

STARTING OUT – YOUR LIMITED COMPANY

We have put together a basic guide to explain what a limited company is and how it is relevant to contracting.

Limited companies are the most popular type of incorporated business structure in the UK. The vast majority of technical contractors work through their own limited company as this offers greater flexibility and tax efficiency compared to other options. As a company director, you'll be able to pay yourself a combination of salary and dividends to reduce your tax liability.

A limited company needs to have its own bank account and all company funds should be kept separate from your personal finances. There is a level of administration required when running your own limited company, however an expert contractor accountant will be able to help minimise this by checking your IR35 status, assisting with your accounts and ensuring you pay the correct amount of tax.

Benefits of contracting through your own limited company

1. Limited liability

Your limited company is a separate, legal entity from you. As long as you have followed the rules, as a Director you are not personally liable for company debts and are therefore protected if the company fails.

2. Tax efficiency

As a director and shareholder you are able to determine your own remuneration package. This enables you to manage your own personal tax liability and potentially save on Income Tax and National Insurance.

3. Be your own boss

By contracting through your own limited company you are essentially your own boss. This can be very satisfying and the flexibility this brings suits lots of technical professionals.

4. Claiming expenses

As a limited company you are able to claim expenses that are 'wholly and exclusively' incurred in the course of running your business.

5. Faster transaction times


With a limited company money doesn't have to pass into a third party bank account so there are faster transaction times and no risk to the money earned.

A limited company is easy to set up and can be done through Companies House or a third party organisation. You will also be required to set up a business bank account before you can begin receiving money from clients for the work you do.

For more information about setting up a limited company in the UK visit the government website [here](#).

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