



Working Through Your Own Limited Company

What is a Limited Company?

A Limited Company (often referred to as a Personal Service Company or PSC) is a business you set up and own, through which you provide your contracting services.

Instead of being an employee of an Umbrella Company, you become a director and shareholder of your own company. This gives you greater control over your finances, allows you to manage your income more tax-efficiently, and provides flexibility in how you structure your business.

Responsibilities of Running a Limited Company

When you work through your own company, you take on the following responsibilities:

- **Company administration** – registering your company with Companies House, setting up a business bank account, and ensuring company records are maintained.
- **Finances & tax** – raising invoices, recording expenses, and filing accounts with HMRC and Companies House. You are responsible for paying Corporation Tax, VAT (if registered), and any other taxes due.
- **Salary & dividends** – deciding how to pay yourself (often a mix of salary and dividends).
- **Compliance** – ensuring you meet all legal and tax obligations, including IR35 status assessments for each contract.

Most contractors appoint a **specialist accountant** to handle the majority of these tasks, leaving them free to focus on their work.

Compliant & Professional Setup

To run a Limited Company effectively and compliantly, you should:

- Work with a contractor-specialist accountant who understands IR35.
- Register your company with Companies House and HMRC.
- Consider whether VAT registration (Flat Rate Scheme or Standard) is beneficial.
- Put in place a clear contract for each engagement, ideally reviewed by an IR35 specialist.

Setting up your own Limited Company

Setting up a Limited Company is straightforward and can usually be completed in 24–48 hours.

You or your accountant can handle:

- Company registration with Companies House
- HMRC registration (Corporation Tax, PAYE, VAT if applicable)
- Opening a business bank account
- Setting up payroll for your salary

Pay & Income

Unlike umbrella employment, income through a Limited Company is typically structured as:

- **Salary** – paid via PAYE, usually at a tax-efficient level.
- **Dividends** – taken from company profits after Corporation Tax, taxed at lower rates than salary.

This can lead to a higher net take-home pay compared to an Umbrella, provided your contract is genuinely **outside IR35**.

Payments

You will usually invoice your agency or client directly. Payments are made into your company bank account, and you then decide when and how to pay yourself.

Payment terms depend on your contract (e.g. 14 or 30 days). Unlike Umbrella arrangements, you are in full control of the funds once the payment has been sent .

Holiday / Sickness & Absence

As a Limited Company director, you are **not entitled to statutory employment benefits** such as holiday pay or sick pay through your company.

However, you can:

- Build these costs into your day rate.
- Take out income protection or private insurance if desired.
- Plan ahead financially by setting aside reserves.

Important Considerations

- Running a Limited Company can be more tax-efficient but involves greater responsibility and compliance.
- IR35 rules are critical – working outside IR35 allows the benefits of a Limited Company, but working inside IR35 may make an Umbrella more suitable.
- Many contractors find using a specialist accountant essential for peace of mind.

A Limited Company gives you control, flexibility, and potential tax efficiency when working outside IR35. But it also comes with added responsibility compared to an Umbrella arrangement.

Disclaimer

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