

UK Company Compliance and Maintenance Guide

Unless otherwise indicated, the UK company stated in this guideline refers to a private company limited by shares formed and incorporated in United Kingdom in accordance with Companies Act 2006.

After a company is officially registered in UK, it is required by the UK Companies Act and Customs and Inland Revenue Tax Act to hold an annual general meeting and filing a Confirmation Statement every year, updating books of accounts, auditing of financial statements (unless exempted) and filing of tax returns.

This guideline provides a summary of the various maintenance and compliance requirements imposed by the UK laws and regulations on a private company limited by shares registered in accordance with the UK Companies Act 2006 and estimated costs likely to be incurred to comply with these requirements. This guideline is divided into six sections, sections one to five detail the compliance and maintenance requirements and section six lists the estimated related costs to maintain a UK company in good standing.

This guideline is not meant to cover all the compliance requirements imposed on a company by the UK laws. If any issue of interest is not covered in this guideline, you are welcome to contact and consult our professional accountants.

This guideline note also does not cover the area of licenses and permits. If your UK company is involved in the regulated business that requires certain license or permit from the UK Government, you will need to obtain that license or permit before it can commence its business. You are welcome to contact our professional consultants for the detailed information of the above licenses and permits in UK.

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1. Companies Law Related Compliance Requirements

(1) Company Secretary

You do not need a company secretary for a private limited company. Some companies use them to take on some of the director's responsibilities.

The company secretary can be a director but cannot be:

- (a) the company's auditor
- (b) an 'undischarged bankrupt' - unless they have permission from the court

The restrictions placed on a person when they're made bankrupt usually end when they're free from their debts (known as 'discharged'). You can check if someone has been discharged using the Insolvency Register.

(2) Registered Office

All UK limited companies are required to provide a registered office address. The registered office must be able to receive letters and documents relating to the company. Companies House do not allow the use of a PO Box address for the registered office of a company. The address must also be in the country of incorporation. Therefore a company registered in England and Wales must provide an address in England or Wales. Likewise, companies registered in Scotland must have a Scottish address.

UK companies are legally required to display the registered address on all stationery and correspondence with clients. This includes invoices and letters. The company name must be displayed outside address or at the entrance to the building if it is a large building with many offices. Since the introduction of the Companies Act 2006, it is also a legal requirement to display your registered office address on your company's website.

(3) Local Director

A UK company is required to appoint at least one individual over the age of 16 as its director. Directors are legally responsible for running the company and making sure company accounts and reports are properly prepared.

A director of a UK company can be a non UK resident and live anywhere in the world and there is no requirement for them to live in the UK during or after their appointment as company director.

Directors' names and personal information are publicly available from Companies House. As directors must provide a service address (or 'correspondence' address), which will also be publicly available.

(4) Event Driven Reporting Requirements

Under the Companies Act 2006, the company must inform Companies House of corporate changes including:

- (a) Notification of a change in the company's officers or in their personal details;
- (b) Changes to the company's registered office;
- (c) Allotment of shares;
- (d) Changing the accounting period end;
- (e) Registration of a charge (this can be registered by any party with an 'interest' in the charge and not just the company);
- (f) Change of company name;
- (g) Change of constitution; and

In addition to the above, companies must also maintain a minute book and registers of the company either at its registered office address or another nominated address.

(5) Confirmation Statement

Every UK company must file a Confirmation Statement (previously known as Annual Return) with Companies House every year. The purpose of the Confirmation Statement is to report:

- (a) Registered office address;
- (b) Principal business activity;
- (c) Address of where the company's list of shareholders is kept;
- (d) Type of limited company, e.g. limited by shares or limited by guarantee;
- (e) Name and address of all company directors;
- (f) Name and address of the company secretary (if applicable);
- (g) The number and value of shares issued by the company, including the ownership of same; and
- (h) Where details of 'debentures' are kept (if applicable).

Whilst there are no late filing penalties associated with Confirmation Statement should the deadline be missed, Companies House however can commence strike off and/or prosecution proceedings against the company and its directors if the Confirmation Statement is not filed properly.

2. Taxes Compliance Requirements

(1) Corporation Tax (CT)

Companies must prepare and file a Corporation Tax Return to report the company's corporation tax to HM Revenue and Customs (HMRC).

The CT Return must be completed even if the company does not have any tax to pay, unless HMRC is advised that the company being dormant for CT purposes.

Details on the CT Return must include, but are not limited to, the following:

- (a) Capital allowances to be claimed for business assets purchased;
- (b) Gains on assets that have been sold in excess of the purchase price;
- (c) Directors' loans not repaid at the end of the company's financial year;
- (d) Repaid directors' loans for the purposes of reclaiming tax;
- (e) Reliefs to be claimed; and
- (f) Any losses carried forward from the previous accounting period.

The deadline for paying corporation tax is 9 months and 1 day after the company's chargeable accounting period end and the deadline for filing a CT Return is 12 months after the company's accounting period / year end. Companies defined as 'large' are required to pay their UK corporation tax liabilities in quarterly instalments, with the first instalment normally being due 6 months and 13 days after the commencement of the accounting period. The penalties for the late filing of a CT return are as follows:

Time after the Deadline	Penalty
One day	£100
Three Months	Additional £100
Six Months	10% penalty added to the unpaid tax estimated by HMRC
Twelve Months	Additional 10% penalty added to the unpaid tax estimated by HMRC

If the return is filed late three times in a row, the £100 penalties are increased to £500 each.

(2) Value-added Tax (VAT)

(a) VAT Registration

VAT is the tax charged on most goods and services that are purchased in the UK and equivalent in Europe. It is known in some countries as Goods and Services Tax (GST), but not the same.

From 1 January 2021, the threshold for registering VAT is £90,000. It is based on a 12-month rolling period so not just for the fiscal year 6th April to 5th April (the UK tax year). If it is likely that your sales of goods/services that would be applicable to UK VAT exceed £90,000 in a 12-month period looking back and forward, then you must register for UK VAT.

However, companies can choose to voluntarily register as VAT taxpayers even if their annual turnover is less than £90,000. Registering as a VAT taxpayer may bring two benefits to the Company. The first is to increase your company's cash flow, and the second is to enhance customer confidence in the company because not registering for VAT means that your UK company is very small.

(b) VAT Filing and Payment

By default, all VAT registered businesses are required to file their Vat return and make payment of VAT quarterly. However, business may request and if approved, file their Vat return on a monthly or yearly basis.

VAT return and payment deadline is one calendar month and seven days after the end of the VAT period. For example, for the quarter ending 31 June 2020, your return must be submitted and payment cleared in HMRC's account by 7 August 2020. It shall be noted that the payment of VAT should be cleared by the reporting deadline.

(3) Pay As You Earn (PAYE)

PAYE is a tax collection system. It ensures that the Government gets tax revenue from employed workers as soon as they start earning. You, as the employer, are responsible for running it. You may choose to engage an accountant, like Kaizen to do this work for you.

Under PAYE, you are responsible for deducting income tax and National Insurance Contributions from your employees' wages and paying this to HMRC every month. You also have to pay additional National Insurance Contributions as an employer. These contributions are called Employer's Class 1 National Insurance Contributions.

You are also responsible for sending in returns to HMRC showing the income tax and National Insurance due and paid

3. Financial Statements and Audit

(1) Financial Statements

Your company's annual accounts - called 'statutory accounts' - are prepared from the company's financial records at the end of your company's financial year.

Statutory accounts must include:

- (a) a 'balance sheet', which shows the value of everything the company owns, owes and is owed on the last day of the financial year
- (b) a 'profit and loss account', which shows the company's sales, running costs and the profit or loss it has made over the financial year
- (c) notes about the accounts
- (d) a director's report (unless your UK company is classified as a 'micro-entity')

You must always send copies of the statutory accounts to:

- (a) all shareholders
- (b) people who can go to the company's general meetings
- (c) Companies House
- (d) HMRC as part of your Company Tax Return

You have different deadlines for sending your accounts to Companies House and your tax return to HMRC, but you may be able send them at the same time.

If your company is small, a micro entity or dormant, you might be able to prepare and deliver a simpler ('abridged') accounts.

(2) Appointment of Auditor

An auditor of a private company must be appointed for each financial year of the company, unless the directors resolve otherwise on the grounds that audited accounts are unlikely to be required.

The directors appoint the first auditor of the company. He or she then holds office until the end of the first meeting of the shareholders at which the accounts are laid before the members. At that meeting the members can re-appoint the auditor, or appoint a different one, to hold office from that date until the end of the next shareholders' meeting at which accounts are laid.

However, private companies can pass an 'elective resolution' not to lay accounts before the members in a general meeting. If this is done, then the auditor has to be re-appointed, or a new one appointed, at another meeting of the company's members that must be held within 28 days of the accounts being sent to the members.

The auditor is responsible for making a report to the company's members on all accounts of the company. The auditors' scope of work as required by the Companies

Act requires them to report whether, in the auditors' opinion the annual accounts give a true and fair view of the balance sheet and profit and loss account and that the accounts have been properly prepared in accordance with the relevant financial reporting framework including international accounting standards and the requirements of the Act.

(3) Audit Exemption

In accordance with the Companies Act, a stand-alone company, that is, a company which is not a member of any group, that qualify as a small company under Companies Act 2006 is usually exempt from audit.

A company is small if for both this year and last year it was not ineligible, and it met two out of three of the following criteria:

Requirement	Threshold
Turnover	≤ £10.2 million
Balance Sheet Total (Total Assets)	≤ £5.1 million
Number of Employees	≤ 50 employees

This applies to first financial year or takes two years to change. i.e. in relation to a subsequent financial year, where on its balance sheet date a company meets or ceases to meet the qualifying conditions that affect its qualification as a small company only if it occurs in two consecutive financial years.

If your UK company is a member of a group, you can take the audit exemption if you are a small member (apply the limits given above) of a small group. To qualify as a small group, the group must meet 2 out of the 3 requirements, applying either net or gross thresholds.

Requirement	Net Threshold	Gross Threshold
Turnover	≤ £10.2 million	≤ £12.2 million
Balance Sheet Total (Total Assets)	≤ £5.1 million	≤ £6.1 million
Number of Employees	≤ 50 employees	≤ 50 employees

Net = as per the consolidated accounts

Gross= adding together the individual accounts before deducting intragroup transactions/ balances.

N.B. these thresholds are for the whole worldwide group of companies.

This applies to first financial year or takes two years to change. i.e. in relation to a subsequent financial year of the parent company, where on the parent company's balance sheet date the group meets or ceases to meet the qualifying conditions that affects the group's qualification as a small group only if it occurs in two consecutive financial years.

(4) Annual Accounts Filing Requirements

The annual accounts for a UK Limited Company are normally due to be filed with Companies House by 9 months after the company's financial year end. Late filing will be subject to penalties listed in the table below:

Filing Date	Penalty
Up to one month late	£150
One to three months	£375
Three to six months	£750
Over six months	£1,500

Penalties are doubled where a company files its accounts late for a second year. Continued non-filing of the accounts can lead to prosecution of the directors and striking-off of the company, with forfeiture of the company's assets.

4. Workplace Pension Duties

Under the Pensions Act 2008, every employer in the UK must put certain staff into a workplace pension scheme and contribute towards it. This is called 'auto enrolment'. If you employ at least one person you are an employer and you have certain legal duties.

If your UK company currently or will employ at least one person and have at least one person aged between 22 up to state pension age, and who earns more than £192 per week (£833 per month or £10,000 per year), then your UK company will be an employer with staff who must be put into a pension scheme. Your automatic enrolment duties start when you employ your first member of staff (duties start date).

5. Business Licenses

A business license is a permit issued by the government or a professional body that instructs how specific business activities should be carried out.

The licenses you need for your business depends entirely on where in the country it's based and the industry you operate in and the business activities you intend to carry out.

The most obvious and common businesses needing licensing are to do with selling alcohol, tobacco and gambling. For example, a pub or club selling alcoholic drinks, and a betting shop or casino.

6. UK Company Maintenance Costs

As stated above, after a company is officially registered in UK, it is required to compliance with the reporting requirements imposed by the Companies Act and Customs and Inland Revenue Tax Act, such as holding annual general meeting, updating books of accounts, auditing of financial statements (unless exempted) and filing tax returns. Our fees for some of these services are fixed and others are determined by the nature of business and volume of transactions. We list in the table below the fees for some of our services for your reference.

Item	Services	Fee (£)	
Basic Annual Maintenance			
1	Registered Office Address	Yearly	
2	Preparation of Annual General Meeting and Filing of Confirmation Statement	Yearly	
Subtotal:			500
Other Maintenance Services			
3	Preparation and Filing of Annual Accounts (Dormant)	Yearly	250
4	Preparation and filing of Corporation Tax Return (Dormant)	Yearly	250
5	Accounting and bookkeeping	Monthly	150 up
6	Preparation and filing of Corporation Tax Return (with computation)	Yearly	500 up
7	VAT Registration (Voluntarily)	One off	300
8	VAT Registration (Mandatory)	One off	300
9	Preparation and filing of VAT Return	Quarterly	150 up
10	Financial Statement Statutory Audit	Yearly	4,500 up
11	Preparation of unaudited financial statements	Yearly	2,000 up
12	PAYE Number registration	One off	300
13	Pension Scheme registration and change of Particulars of current staff	One off	200
14	Payroll processing	Monthly	60/head
15	Pension Scheme calculation and submission	Monthly	20/head
16	Processing the conversion of pension provider or payroll system	One off	100

If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following methods:

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