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UK COMPANY SETUP GUIDE 2026

UK Company Formation Pack

The Complete Step-by-Step Setup Guide

Sole trader or limited company? Formation to first invoice,

done in the right order — with every 2026 rule change covered.

New: ECCTA identity verification · Doubled Companies House fees · Full compliance calendar

£100

Companies House
incorporation fee
(Feb 2026)

24hrs

typical approval
time via online
filing

3 months

to register
for Corporation
Tax after trading

£50/yr

Confirmation
Statement fee
(Feb 2026)

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£99

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Two major rule changes in 2026 you must know

1. Companies House fees doubled (1 February 2026): Online incorporation rose from £50 to £100. Annual Confirmation Statement rose from £34 to £50. Budget accordingly.

2. Mandatory identity verification (18 November 2025): All new directors and Persons with Significant Control (PSCs) must verify their identity via GOV.UK One Login before they can be appointed. This is a new legal requirement under the Economic Crime and Corporate Transparency Act 2023.

Both changes affect every UK company formed from May 2026 onwards. This guide covers them both in full.

1

Sole Trader vs Limited Company — The Decision Framework

This is the most consequential decision you will make at the start of your business. Get it right and it saves you thousands in tax every year. Get it wrong and you spend money restructuring later. Here is an honest framework — not a generic pros-and-cons list.

The Core Difference in One Sentence

The fundamental legal distinction

As a **sole trader**, you and your business are legally the same entity. Every debt, lawsuit, or liability is yours personally — including your house, savings, and personal assets.

As a **limited company**, your company is a separate legal entity. It owns its own assets, enters its own contracts, and is liable for its own debts. Your personal liability is limited to what you invest in the company.

Side-by-Side Comparison

Feature	Sole Trader	Limited Company
Legal status	You = the business	Separate legal entity
Personal liability	Unlimited — personal assets at risk	Limited to share capital invested
Setup process	Register with HMRC only (free)	Register with Companies House (£100)
Setup time	Under 20 minutes online	24 hours (online), same day for £156
Tax on profits	Income Tax (20%, 40%, or 45%) + Class 4 NIC (9% / 2%)	Corporation Tax (19–25%) + Income Tax on salary/dividends
Paying yourself	Keep all profit (minus tax)	Salary + dividends — tax-planned
Annual admin	One Self Assessment return	Annual accounts, CT600, Confirmation Statement, pa
Privacy	High — minimal public record	Directors and shareholders on public register
Raising investment	Not possible to issue shares	Can issue shares to investors
Selling the business	Sell assets only	Sell shares — much cleaner, more valuable
Credibility	Adequate for most services	Required for many B2B contracts and tenders
Accounting cost	£0–800/year	£800–3,000+/year

The Tax Crossover Point — Where Ltd Starts Winning

The single most practical question is: at what profit level does it make financial sense to operate as a limited company? The answer depends on your circumstances, but the crossover is typically in the range of **£30,000–£35,000 annual profit**.

How limited company taxation works at different profit levels:

Annual Profit	Sole Trader Tax + NIC (approx)	Ltd Co: Director's Take-Home (approx)	Annual Saving
£25,000	~£3,900	~£3,600 (advantage minimal)	~£300
£35,000	~£7,300	~£5,900	~£1,400
£50,000	~£13,200	~£9,500	~£3,700
£80,000	~£27,100	~£20,800	~£6,300
£100,000	~£36,200	~£27,400	~£8,800

Figures are approximations for 2025/26 tax year, England/Wales. Assume salary at the secondary NIC threshold, rest as dividends. Sole trader figures include Class 4 NIC. Excludes accountancy costs — which reduce the net advantage of operating as a Ltd company, especially at lower profit levels. Always get personalised tax advice.

The accountancy cost reality check

A limited company typically costs £800–£3,000/year in accountancy fees — compared to £0–£800 for a sole trader. At £30,000 profit, the tax saving might be £1,400 but the extra accountancy cost could be £1,000. The net advantage is small. At £50,000+, the calculation becomes compelling.

Rule of thumb: if your annual profit is consistently above £30,000–£35,000 and you expect it to grow, a limited company will almost certainly be worth it within 12–18 months.

The Decision Framework — Use This Flow

Still testing or early-stage? Profit below £30,000?

Start as a sole trader. Register with HMRC, file a Self Assessment, keep records clean. Switch to Ltd when the time is right — the process is straightforward.

Profit above £30,000 and growing? Taking on clients, contracts or employees?

Form a limited company. The tax efficiency, liability protection, and credibility advantages compound over time. The admin overhead is manageable with good accounting software.

Working in IT contracting, consultancy, or sectors with IR35 exposure?

Limited company is typically required, but IR35 rules mean the tax advantage may be reduced or eliminated depending on your contracts. Get specialist advice before proceeding.

Planning to raise investment, bring on co-founders, or sell the business within 5 years?

Only a limited company allows you to issue shares to investors, create founder equity, and execute a clean share sale. Sole trader status closes these options entirely.

Working in a regulated profession (solicitor, accountant, architect, financial adviser)?

You may have sector-specific requirements. Many professional services firms use Limited Liability Partnerships (LLPs) rather than Ltd companies. Check your regulatory body's requirements.

2

What You Need Before You Register

Most Companies House rejections happen because someone submitted incorrect or incomplete information. Prepare everything listed here before you start the online form — the application takes about 15 minutes once you have it all in front of you.

Your Company Name

Your company name is a legal identity — it appears on all contracts, invoices, and the public register. It must comply with Companies House rules and pass the availability check.

- **Must be unique**

Search the Companies House register at find-and-update.company-information.service.gov.uk before choosing. A name that is too similar to an existing company will be rejected — not just identical names, but names that are likely to cause confusion.

- **Cannot be misleading**

You cannot use words that imply a connection with government, a regulated profession, or a national/international scope you don't have — unless you have approval.

- **Restricted words require approval**

Words like 'Bank', 'Royal', 'National', 'University', 'Chartered', 'Insurance' require prior approval from the relevant regulator or government body. Do not include these without checking.

- **Must end in 'Limited' or 'Ltd'**

For a private limited company by shares. You can use the Welsh equivalents if registered in Wales. 'Limited' can be shortened to 'Ltd' — both are acceptable.

- **Check the trademark register too**

A name can be available at Companies House but still infringe an existing trademark. Search the UK Intellectual Property Office register at gov.uk/search-for-trademark if your name has brand value.

Your Registered Office Address

Every UK limited company must have a registered office address. This is a legal address — it appears on the public Companies House register, receives official correspondence from HMRC and Companies House, and cannot be a PO box.

Option: Your home address

Valid, but your full home address will appear permanently on the public Companies House register. This is a privacy risk that many directors overlook. Once an address is on the register, it is very difficult to remove.

Option: Your business premises

Ideal if you have a commercial address. Simple and appropriate.

Option: A virtual registered office service

Services like 1st Formations offer a London or other UK registered address from approximately £20–60/year. Your home address never appears on the register. Mail is scanned and forwarded. Strongly recommended for home-based businesses.

Option: Your accountant's address

Many accountants include registered office services for clients. Ask whether this is included in your fee.

■ Home address privacy warning

The Companies House register is fully public. If you use your home address as your registered office, anyone can search for your company and find where you live. This is a real concern for sole directors working from home. A £20–40/year virtual address service is strongly worth the cost.

Directors and Shareholders

You need to decide:

- **Who will be the director(s)?** A director manages the company on a day-to-day basis and is legally responsible for compliance. You need at least one. A sole founder commonly acts as the only director. Directors must be 16 or older and not disqualified.
- **Who will be the shareholder(s)?** Shareholders own the company. In a single-founder company, the director is usually also the 100% shareholder. If you have business partners, decide the ownership split now — changing it later can have tax consequences.
- **What is your share structure?** Most simple companies issue 100 ordinary shares at £1 each. This makes percentage calculations simple (50 shares = 50%). More complex structures (different classes of shares, preference shares) require professional advice.
- **Do you need a Shareholders' Agreement?** If there are two or more shareholders, a Shareholders' Agreement governs what happens if someone wants to leave, dies, or disputes arise. It is not a Companies House requirement, but it is essential for any multi-founder company.

Information You'll Need for Each Director and PSC

For each director and Person with Significant Control (PSC — typically anyone with more than 25% of shares or voting rights), you will need:

- Full legal name (as it appears on passport or driving licence)
- Date of birth
- Nationality
- Country of residence
- Service address (for correspondence — can differ from residential address)

- Residential address (not shown publicly, but required by Companies House)
- GOV.UK One Login account (for identity verification — see Section 4)

Important: Name on register must match ID exactly

Under the new ECCTA identity verification rules, the name you register must exactly match the name on the identity document you use for verification. If your passport says 'Robert' but you commonly use 'Bob', use 'Robert'. A mismatch will cause your verification to fail and block your filing.

Articles of Association

The Articles of Association are your company's constitutional document — the rules governing how it is run. You have two options:

Model Articles (recommended for most founders)

HMRC's standard template. Covers everything a typical small company needs. Automatically adopted if you do not submit bespoke articles. Fast, free, appropriate for 95% of simple limited companies.

Bespoke Articles

Custom-drafted by a solicitor to cover specific situations: multiple share classes, investor protections, specific voting rights, complex governance. Costs £500–2,000+ in legal fees. Only necessary if your structure is non-standard.

You will also need:

- A GOV.UK account (or GOV.UK One Login) — used for the Companies House web service
- Your company's SIC code — the Standard Industrial Classification code that describes your business activity. Look up yours at gov.uk/government/publications/standard-industrial-classification-of-economic-activities-sic
- A company email address — required at incorporation. This appears on the Companies House register and receives HMRC notifications.
- Payment card — £100 for online incorporation (from 1 February 2026). Cards and debit cards accepted.

3

Step-by-Step Formation Guide

There are three routes to forming a UK limited company. This guide covers all three — with a clear recommendation on which suits your situation. The entire online process, once you have your information ready, takes 15–20 minutes.

Route Comparison

Route	Fee (from 1 Feb 2026)	Speed	Best For
Companies House Direct (online)	£100	24 hours	Experienced founders, simple structures
Formation Agent (e.g. 1st Formations)	£100–160 all-in	3–24 hours	First-time founders, home-based (registered address)
Same-Day (Companies House)	£156	Same business day	Urgent: contract signed, banking needed immediately
Paper filing (Form IN01)	£124	8–10 working days	Complex bespoke structures only — avoid if possible

Formation agent route highlighted — recommended for most first-time UK founders. Includes registered address, prevents common errors, and handles identity verification support.

The Full Step-by-Step Process

1

STEP

Verify Your Identity (GOV.UK One Login)

Before you can be appointed as a director or PSC, you must complete identity verification via GOV.UK One Login. This is now a legal requirement under ECCTA 2023.

You will need: a biometric passport OR UK driving licence, a smartphone or webcam for a facial scan, and an email address.

Go to gov.uk/one-login, create or sign in to your account, then navigate to the Companies House identity verification service. The process takes 3–5 minutes.

Once verified, you receive an 11-character personal code (e.g. FT5-15ED-7JY5). Keep this code safe — you will need it during registration.

Complete before starting your application

2

STEP

Check Company Name Availability

Search [the Companies House register](#) at find-and-update.company-information.service.gov.uk/search?q=

Search your intended company name and any close variations. If a name is identical or too similar to an existing company, your application will be rejected.

Also check the trademark register at gov.uk/search-for-trademark if your company name will be a brand.

5 minutes — do this before anything else

3

STEP

Gather All Required Information

Have ready: full legal names, dates of birth, nationalities, addresses and personal codes for all directors and PSCs.

Decide your share structure (number of shares, share value, who holds what percentage).

Choose your registered office address and your company email address.

Find your SIC code at gov.uk.

15–30 minutes preparation

4

STEP

Submit Your Application

Via Companies House direct: Go to gov.uk/limited-company-formation and use the web incorporation service. Complete all sections, review carefully, pay £100.

Via a formation agent: Go to the agent's website (e.g. 1stformations.co.uk), choose a package, complete their form. They check and submit on your behalf.

Double-check all spellings — mistakes require a formal name change application (additional fee) and cannot be corrected after submission.

15–20 minutes

5

STEP

Receive Your Certificate of Incorporation

Typically issued within 24 hours of submission (standard online). Same-day service by 3pm for £156.

Your Certificate of Incorporation is emailed to you as a PDF. It contains your company number (an 8-digit unique identifier), your company name, and the date of incorporation.

Save this certificate permanently — you will need it to open a business bank account and for various HMRC registrations.

You will also receive a Companies House authentication code by post to your registered office. This is your password for future online filings — do not lose it.

24 hours for standard / same day for £156

6

STEP

Register Your Company Email Address

From March 2024, all companies must provide a registered email address. This is done during incorporation.

This email address is stored by Companies House but is not shown on the public register. It receives official correspondence from Companies House.

Use a business email address, not a personal Gmail or Hotmail account.

Done during the application

What Companies House sends you after incorporation

Immediately (email): Certificate of Incorporation (PDF) containing your company number and incorporation date.

Within 3–5 days (post to registered address): Authentication code — your unique code for filing with Companies House online. This is critical. Do not ignore this letter.

What is NOT sent automatically: HMRC is notified automatically of your incorporation, but they will not write to you with a Corporation Tax reference immediately. You must register for Corporation Tax separately (see Section 5).

4

ECCTA Identity Verification — The 2025/26 New Requirements

■ New legal requirement from 18 November 2025

Under the Economic Crime and Corporate Transparency Act 2023 (ECCTA), identity verification is now mandatory for all UK company directors and Persons with Significant Control (PSCs).

From 18 November 2025, **new directors cannot be appointed and new companies cannot be incorporated without verified identity**. This is not optional. Failure to comply is a criminal offence.

Who Must Verify Their Identity

● All new directors

Must verify before appointment — at or before incorporation.

● All new Persons with Significant Control (PSCs)

Anyone with more than 25% of shares or voting rights, or who otherwise exercises significant influence. Must verify at incorporation or within 14 days of becoming a PSC.

● All existing directors (transition period)

Must verify by the time of their company's next Confirmation Statement filed after 18 November 2025. The transition period runs until 18 November 2026.

● Existing PSCs who are not directors

Must verify within 14 days starting from the 1st of their birth month (e.g. if born in March, deadline is 14 March 2026).

● LLP members

Same requirements as company directors — mandatory from 18 November 2025.

● Anyone filing documents at Companies House

From spring 2026, individuals filing documents directly at Companies House must also be verified, or use an Authorised Corporate Service Provider (ACSP).

How to Verify — Step by Step

1

STEP

Create a GOV.UK One Login account

Go to gov.uk/one-login. Use an email address you control. Set up two-factor authentication via your mobile number or an authenticator app.

2

STEP

Navigate to the identity verification service

Within GOV.UK One Login, find the Companies House identity verification section. You will be prompted to verify 'for Companies House purposes'.

3

STEP

Choose your verification method

App-based (fastest): Download the GOV.UK ID Check app. You will photograph your identity document and take a live selfie for facial matching. Takes 3–5 minutes. **Web portal:** Complete security questions online using your identity document details. **Post Office (in person):** Available for those who cannot use digital routes.

4

STEP

Complete the identity check

The system uses electronic likeness-matching technology to compare your live image to your identity document. Most verifications are confirmed within minutes. Some may require additional checks (up to 24 hours).

5

STEP

Receive your personal code

Once verified, Companies House issues your unique 11-character personal code. It looks like: FT5-15ED-7JY5. This code links your verified identity to your role as director/PSC. Store it securely.

6

STEP

Share your personal code when filing

During your incorporation application, you will be asked for the personal code of each director and PSC. During future filings (e.g. Confirmation Statements), the same code is required.

Acceptable Identity Documents

Document Type	Acceptable For Verification?	Notes
UK passport	Yes	Best option — biometric chip enables fastest processing
Non-UK passport (biometric)	Yes	Must have biometric chip
UK driving licence (photo card)	Yes	Full or provisional — both accepted
Biometric Residence Permit	Yes	For non-UK nationals with UK residency
National identity card (EU)	Yes	For EU citizens
Non-biometric passport	Not via app — Post Office only	Older passports without chip

Utility bill / bank statement	No	These are not valid for identity verification
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Consequences of Non-Compliance

- **Cannot be appointed as director:** Companies House will reject the appointment if the director has not been verified.
- **Cannot file Confirmation Statement:** The system blocks the CS01 filing until all serving directors have provided their personal code.
- **Criminal offence:** Acting as a director without being verified (once mandatory) is a criminal offence — separate from Companies House enforcement.
- **Public register annotation:** Non-compliant individuals will be annotated on the public register, damaging credibility.
- **Director disqualification:** Companies House can seek director disqualification for persistent non-compliance with ECCTA requirements.

Using a formation agent bypasses most of this complexity

Authorised Corporate Service Providers (ACSPs) — including regulated accountants and most major formation agents — can verify your identity on your behalf. They conduct the verification check, issue a statement to Companies House, and handle the filing. If the GOV.UK One Login process seems daunting, ask your formation agent whether they offer ACSP verification as part of their service.

5

Post-Formation: HMRC, Banking & Accounting Setup

Incorporation is the starting gun — not the finish line. Most of the work that determines whether your company is properly set up happens in the weeks after you receive your Certificate of Incorporation. Here is everything you need to do, in the right order.

HMRC Registrations — What's Required

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STEP

Register for Corporation Tax

Within 3 months of starting to trade. Do not wait — HMRC charges automatic penalties for late registration.

Register at gov.uk/limited-company-formation/set-up-your-company-for-corporation-tax. You will need your company number and the date you started trading.

CRITICAL

!
STEP

Register for PAYE (Pay As You Earn)

Required if you are paying yourself or any employee a salary. Even a low director's salary (typically set just above or at the NIC primary threshold for tax efficiency) requires PAYE registration. Register before you make the first payment.

If paying a salary

!
STEP

Register for VAT

Mandatory once your taxable turnover exceeds £90,000 in any 12-month rolling period. You can register voluntarily below this threshold — which allows you to reclaim VAT on business purchases and can signal credibility to larger clients. Consider voluntary registration if you are growing quickly.

If turnover approaches £90,000

!
STEP

Set up your Business Tax Account

Create a business Government Gateway account at gov.uk/log-in-register-hmrc-online-services. This is your central dashboard for all HMRC interactions — Corporation Tax, PAYE, VAT, and Making Tax Digital. Do not confuse it with your personal Government Gateway account.

Do this now

Opening Your Business Bank Account

A limited company must have its own business bank account — mixing company and personal finances is a serious accounting and compliance problem. Open it as soon as you receive your Certificate of Incorporation.

What banks require to open a business account:

- Certificate of Incorporation (your company number and incorporation date)
- Companies House authentication code (proves you are an authorised officer)
- Proof of ID for each director (passport, driving licence)
- Proof of address (utility bill, bank statement — within 3 months)
- Business description and anticipated turnover
- Registered office address

Business Banking Options at a Glance

Account Type	Best For	Monthly Fee	Key Feature
Starling Business	UK domestic trading	Free	Best-in-class bank feeds, UK account number, Xero integration
Airwallex	International payments / FX	Free (basic)	Multi-currency accounts, low FX rates, card payments in 30+ currencies
Monzo Business	Freelancers and sole director Ltd	Free or £5/mo	Simple UI, integration with Xero and FreeAgent
High street bank (Barclays, HSBC, NatWest, Lloyds)	Established businesses, lending relationships	£6-12/mo	Branch access, credit facilities, merchant banking
Tide	Quick setup, small SME	Free or £9.99/mo	Fast account opening, integrated invoicing and expenses

Starling and Airwallex highlighted as recommended options. Starling for UK-focused businesses; Airwallex if you invoice or pay in multiple currencies.

Setting Up Your Accounting Software

Set up accounting software on the day you receive your Certificate of Incorporation — before you make a single transaction. Trying to reconstruct months of records later is one of the most common and expensive mistakes new limited company directors make.

● Connect your business bank account via Open Banking bank feed

This imports transactions automatically. You categorise them — or the software does. No manual entry.

● Set up payroll if you are taking a director's salary

Even a £758/month director's salary requires payroll records. Most accounting software includes basic payroll, or you can use a dedicated payroll service.

● Create your invoice template

UK companies must include: company name and number, registered office address, VAT number (if registered), payment terms, unique invoice number. Most software handles this automatically.

● Configure Corporation Tax settings

Enter your company's accounting year end (which you can choose at formation — many founders use 31 March to align with the tax year). Set up reminders for the 9-months-and-1-day filing deadline.

● Set up expense capture

Most modern software (Xero, QuickBooks, Dext) has mobile receipt scanning. Start from day one — a business lunch receipt missed in week 1 is gone. Receipts are required for any expense claim over £10.

The right setup order matters

Formation → Identity verification → Certificate of Incorporation → Business bank account → Register for Corporation Tax → Set up accounting software → Connect bank feed → Register for PAYE (if needed) → Register for VAT (if needed).

Do not try to set up accounting software before you have a bank account — the bank feed is the foundation of the entire system. And do not delay Corporation Tax registration — HMRC's automatic penalties for missing the 3-month deadline are disproportionate.

6

Ongoing Compliance Calendar & Annual Costs

Running a limited company means an ongoing compliance rhythm. These obligations exist regardless of whether you are profitable, whether you have been trading, or whether the company is dormant. Missing them carries automatic penalties.

Annual Compliance Obligations

Obligation	Deadline	Filed With	Penalty for Late Filing
Confirmation Statement (CS01)	Every 12 months from incorporation	Companies House	Criminal offence for directors. Company struck off registered
Annual Accounts (statutory)	9 months after company year-end	Companies House	£150 (up to 1 month late) → £375 (1–3 months) → £750 (3+ months)
Corporation Tax return (CT600)	12 months after company year-end	HMRC	£100 immediately, £100 after 3 months, then 10% of unpaid tax
Corporation Tax payment	9 months and 1 day after year-end	HMRC	Interest on late payment + potential penalties
Director's Self Assessment return	31 January following tax year end	HMRC (personal)	£100 immediately, escalating daily penalties
VAT return (if registered)	1 month + 7 days after VAT period	HMRC	Points-based penalty system (same as MTD)
PAYE: payroll submissions (RTI)	On or before each payment date	HMRC	Penalties per submission depending on number of employees

Annual Cost Budget — What to Expect

Cost Item	Typical Annual Cost	Notes
Companies House Confirmation Statement	£50/year	Mandatory. Digital filing from 1 Feb 2026.
Accountant (accounts + Corporation Tax return)	£800–£2,500/year	Varies by complexity. Sole director simple company at lower end.
Accounting software (e.g. Xero)	£144–£360/year	Plans vary. Xero Starter £12/mo, Xero Standard £30/mo.
Receipt/expense management (e.g. Dext)	£120–£240/year	Automates receipt capture. Saves significant accountant time.
Registered office service (if used)	£20–£80/year	If using a virtual registered address rather than home.
Director's Self Assessment return (accountant)	£150–£400/year	Personal tax return for salary/dividends. Often included in package.
Payroll service (if not using accounting software)	£0–£300/year	Many accounting software packages include payroll.
TOTAL typical first-year cost (simple Ltd, 01/01/2026–31/03/2027)	£1,300–£3,600/year	Before Corporation Tax and personal income tax.

Dormant company? You still have obligations.

A dormant company — one that has not traded or made any transactions — still must file a Confirmation Statement every year (£50) and file dormant accounts with Companies House (free to file). HMRC requires you to tell them the company is dormant. Dormancy does not suspend your obligations — it just reduces them.

7

Real-World Scenario Q&A

These are the questions UK founders, contractors, and small business owners are actually asking — in online forums, with accountants, and directly to Companies House. Every answer reflects current UK law and HMRC guidance.

Deciding Between Sole Trader and Limited Company

Q I'm a freelance graphic designer earning around £38,000 a year. My accountant charges me £600 to do my sole trader Self Assessment. Is it worth switching to a limited company?

A At £38,000 profit, the tax saving from a Ltd structure is approximately £1,500–2,000/year. But your accountancy cost will increase to roughly £1,500–2,000 for a Ltd company — replacing the £600 sole trader cost. The net saving is probably £0–500/year at this income level. The calculation improves significantly as income rises. If you expect to break £50,000 within 2 years, incorporate now and build the systems early. If you expect to stay around £38,000, sole trader status remains the more cost-efficient choice.

Q I've been a sole trader for 5 years and now want to go limited. Do I just form a new company and transfer everything over?

A Broadly yes, but it requires careful management. You need to: (1) form the limited company first; (2) formally cease sole trading and notify HMRC by completing the 'stopping self-employment' form; (3) complete a final Self Assessment return for your sole trader period; (4) open a business bank account in the company name; (5) notify clients, suppliers, and any finance providers of the legal structure change; (6) transfer any business contracts to the company (some may require counterparty consent); (7) check whether any sole trader assets being transferred to the company create a tax liability — capital gains on goodwill, for example. Get accountancy advice before transferring if the business has significant asset value.

Q I'm an IT contractor. Everyone tells me I need a limited company. Is that true?

A For IT contractors, a limited company was historically the standard approach because of the tax efficiency of salary plus dividends. However, IR35 is the critical factor. If your contracts are deemed 'inside IR35' (i.e. you operate like an employee of the end client), the tax advantage of a Ltd structure is largely eliminated — you pay near-employee tax levels regardless. Check your IR35 status for each contract before deciding. For genuinely outside-IR35 work, a Ltd company remains tax-efficient. For public sector or large corporate contracts (where IR35 rules are enforced by the client), the calculation is more complex.

Formation, Names and Structure

Q I want to register 'Smith & Jones Consulting Ltd' — but there's already a 'Smith and Jones Consulting Ltd' on the register. Is my name still available?

A Probably not. Companies House considers names that would be 'the same as' an existing name based on rules that disregard certain elements — including 'and', '&', punctuation, spaces, and common punctuation equivalents. 'Smith and Jones Consulting Ltd' and 'Smith & Jones Consulting Ltd' are treated as the same name by Companies House. Your application would be rejected. You would need to choose a meaningfully different name.

Q Can I use my home address as the registered office and keep it private?

A You can use your home address as the registered office, but it will appear on the public Companies House register and cannot be suppressed (unless you qualify for a specific protection application, which is very difficult to obtain). The practical solution is to use a virtual registered office service — from approximately £20/year for a UK address. This protects your home address permanently and is a negligible cost relative to the privacy benefit.

Q I'm forming a company alone, but I want to leave the door open to bring in a business partner in future. How should I structure the shares?

A Issue 100 ordinary shares of £1 each, all held by you. This is the simplest structure. When a future partner joins, you can either sell or gift some of your existing shares (creating a tax event) or issue new shares (which dilutes your percentage but keeps your absolute holding the same). Have a solicitor draft a simple Shareholders' Agreement before you bring anyone in — covering what happens if one party wants to exit, what decision rights attach to shares, and non-compete obligations. The cost of a good agreement upfront is a fraction of the cost of a dispute later.

Q I want to be both the director and the sole employee of my company. Is that legal?

A Yes. A single-person limited company with one director who is also the sole shareholder and the only person working in the business is entirely normal and completely legal. You are not automatically an employee of your own company — you enter an employment contract with the company to be paid a salary (which triggers PAYE). You can also pay yourself dividends from company profits, which are not subject to NIC. This salary-plus-dividends structure is the core of the tax efficiency that makes limited companies attractive for owner-managed businesses.

Q My business partner and I are forming a company together 50/50. Do we actually need a Shareholders' Agreement?

A Yes — and this is not optional advice dressed up as optional. A Shareholders' Agreement is the document that answers: what happens if one of you wants to leave? What if one of you stops working but keeps their shares? What if one of you dies? What if you disagree on a major decision? A 50/50 split creates genuine deadlock risk — two equal shareholders can block any decision the other wants to make. A Shareholders' Agreement should include: drag-along and tag-along rights, good leaver/bad leaver provisions, a deadlock mechanism, and pre-emption rights. Cost from a solicitor: £500–1,500 well spent.

Identity Verification and ECCTA**Q I'm forming a company with a co-founder who lives in Germany. Can they still be a director?**

A Yes. There is no UK residency requirement for company directors. However, your co-founder must still complete ECCTA identity verification before they can be appointed. They can do this via GOV.UK One Login using a biometric passport or other accepted document. If they cannot use the digital verification route, they can verify in person at a UK Post Office or through an Authorised Corporate Service Provider (ACSP). Non-UK nationals may find the Post Office or ACSP route more reliable for their first verification.

Q I already have an existing limited company formed before November 2025. Do I need to do anything?

A Yes. If your company was formed before 18 November 2025, you as a director have a 12-month transition period to complete identity verification. Your deadline is before you file your company's next Confirmation Statement after 18 November 2025 — which could be much sooner than the November 2026 absolute deadline. If your Confirmation Statement is due in March 2026, you must verify before March 2026. Log in to GOV.UK One Login and complete the verification now — do not wait until the filing date.

Q I lost my personal code after verifying. How do I get it back?

A Log back into your GOV.UK One Login account and navigate to the Companies House section. Your personal code should be available in your account. If not, contact Companies House directly at companieshouse.gov.uk/about/contact. The code is linked permanently to your verified identity — you do not need to reverify, just retrieve the code from your account.

Banking, Accounting and Tax

Q Can I use my personal bank account for company transactions, at least initially?

A Technically you can as a sole trader — but not as a limited company. A limited company is a separate legal entity, and mixing its finances with your personal account is a serious compliance problem. It makes accounting substantially harder (meaning higher accountancy bills), creates confusion about what constitutes company income versus personal income, and looks very poor to HMRC in a compliance review. Open a dedicated business account on the same day you receive your Certificate of Incorporation. Several options are free.

Q When exactly do I need to register for Corporation Tax?

A Within 3 months of starting to trade. 'Starting to trade' means the date you first carry on any business activity — not the date of incorporation. If you incorporate in May but do not make any sales or sign any contracts until July, your 3-month clock starts in July. HMRC recommends registering as soon as you start trading rather than waiting for the deadline. Late registration triggers automatic penalties regardless of whether you owe any tax. Register at gov.uk/register-for-corporation-tax.

Q My company's first year will be a loss — do I still need to file a Corporation Tax return?

A Yes. Every limited company must file a Corporation Tax return (CT600) every year, even in a loss-making year. You report the loss, which is then available to carry forward and offset against future profits. There is no tax to pay in a loss year, but the return is still legally required within 12 months of the accounting year end. Missing this deadline incurs the same penalties as missing a profitable-year return.

Q How should I pay myself from my limited company?

A The standard approach for a sole director-shareholder is a combination of salary and dividends. A typical structure: pay yourself a salary at approximately the secondary NIC threshold (£9,100 for 2025/26) to preserve your State Pension entitlement without triggering employer or employee NIC. Pay the remainder of what you need as dividends from company profits after Corporation Tax. Dividends have lower tax rates than salary (8.75% basic rate for 2025/26) and are not subject to NIC. Your accountant should model the optimal split for your personal circumstances — the numbers change each tax year.

Q I keep hearing about Making Tax Digital. Does it apply to my limited company?

A MTD for VAT has applied since April 2022 if your taxable turnover exceeded the VAT threshold — meaning if you are VAT registered, you are already in scope. MTD for Corporation Tax is a separate scheme with no mandatory date set yet. MTD for Income Tax (from April 2026) applies to your personal Self Assessment return if your personal qualifying income (from self-employment or property) exceeds £50,000 — the limited company structure itself does not affect this. Your director's salary and dividends are declared on your personal Self Assessment return.

Q My company year-end is coming up. What documents does my accountant need to prepare annual accounts?

A A full transaction listing from your accounting software for the year, bank statements for all company accounts (to reconcile), invoices and receipts for all expenses (your accounting software should hold these if you have been scanning them), details of any assets purchased during the year (for capital allowances), any outstanding debtors or creditors at year-end, director's loan account balance (if applicable), payroll records, and details of any dividends paid. Starting the year with good software setup means this list takes hours to gather rather than days.

Ongoing Compliance and Running the Company

Q I missed the deadline to file my Confirmation Statement. What happens now?

A File it immediately — do not wait. Late Confirmation Statements are technically a criminal offence for company directors and the company risks being struck off the register (dissolved) if the statement remains unfiled. Companies House sends warning letters before striking off, but if the company is struck off, restoring it is expensive and time-consuming. The fee is still £50 regardless of how late you are. File it now, pay the £50, and set a calendar reminder for next year.

Q I want to change my company name. How do I do it and what does it cost?

A A company name change requires a special resolution (a formal vote) by shareholders, followed by filing form NM01 with Companies House. The cost is £20 for a digital filing (this fee did not increase in the February 2026 changes). Companies House typically processes the change within 24–48 hours and issues a new Certificate of Incorporation on Change of Name. All documents, invoices, and correspondence must then be updated to reflect the new name — including bank accounts, HMRC records, and Companies House filings.

Q My company is no longer active. Can I just stop filing and let it lapse?

A No. A company does not simply cease to exist through inactivity. If you no longer need the company, you must either place it in voluntary strike-off (form DS01, £13 digital fee from 2026) or put it into a formal insolvency process if it has debts. If you stop filing with no action, Companies House will eventually strike the company off the register — which can disqualify you from acting as a director in future and creates problems if you later need to restore the company. Close it properly.

Q Can I run two businesses from the same limited company?

A Yes. A limited company can carry on multiple business activities. You can add additional SIC codes to your Companies House record to reflect this. The same company bank account, accounting system, and VAT registration (if applicable) cover all activities. There is no need to form separate companies for each business activity unless you have a specific reason — such as wanting different ownership structures, ring-fencing liability between activities, or having different investors in different ventures.

8

Your Complete Formation Checklist

Use this checklist to ensure every step is complete. Work through it in order — the sequence matters, particularly the bank account before accounting software, and Corporation Tax registration before your first invoice.

BEFORE YOU FILE — Preparation

- Decide: sole trader or limited company. Use the decision framework in Section 1.
- **Check your company name on the Companies House register — confirm it is unique and available. [CRITICAL]**
- Check your name against the UK trademark register if it has brand value.
- **Decide your registered office address: home, business premises, or virtual service. [CRITICAL]**
- **Complete ECCTA identity verification via GOV.UK One Login for all directors and PSCs. [CRITICAL]**
- **Record all directors' and PSCs' personal codes after verification. [CRITICAL]**
- **Decide your share structure: number of shares, value, and who holds what percentage. [CRITICAL]**
- Decide your SIC code(s) — the industry classification for your business.
- Set up a company email address (separate from personal email).
- If more than one shareholder: commission a Shareholders' Agreement from a solicitor.

FILING YOUR APPLICATION

- Choose your filing route: Companies House direct (£100) or formation agent.
- **Complete the online application — double-check all spellings before submission. [CRITICAL]**
- **Pay the £100 incorporation fee (from 1 February 2026). [CRITICAL]**
- Submit and note your application reference number.

AFTER YOU RECEIVE YOUR CERTIFICATE OF INCORPORATION

- **Save your Certificate of Incorporation permanently — you will need it for banking and HMRC. [CRITICAL]**
- **Wait for your Companies House authentication code to arrive by post at your registered office. [CRITICAL]**
- **Open your business bank account — take your Certificate of Incorporation to the bank or apply online. [CRITICAL]**
- **Register for Corporation Tax at gov.uk within 3 months of starting to trade. [CRITICAL]**

- **Set up your Business Tax Account (business Government Gateway account) at gov.uk.**
[CRITICAL]
- **Set up your accounting software and connect your business bank account via bank feed.**
[CRITICAL]
- Create your invoice template in your accounting software — include all required legal details.
- Register for PAYE if you will pay yourself or any employee a salary.
- Register for VAT if your taxable turnover will exceed £90,000, or consider voluntary registration.

FIRST 90 DAYS — Building Good Habits

- **Record every business transaction in your accounting software from day one.** [CRITICAL]
- Scan every receipt and expense using your software's mobile app.
- **Keep personal and company finances 100% separate — no mixing.** [CRITICAL]
- Set up payroll and run your first director's salary payment through PAYE.
- Brief your accountant on your structure, year-end date, and expected revenue.
- **Add all annual filing deadlines to your calendar with 4-week advance reminders.** [CRITICAL]

ANNUAL RECURRING — Never Miss These

- **Confirmation Statement: file every 12 months from your incorporation date. Fee: £50.**
[CRITICAL]
- **Annual Accounts: file at Companies House within 9 months of your year-end.** [CRITICAL]
- **Corporation Tax return (CT600): file with HMRC within 12 months of year-end.** [CRITICAL]
- **Corporation Tax payment: pay within 9 months and 1 day of year-end.** [CRITICAL]
- **Director's Self Assessment return: file by 31 January each year.** [CRITICAL]
- VAT returns: if registered, file by 1 month + 7 days after each VAT period.
- Annual identity verification check: ensure all directors and PSCs remain verified.

The three things that most new Ltd company directors get wrong

- 1. Registering for Corporation Tax too late.** The 3-month clock starts from first trading activity — not the date you remember to register. Set a reminder the week you receive your Certificate.
- 2. Forgetting the Confirmation Statement.** It looks trivial (it is a short form) but the penalties for missing it are severe. Set an annual calendar reminder when you incorporate.
- 3. Not keeping accounting software up to date.** Reconstructing a year's transactions from bank statements costs significantly more in accountancy time than maintaining the software monthly. The 15 minutes you spend categorising transactions each week saves hours at year-end.

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This guide is published by ThriveOnz360 for general information purposes only. It is not legal advice, tax advice, or professional financial guidance. The information reflects UK law, Companies House guidance, and HMRC guidance as understood at the time of publication (May 2026) and is subject to change.

Company law, tax legislation, Companies House requirements, and HMRC rules change regularly. Always verify current requirements against official sources at gov.uk and companies.house.gov.uk before making any decisions. When in doubt, seek advice from a qualified solicitor, accountant, or Companies House directly.

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Official Sources Referenced

- Companies House — gov.uk: Formation, confirmation statements, fees, identity verification
- Economic Crime and Corporate Transparency Act 2023 (ECCTA) — Companies House implementation guidance
- HMRC — gov.uk: Corporation Tax, PAYE, VAT, Making Tax Digital, Self Assessment
- 1st Formations (1stformations.co.uk): Company formation guidance and sole trader vs limited company comparison
- ICAEW: Companies House identity verification timeline and ECCTA implementation
- Dorsey LLP: ECCTA identity verification requirements briefing (November 2025)
- Goodwin Law: ECCTA identity verification legal analysis
- Companies House blog: Fee changes from 1 February 2026

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