KNOWLEDGE HUB

Setting Up a Limited Company

What it means, how to do it and what happens next

Surrey Hills Accountancy · October 2026

The short version

A limited company is a separate legal business. It owns its money, and your personal assets are usually protected.

Setting one up online with Companies House usually takes a day or two.

Every director must **verify their identity** with Companies House first.

The company pays Corporation Tax on its profits. You usually pay yourself through a small salary plus dividends.

There is more paperwork than being a sole trader: annual accounts, a tax return and a confirmation statement every year.

Is a limited company right for me?

Many people start as a sole trader and move to a limited company as profits grow. There is no single right answer, so it's worth talking to us before you decide.

	Sole trader	Limited company
Setting up	Register with HMRC, free	Register with Companies House
If things go wrong	You are personally liable for business debts	Your liability is usually limited to what you put in
Tax on profits	Income tax and National Insurance on all profits	Corporation Tax on profits, then tax on what you take out
Paperwork	One Self Assessment return a year	Accounts, company tax return, confirmation statement, payroll and your own tax return
Privacy	Your details aren't public	Directors' names and the company's accounts are public on Companies House
Image	Fine for many businesses	Some clients and contractors prefer to work with a company

What you need to decide first

- **Company name.** It must be different from existing companies and end in "Limited" or "Ltd". You can check availability free on Companies House.
- **Directors.** The people who run the company. You need at least one, aged 16 or over.

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- **Shareholders.** The people who own the company. Ownership is split by shares (for example, 100 shares of £1 each).
- **Registered office.** An official UK address that will be public. Many people use their accountant's address rather than their home.
- **Registered email address.** Companies House uses this to contact you. It isn't made public.
- **What the business does.** You choose a short code (a "SIC code") that describes it.

How to set it up, step by step

1. **Verify your identity.** Every director and anyone with significant control (usually owning over 25%) must verify their identity before the company can be set up. You can do it for free online with GOV.UK One Login, or we can do it for you. You'll get a personal code to use when forming the company.
2. **Register with Companies House.** This is done online. You'll give the name, directors, shareholders and addresses, and agree to standard rules ("model articles"). It's usually approved within 24 to 48 hours.
3. **Receive your certificate.** You'll get a certificate of incorporation with your company number. HMRC will then post you the company's tax reference (UTR).
4. **Open a business bank account.** The company's money must be kept separate from yours. Most banks will ask for your certificate and ID.
5. **Set up payroll** if you'll pay a salary to yourself or anyone else. This must be done before the first payday.
6. **Register for VAT** if your sales go over £90,000 in a rolling 12 months, or earlier if it suits you.

We can handle all of these steps for you, including using our address as your registered office.

How do I pay myself?

The company's money isn't yours to take whenever you like. Most directors pay themselves in two ways:

- **A small salary**, run through payroll. This is a business cost, so it reduces Corporation Tax, and it can count towards your State Pension.
- **Dividends**, paid out of profits after Corporation Tax. These have their own, lower tax rates.

The best mix changes each year, so we'll work out the right amounts for you. You can only pay dividends if the company has enough profit left after tax.

Key tax rates for 2026/27

Tax	Rate
Corporation Tax: profits up to £50,000	19%
Corporation Tax: profits over £250,000	25% (a sliding rate in between)

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Tax	Rate
Personal allowance (tax-free income)	£12,570
Dividend allowance (tax-free dividends)	£500
Dividend tax: basic / higher / additional rate	10.75% / 35.75% / 39.35%

What you must do every year

What	Who to	When
Confirmation statement (check your company details are up to date)	Companies House	Once a year, within 14 days of the anniversary of setting up
Annual accounts	Companies House and HMRC	9 months after your year end (first accounts: 21 months after setting up)
Corporation Tax payment	HMRC	9 months and 1 day after your year end
Company tax return (CT600)	HMRC	12 months after your year end
Payroll submissions	HMRC	Each time you pay a salary
Your own Self Assessment return (for dividends)	HMRC	31 January after the end of the tax year

Late filing means automatic penalties, from £150 for accounts filed up to a month late at Companies House. As your accountant, we keep track of these dates for you.

Your responsibilities as a director

- Keep proper records of everything the company earns and spends.
- Act in the company's best interests and keep its money separate from yours.
- Tell Companies House about changes, such as a new address, director or shareholder.
- Keep the company's registers (of directors, shareholders and people with significant control) up to date.

Your getting-started checklist

- ☐ Talk to us about whether a company suits you
- ☐ Choose and check your company name
- ☐ Decide who the directors and shareholders will be
- ☐ Verify your identity with Companies House
- ☐ Register the company (or ask us to)
- ☐ Open a business bank account
- ☐ Register for Corporation Tax and set up payroll

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- ☐ Keep your receipts and records from day one

We're here to help

Surrey Hills Accountancy can set up your company, provide a registered office address, run your payroll, work out the best way to pay yourself, and handle every filing so nothing is missed.

Call us on **01483 970 410** or email hello@sha.uk

This guide is a simple overview based on Companies House and HMRC guidance as of October 2026. It is not professional advice for your situation, so please speak to us before acting on it.

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