

Starting a Business in the UK

A Practical Guide

Company formation, compliance, tax registration and operational setup — everything you need to know.

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Introduction

Starting a business in the UK is straightforward in theory — you can incorporate a limited company in under 24 hours for £12. In practice, there are dozens of decisions to make, registrations to complete, and compliance obligations to understand before you are genuinely ready to trade. This guide covers the essential steps in the order you will typically encounter them, with practical advice drawn from CM Beyer's experience of helping clients establish and grow UK businesses.

Choosing a Business Structure

The first decision is how to structure the business. The three most common options for UK businesses are sole trader, limited company and limited liability partnership (LLP). Each has different implications for tax, personal liability, administrative burden and credibility.

Factor	Sole Trader	Limited Company	LLP
Formation cost	Free	£12–£50	£12–£50
Personal liability	Unlimited	Limited to share capital	Limited
Tax structure	Income Tax + NICs	Corporation Tax + dividends	Income Tax (partners)
Annual accounts filing	Self Assessment	Companies House + HMRC	Companies House + HMRC
Administrative burden	Low	Medium	Medium-High
Perceived credibility	Lower	Higher	Professional services
Profit extraction flexibility	Low	High (salary + dividends)	Medium

For most new businesses with ambitions beyond sole trading, a private limited company (Ltd) is the most practical structure. It provides limited liability protection, tax efficiency through salary-and-dividend extraction, and the credibility that comes with being a registered company. CM Beyer Limited itself operates as a private limited company.

Company Formation

A UK limited company is formed by registering with Companies House. You can do this online at gov.uk/register-a-company. The process requires: a company name (which must not be identical or too similar to an existing registered name); a registered office address in England and Wales, Scotland or Northern Ireland; at least one director (who must be a natural person aged 16 or over); at least one shareholder; details of the company's share capital; and a memorandum and articles of association.

Standard articles of association (the "model articles") are suitable for most new companies and do not need to be customised unless you have specific governance requirements. The formation fee is £12 for online filing, and the company is typically registered within 24 hours. You will receive a Certificate of Incorporation confirming your company number.

Post-Incorporation Essentials

HMRC registration. Your company will be automatically registered for Corporation Tax when you incorporate through Companies House. You must file your first Corporation Tax return within 12 months of your accounting period end date. You should also register for PAYE if you plan to pay yourself or any employees a salary, and for VAT if your taxable turnover exceeds £90,000 (the 2025/26 threshold) or if you choose to register voluntarily.

Business bank account. A limited company must have its own bank account — you cannot use a personal account for company transactions. Most UK banks offer business current accounts with varying fee structures. Allow 5-10 working days for account opening, and longer if your business operates in a regulated sector or has complex ownership structures.

Accounting and bookkeeping. You are legally required to maintain adequate accounting records from the date of incorporation. This means recording all money received and spent, all assets and liabilities, and all stock held at the end of each financial year. In practice, most new companies use cloud accounting software such as Xero, QuickBooks or FreeAgent to maintain their records and prepare for VAT returns and annual accounts.

Insurance. Employers' liability insurance is a legal requirement if you have employees (including yourself as a director-employee). Professional indemnity insurance is not legally required for most businesses but is increasingly expected by clients, particularly in professional services. Public liability insurance covers claims from third parties for injury or property damage arising from your business activities.

Data protection. If your business processes personal data — and almost all businesses do — you must register with the Information Commissioner's Office (ICO). The annual fee is £40 for most small businesses. You must also comply with UK GDPR and the Data Protection Act 2018, which require you to have a lawful basis for processing personal data, to be transparent about how you use data, and to implement appropriate security measures.

Trade mark registration. Registering a trade mark with the UK Intellectual Property Office (UKIPO) protects your brand name, logo or slogan from use by competitors. Registration costs £170 for a single class and takes approximately four months if there are no objections. While not legally required, trade mark registration provides significantly stronger legal protection than common law rights alone.

Tax Overview

Tax	Rate / Threshold	When	Notes
Corporation Tax	19% (small profits) / 25%	Annual	Profits over £250K at 25%
VAT	20% standard rate	Quarterly	Mandatory over £90K turnover
Income Tax (salary)	20/40/45%	Monthly (PAYE)	Personal allowance £12,570
Dividend Tax	8.75/33.75/39.35%	Self Assessment	£1,000 allowance
Employer NICs	13.8% over £9,100	Monthly (PAYE)	Employment Allowance £5K
Employee NICs	8% on £12,570–£50,270	Monthly (PAYE)	2% above upper limit

Your First 90 Days: Checklist

1. Register company at Companies House
2. Open a business bank account
3. Register for Corporation Tax (automatic) and PAYE (if applicable)
4. Register for VAT (if required or beneficial)
5. Set up cloud accounting software
6. Register with the ICO for data protection (£40/year)
7. Obtain required insurance (employers' liability, PI, public liability)
8. Set up a business address and phone number
9. Build a company website with privacy policy and terms
10. Consider trade mark registration for your brand name
11. Appoint an accountant or bookkeeper
12. Establish a filing calendar for accounts, tax returns and confirmation statements

Common Mistakes

Mixing personal and business finances. Keep company money and personal money completely separate from day one. Mixing them creates accounting problems, tax complications and potential legal issues around director's loan accounts.

Ignoring filing deadlines. Companies House charges a £150 late filing penalty for annual accounts filed up to one month late, rising to £1,500 for accounts more than six months late. HMRC penalties for late Corporation Tax returns start at £100 and escalate. Set calendar reminders for every deadline.

Underestimating tax liabilities. Set aside 25-30% of profits for tax from the start. Many new businesses are caught out by their first Corporation Tax bill because they did not reserve funds during the year. Your accountant can help you estimate quarterly tax provisions.

Skipping professional advice. A good accountant costs £100-£200 per month for a small limited company. The cost of getting your tax, payroll or compliance wrong is almost always higher. Engage an accountant before you need one, not after HMRC sends a letter.

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