

Your responsibilities as shareholders and directors of your company

The shareholders own shares in the company which entitles them to participate in the profits generated by the company after allowing for corporation tax by way of dividends, declared by the directors to be available for distribution to the shareholders.

Directors are officers of the company which manage the company's operations to generate profits for the shareholders to whom they are ultimately responsible. Shareholders may only appoint or dismiss directors; they have no other direct say in how the directors manage the company.

You should appreciate, that in contracting through a limited company, that company is a separate legal entity from yourselves, Whilst you may own shares in the company, and also be an officer, such as a director of the company, It is the company that is engaged by clients to perform services and the company is then engaging yourselves to work for it in fulfilling those contracts.

The company's income and assets are not yours in the first instance. You may only tax efficiently gain access to the company's funds by either

- a) Working for a set wage
- b) Being reimbursed for expenses you necessarily incur on the company's behalf whilst contracting.
- c) Or by sharing in any dividend of profits declared as available to you as a shareholder. You do this by completing a dividend declaration when withdrawing top up funds and sending copies to us with your data.

As directors, you are responsible for ensuring that the company complies with laws and regulations that apply to its activities, and for preventing non-compliance and detecting any that occurs. Therefore, any unauthorised withdrawal of funds will result in taxation or legal consequences which are best avoided. You should always ensure that each contract you take on is reviewed as the consequences of getting your status wrong are catastrophic.

In order to achieve this, as directors, You are responsible for keeping adequate accounting records that set out with reasonable accuracy at any time the company's financial position, and for ensuring that the annual financial statements show a true and fair view and have been prepared to comply with United Kingdom Generally Accepted Accounting Practice (UKGAAP) and with the Companies Act 2006. It is also a legal requirement that you keep your invoices, bank records and expense receipts for six years after the end of your year end in case of enquiry. We may ask you for copies of any items which we need to check further in updating your records.

HBS provides you with payslips and reports of your payroll and a master template for you to record your sales invoices, bank payments, cash and credit card expenses which together with your dividend declarations, should be all you need to allow us to complete your VAT and prepare your accounts. You send us the data and the dividend declarations each month by 15th of the following month and we will keep your records up to date and report back to you what you've achieved and what you need to pay monthly so you're always in command of your affairs.

After the first short VAT period, you will be advised by HMRC to settle your VAT on account monthly and receive an initial certificate of registration and the first vat reporting period, the another annual and FRS rate reporting certificates.

If there is anything you're not sure about, drop us an email to info@haddenbs.co.uk or call us on **0845 074 5739** and we'll be happy to help.