HOW TO FORM A COMPANY IN THE UK

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Getting your business registered doesn't have to be complicated. Follow these simple steps to get your business off the ground quickly:

1. Choose Your Company Type

The initial phase of the registration procedure involves selecting the specific type of entity you wish to establish. Subsequently, you will be required to complete the registration process either with HMRC or Companies House.

Various business structures are available in the UK for registration, offering flexibility based on factors such as your industry, intention to hire employees, anticipated turnover, and other operational aspects.

Now, let's delve deeper into the diverse legal structures at your disposal.

Limited Company

Limited Companies in the UK are mandated to register with Companies House and include either the suffix “Ltd” or the term “Limited” in their name. Additionally, these entities must register for corporation tax within three months of their Companies House registration.

Limited Companies are legally distinct from their proprietors, ensuring that personal assets remain safeguarded from liabilities in case of business difficulties.

These entities can be categorized as either limited by shares or limited by guarantee. Limited by shares denotes a profit-oriented entity that maintains legal separation from its owners, with shares and shareholders enabling profit retention post-tax payments.

Conversely, a company limited by guarantee, often referred to as a not-for-profit, also maintains legal separation from its owners. However, instead of shareholders, it operates with guarantors, and any profits are reinvested into the company.

There are two main types of limited companies in the UK:

1. Private limited company (Ltd.): Registered with Companies House, a private limited company necessitates at least one director and one shareholder. It operates as a distinct legal entity with its own assets, profits, and debts. Shares are not publicly traded, and there is no minimum investment requirement for shareholders. Liability is limited to each shareholder's ownership percentage.

2. Public limited company (PLC): Many companies commence as private limited entities and may transition to public limited status upon growth. Similar to private limited companies, PLCs have directors and shareholders, but their shares are publicly tradable, facilitating easier fundraising. However, this status entails more intricate tax and financial reporting obligations. To become a PLC, a company must have issued shares worth at least £50,000 to the public.

Partnership

In a partnership, two or more individuals collaborate to establish a business jointly. Partners collectively partake in the profits, company dividends, and also shoulder equal responsibility for any debts, losses, and national insurance obligations.

This business model is common among many small enterprises, falling into the following categories:

1. General partnership: In a general partnership, profits and liabilities are evenly distributed among the partners. General partnerships are required to register with HMRC. Among the partners, one is designated as the nominated partner, responsible for tax filings, while all partners must individually file their tax returns.

2. Limited partnership: In a limited partnership, there exists at least one general partner responsible for day-to-day management and liable for company debts and losses. Additionally, the partnership includes one or more limited partners offering financial support but without involvement in management. Limited partners are solely liable for the amount they invest in the company.

3. Limited liability partnership (LLP): For partners unwilling to assume personal liability for company debts, an LLP offers a solution. In an LLP, partners are accountable for income taxes on their share of company profits but are shielded from personal debt liability. Unlike other partnership models, establishing an LLP necessitates a written agreement and registration with Companies House.

Sole Trader

The most straightforward form of business ownership is being a sole trader. In this arrangement, there's no legal distinction between yourself as an individual and your business entity.

Sole traders are not obligated to register their business with Companies House but must register with HMRC for Self Assessment tax purposes to fulfill income tax and national insurance obligations.

Operating as a sole trader offers the flexibility to use either your personal name or a chosen business name. However, business names for sole traders are subject to certain restrictions. They cannot include terms such as "limited," "Ltd," "limited liability partnership," "LLP," "public limited company," or "PLC." Additionally, they must not be offensive, contain curse words, include sensitive terms like "bank" or "accredited," or imply a connection with any government authority.

Before finalizing a business name, it's essential to conduct thorough checks on local databases to ensure it isn't trademarked or already in use by another entity.

Step 2: Registering a Business Name in the UK

Once you're establishing a Limited Company or an LLP, your subsequent task involves registering the business name with Companies House.

Before proceeding, it's crucial to ensure that your desired name is available. Utilize the Companies House company name availability checker to conduct a thorough search. If the name is available, it's advisable to consider trademarking it to secure exclusive rights to its use.

Several factors should influence your choice of a business name, including ensuring its uniqueness, memorability, and alignment with your industry and brand messaging.

Step 3: Selecting an Official Business Address

Every UK business is required to have an official company address, which becomes part of the public record. You have the flexibility to designate your home address, an office space, or any other suitable location for this purpose.

The chosen address must be a physical location capable of receiving documents, excluding P.O. boxes, and providing evidence of receipt. However, it does not necessarily have to be the operational base of your business.

For instance, if you intend to operate from home but prefer not to disclose your home address publicly, you can easily locate an accountant or another professional who offers the use of their business address for a fee.

4. Memorandum and Articles of Association

For most UK businesses, two essential documents are required: a memorandum of association (MOA) and articles of association (AOA). Prior to registering a business in the UK, the company director(s) and shareholder(s) must sign these documents.

The MOA is automatically generated during the online business registration process. It necessitates signatures from the initial shareholders and directors, indicating their agreement to establish the business. Once registered, the memorandum remains unalterable.

The AOA outline the operational policies of the company, determined by the directors, shareholders, and secretary (if applicable). You have the option to draft your own articles or utilize a template available online, which should then be submitted to Companies House during the entity registration process.

5. Obtain Your SIC Code

As part of the UK company registration procedure, it's essential to acquire your Standard Industrial Classification of Economic Activities (SIC) code.

These codes serve to categorize businesses according to their industry, facilitating the analysis and reporting of statistical data across various sectors. This classification aids Companies House in identifying the nature of the business you operate.

6. Establish Your UK Business Bank Account

For those registering their business as a limited company, opening a business bank account is mandatory.

To initiate this process, you'll need to furnish the bank with the following documentation:

1. Identification documents (e.g., national ID card, biometric residence permit, or passport) for all directors and partners
2. Proof of business address
3. Companies House registration number
4. Estimated annual turnover for the business

While it's not obligatory for a director or shareholder of your company to be a UK resident to register a business in the UK, opening a bank account may pose challenges if there are no UK residents associated with the business. In such cases, it's advisable to discuss your circumstances with your bank.

Unlike limited companies, partnerships and sole traders are not legally compelled to open a business bank account. Particularly for those embarking on their business journey, exploring alternative options for managing your entity's finances may be beneficial.

7. Cryptocurrency License in the UK

Companies engaging in crypto-related activities are required to seek crypto authorization from the FCA for various operations, including:

- Converting cryptocurrencies to fiat currency and vice versa
- Converting cryptocurrencies to other cryptocurrencies
- Operating crypto ATMs
- Providing custodian wallet services
- Facilitating peer-to-peer crypto exchanges
- Participating in Initial Coin Offerings (ICO)

Crypto Legislation in the UK

The UK's regulations concerning crypto assets partly align with those of the EU. Before exiting the organization, the UK incorporated the AML/CFT requirements outlined in the EU's Fifth Anti-Money Laundering Directive (5AMLD) and Sixth Anti-Money Laundering Directive (6AMLD).

Crypto asset firms based in the UK are obliged to adhere to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the MLRs). These regulations delineate the responsibilities of private sector entities exposed to money laundering risks. They include mandates for implementing customer due diligence measures, which the FCA is empowered to oversee and enforce. The overarching objective is to combat money laundering and the financing of illicit activities through cryptocurrency enterprises.

Cryptoasset businesses engaged in the following activities are obligated to adhere to the MLRs:

For Cryptoasset exchange providers:

- Conducting or facilitating the exchange of crypto assets for fiat money or vice versa

- Conducting or facilitating the exchange of one crypto asset for another
- Operating automated machines for exchanging crypto assets for fiat money or vice versa

For Custodian wallet providers:

- Holding and managing crypto assets on behalf of customers
- Managing private cryptographic keys on behalf of customers to store, transfer, and manage crypto assets

To ensure compliance, crypto asset companies must:

1. Conduct AML/CFT risk assessments concerning clients, operational jurisdictions, transactions, and products or services.
2. Implement appropriate AML/CFT systems, policies, controls, and procedures, ensuring alignment with the complexity of their business and communicating any changes accordingly.
3. Employ a qualified AML/CFT compliance officer tasked with ensuring adherence to relevant legislation.
4. Provide training to staff responsible for AML/CFT procedures, monitoring their activities.
5. Continuously monitor transactions and promptly report suspicious transactions through Suspicious Activity Reports.
6. Adhere to Customer Due Diligence (CDD) and Know Your Customer (KYC) requirements, implementing necessary policies through standardized workflows.
7. Comply with obligations regarding the identification of politically exposed persons.
8. Establish compliant record-keeping and data protection systems, safeguarding personal data while ensuring adequate reporting records for AML/CFT purposes.
9. Develop an internal audit function and oversee its ongoing implementation.

Additionally, new legislation slated for introduction this year aims to combat economic crime, streamline bureaucracy, and institute a competitive taxation system that may benefit crypto businesses.