



FAQ's

How do I fill in my tax credits forms?

Clearly state your position; that of being EMPLOYED **not** SELF-EMPLOYED, I will not go into the details of why government bodies are particularly on their guard when Self-employed is ticked, but it is (as an officer of your company) that you receive a salary. This can be stated on the form with an annual figure, which for prudence always falls below the current basic rate of tax.

Are there any problems with running a Limited company?

The key to running a limited company is compliance, which means documents must be delivered on time and in the correct format; KPB Monarch do all this for you ensuring you remain compliant at all times.

What post can I expect at my address?

Post to your trading address (your home) will arrive in two forms the first are largely generated by HMRC's overworked computer system and for compliance it has to send documents to the registered address (our office) and the director's address (your home); for the most part every HMRC or Companies House document delivered to your trading address is also received by us (duplicated), there is no need for you to keep or inform us of any of these documents as they are actioned promptly on arrival at the registered office. The second and more important are authority codes which must be returned to us, if you could ensure we have them within the prescribed deadlines on the letter.

Do I need a separate bank account?

No, the issues surrounding this are complex but there remains no legal requirement to open a dedicated company bank account. HMRC have frowned upon the payment of monies into personal accounts from 2012 and have used this as an instruction to agents and end users, who in turn have construed this as a legal requirement. Monies paid to you through invoicing have clear and concise details of a company gain, these are received into a safe and secure account of your choice. The benefits of using a dedicated bank account are numerous but hinge on the aspect that exercising due diligence at year end we would need to see statements from the account, which may contain large amounts of unrelated transactions to the company's business and we have no need to search personal transactions. Therefore it is clear that a dedicated bank account containing exclusively the transactions associated with the business is best for us, as we only record the business transactions.

What happens to my money each week?

The gross invoice value is paid into your chosen bank account; we do not enter into this transaction as we are not an MSC (Managed Service Company) and do not extract deductions at source (as with umbrella companies). The running expenses for administration and compliance, the national insurance and finally the company tax estimated to be due, can be held back each week from gross amount (amounts supplied by KPB Monarch). The net amount is yours to discharge your professional duties as salary, expenses and dividend.

How is my net wage arrived at?

After KPB Monarch have informed you of current running costs the remainder of the income is yours as the director and is first a salary; an amount best extracted as a fixed amount each week, to comply with HMRC reporting using the RTI online pay scheme for your company. The second; all available expenses to discharge your professional duties as the director. The final reconciliation amount will be the dividend reported and 'paid down' from director's loan account each quarter.

How will I pay my National Insurance?

You are paid as an officer of the company with the title 'Director', as such there exists no contract of employment between you and the company and you have no requirement to be paid rates in line with National Minimum Wage (NMW). Therefore you can work diligently for the benefit of the company with no financial reward whatsoever. We do elect to pay you, through your registered PAYE Scheme, below the basic rate (BR); in line with the chancellor's budget statements. However we are also keen that you pay National Insurance at the best rate Class 1 contributions, this is computed with regard to your position as

director and is gathered cumulatively each year (fiscal). So at the end of each tax year an amount becomes due to settle the class 1 liability, this will ensure your pension contributions remain uninterrupted during your directorship.

What receipts do I need to send you?

In line with your working patterns each week we compute the HMRC benchmarks for allowable expenses (whilst executing your professional duties) to include generous meal allowances, nights away from your trading address and travelling mileage. These are all entered into the ledgers each week with reference to your working patterns, with no requirement to keep receipts. Receipts are required for training expenses, printing, stationary, telephones, work wear and any additions to your equipment, computers, printers, scanners etc. The list is exhaustive and we are able to provide narrative to any request which we feel may qualify for legitimate expense claims.

Can I involve my wife or partner?

Yes you can, in line with her or his tax coding it is possible that they can perform some administrative duties on a daily or weekly basis and receive a small salary recorded through the companies PAYE Scheme.

Do I get sick pay or holiday pay?

The provision for holiday pay in a 'contract of employment' means that your employer is extracting a provision, to pay you when you take annual leave (a cost to you). As you now work for your own company you also can make whatever provision you wish, mostly the increased savings experienced by operating the company allow you to take whatever holiday you wish, but in line with business practice 'no work' has always resulted in 'no pay'! Sick pay is not drawn from the company salary scheme as it has no provision (with the lower salary paid to directors) however as you always pay NIC at class 1 you can seek ESA which was the old 'incapacity benefit', through your local Job Centre; the application is simple and we provide all documentation to support your claim.

Can I still get a mortgage?

Yes, mortgage lenders and providers have suffered a large upheaval recently and new MMR regulations have restricted lending, however many mutual societies (not many banks) have taken a long view and providing your trading is regular and brisk (not too many holidays) they will look at accounts for two years trading and grant loans. There must be some advance notice if you wish to apply for a mortgage; this is so that the figures can be reported to support your application. The reporting has to be correct and in line with reporting standards (FRSSE). The essence of the revision in reporting has roots in the difference between PAYE and the way a director receives his or her salary. A full time position under the pay as you earn scheme results in a net wage after deductions for you to use for the

upkeep of the home and family, plus travel to and from your place of work, plus meals throughout the day, also any accommodation if your job requires extensive travelling; all these are funded from your net wage. The generous advantages of working with your own independent limited company (as a director) means that large portions of the listed expenses are associated with the execution of your professional duties and as such will lower your reported profit at year end, this does result in a lower tax liability, however these expenses can be drawn from an agreed income given through an increase in the salary or dividend from company reserves which will meet the criteria for the lenders 'proof of income', there remains no change to the underlying gains reported by the company but largely that they are distributed in a different manner. We have to stress that the increase in gains distributed back to the director to pay his or her own expenses will carry an increase in the tax liability for the year being reported.