year. The complexity of the accounts varies depending on the company's size. The accounts for the members (and HMRC) will include a balance sheet, profit and loss account, and related notes.

Larger companies may require an audit report, and groups of companies may require consolidated accounts.

You should also include a Directors' report with a business review if the company doesn't qualify as small.

Small companies can submit filleted accounts to Companies House which restricts the information available to the public. Full accounts must still be provided to each shareholder.

Micro companies can prepare micro accounts and file a balance sheet with a reduced set of information to Companies House.

There is no charge for filing accounts, although it is a criminal offence should you fail to submit them on time. The penalties depend on the length of delay in submission and for a Private company range from £150 for the first late filing offence and less than a month long to £1,500 for over six months. Public companies will see fines ranging from £750 to £7,500 respectively. The fines are then doubled if accounts are not filed on time two years in a row.

As a worse case scenario, Companies House can even have the company struck off the company register, and prosecute you as a Director for not filing accounts.

It is so important that **Directors** are aware of the **legal implications** when it comes to submitting their accounts.

Boox can help by ensuring all the required documents and details are completed properly and submitted on time, once you have approved them.

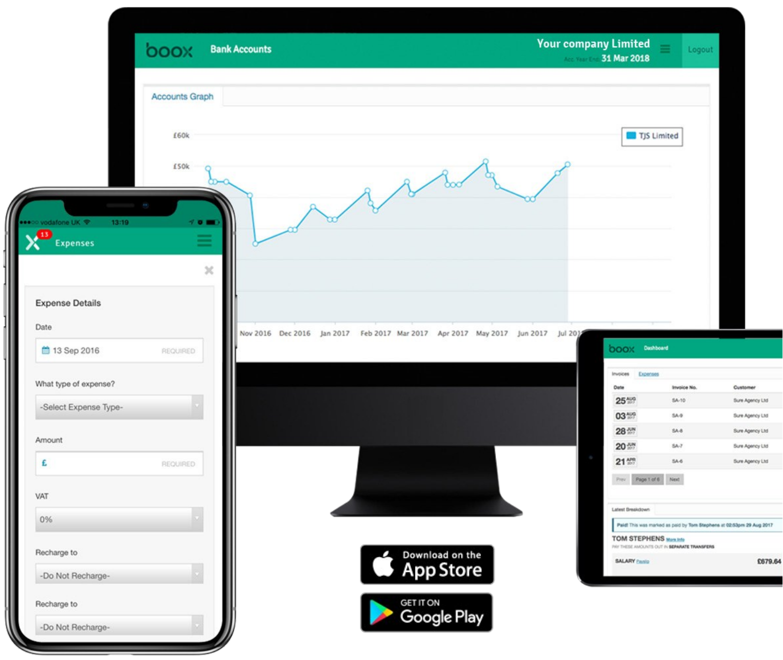
Get it today

FREE app trial

Our online accounting app helps put **you in control** of your **business finances.**

- Smart financial health checks
- Real-time pay breakdowns
- Connect your bank account

Go to www.boox.co.uk/app-tour/



Chapter Two:

Your Director obligations to HMRC

HMRC is the authority by which personal tax and corporation tax is collected, alongside VAT, PAYE and National Insurance Contributions, customs duty and all other taxes.

Once you have set up a Limited Company you are obliged to tell HMRC a number of things, which include the date the company started, its name and registered number as well as the trading address. You must also inform HMRC when you start trading, of the actual kind of business you run, the day you will be making your annual accounts up to and whether or not you are part of a group or have taken over a business that already existed.

As a new business, HMRC will send you a CT41G form which includes your Company's Unique Taxpayer Reference. You should receive this within a few weeks of the business being registered. DO NOT lose this, as it is only sent once and is an essential piece of information.

The CT41G will provide details on how to pass your information to HMRC, as well as instructions for setting up the company's online HMRC account so that the Company Tax Returns and Corporation Tax can be settled.

You must notify HMRC that the company has commenced business activity within three months.

Corporation tax and your Company Tax return

Annual Corporation Tax which must be paid on any taxable profits the company makes including 'trading profits', investments and chargeable gains.

It is your responsibility as a Director to ensure that corporation tax is paid. You will not receive a bill for it, instead you complete a Company Self-Assessment Tax Return and calculate the amount due.

Once you have calculated your tax due and settled your corporation tax bill with HMRC, you must file a Company Tax Return form known as a CT600.

Your return must be filed even if you made no profit during the financial year and the return can cover a maximum period of 12 months.

Whilst abbreviated accounts can be filed with Companies House, full accounts must be sent to HMRC in IBRXL format.

The deadlines for each Company Tax Return differs depending on your financial year.

- Any tax due must be paid within nine months and one day after the end of the accounting period.
- The CT600 must be submitted within 12 months of the end of the accounting period.
- It is also required that you keep business records for at least six years from the end of an accounting period.

Chapter Two: continued...

Personal tax

Directors are responsible for completing a personal self- assessment income tax return each year unless the company is a non-profit making company, or the Director does not receive any payments or benefits from it.

Employment tax

You will need to report payroll information to HMRC on or before anyone is paid a salary, or monthly if no payment are made, to comply with the Real-time Information (RTI) legislation.

It is also the Director's duty to ensure that employees are paid at least minimum wage and calculate PAYE and National Insurance deductions being taken and forwarded on to HMRC.

Directors are also responsible for operating auto enrolment pensions for employees

VAT

As a Director, you are required to ensure that the company registers for VAT on or before your turnover exceeds £85,000 per annum. It is also your responsibility to ensure that the company invoices and maintains accounting records that meet the VAT regulation requirements.

As a Director, you are obliged to submit your VAT returns (if you are VAT registered) every three months to HMRC, regardless of whether or not you have any to pay or reclaim. It must include the total sales and purchase, the amount of VAT owed as well as the amount which you can reclaim, and what your VAT refund from HMRC is.

Even if your turnover is below £85,000, it may be beneficial to register for VAT voluntarily, if your customers are VAT registered, as you can reclaim VAT on most vatable expenses.

Penalties for submitting a tax return to HMRC late are:

- £100 for being one day late.
- Another £100 for three months.
- After six months HMRC will estimate the tax bill of the company and add an additional 10% to the unpaid tax.
- Another ten per cent being added to this after 12 months.
- Should your returns be late three times in a row, the £100 penalties will be increased to £500 each.

In summary

All of this may seem a bit daunting and confusing, but the most important thing to take away from this is the fact that as a Limited Company Director, you are accountable for your company's tax and legal profile. Your role is taken very seriously by both Companies House and HMRC.

Should you not comply or simply not fully understand your obligations, then you are at risk of fines and even prosecution in extreme cases.

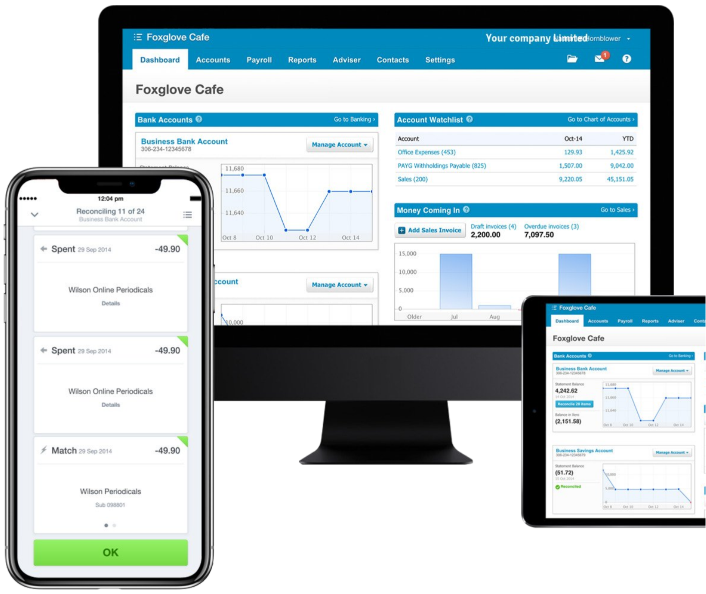
This is where it is vital you take on the right type of advice to help guide you when you start your business. It is well worth the time investing in an accounting service.

An accountant will help you deal with most of your obligations we've covered in this guide, whilst also providing advice on tax efficiencies and your business finances. Working in this way will release more time to focus on running your business. Remember though, you are still legally responsible for your obligations to Companies House or HMRC.

Mistakes can be made when you have no professional experience in dealing with this side of a business and even the smallest slip up that you aren't aware of can have serious implications for yourself as a Director.

What works for you?

As well as our own agile accounting app, we support other market leaders in accounting software, to fit in with what works best for you.



Ask about our flexible accounting packages for sole traders and small businesses - call:

0808 168 0422

Help and support from Boox

If you are a **Boox** client and have made the decision to close your company, we will work with you to ensure the closure is handled fully and correctly so that you are not exposed to the consequences of getting it wrong.

Download our full range of guides

The Boox Team are here to help

0808 168 0422

sales@boox.co.uk

boox.co.uk

boox
people • advice • technology

boox.co.uk