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NUMB3RS

**Is it time
to go
Limited?**



Introduction

If your business is growing, you have probably wondered whether it is time to set up a limited company. It is a common question and understandably so. The idea of forming a company can feel daunting: more paperwork, new rules, and perhaps higher costs.

The truth is that going Limited can simplify your business, make it more professional, and even save you money. With Making Tax Digital (MTD) for Income Tax Self Assessment (ITSA) coming into effect, the rules for self-employed reporting are changing. For many, these changes will feel as significant, or even more significant, than moving to a limited company.

This guide will help you understand the differences, make sense of MTD, and decide what is best for your business.

Why Consider a Limited Company?

Being a limited company means your business becomes a separate legal entity. This brings several advantages. You can plan your income in a more tax-efficient way, protect your personal assets, and create a professional image for clients, suppliers, and lenders.

As a director, you can take a small salary and pay yourself dividends from company profits. This approach is often more tax-efficient than taking all profits as a self-employed person, especially once your profits rise above the higher-rate tax threshold.

Limited companies also allow flexibility in planning. You can choose a company year-end that suits your cash flow, retain profits for growth, and plan your salary and dividends strategically. This level of control makes it much easier to forecast growth and manage your business finances effectively.

“The team at Sense of Numbers, have helped me swap from a sole trader to a limited company. They have made the process easy all the way and are always available to answer any questions I have. I highly recommend working with them if you need a knowledgeable and reliable accountant.” Jack (Google Review)

How MTD for ITSA Changes Things

MTD for ITSA is being introduced for self-employed individuals and landlords. Under the new system, eligible taxpayers must submit **quarterly updates** of their income and expenses **and a final end-of-year declaration**, which replaces the traditional Self Assessment tax return.

The quarterly updates summarise income and expenses for each three-month period, giving HMRC a more regular picture of your earnings. The final end-of-year declaration is where you confirm any adjustments and submit your final figures.

Eligibility timeline:

- From April 2026: Sole traders or landlords with gross income over £50,000
- From April 2027: Sole traders or landlords with gross income between £30,000 and £50,000
- From April 2028: Sole traders or landlords with gross income over £20,000

Deadlines:

- Quarterly updates are due one month and 7 days after each period ends
 - (Q1 → 7 August, Q2 → 7 November, Q3 → 7 February, Q4 → 7 May)
- The annual end-of-year declaration (the MTD version of the Self Assessment tax return) will still be due by 31 January following the end of the tax year
- For the first group to join MTD (those with income over £50,000):
 - The first MTD accounting period runs 6 April 2026 to 5 April 2027
 - The first MTD end-of-year declaration for that period is due by 31 January 2028

While MTD is designed to simplify record-keeping, it introduces more frequent reporting and will require approved digital software to stay compliant. For some self-employed businesses, this can feel like a significant increase in administrative responsibility, sometimes even bigger than the shift to a limited company. Limited companies operate under a system accountants know well, with predictable annual filings, corporation tax returns, and dividend planning.

What Changes When You Go Limited

Switching from self-employment to a limited company involves a few differences:

- You must operate a business bank account in the company's name. Even if you are the only director, the money belongs to the company, not you personally.
- You become a company director with legal responsibilities. This also gives you more control over planning and tax efficiency.
- Profits are taxed through corporation tax rather than personal income tax. This allows strategic withdrawals via salary and dividends.
- You file annual accounts with Companies House and a corporation tax return. These are predictable and manageable with support from an accountant.

Self-Employed vs Limited Company

Feature	Self-Employed (MTD)	Limited Company
Taxation	Income taxed as personal income, NI payable on all profits	Corporation tax on profits, salary & dividends can reduce overall tax and NI
Reporting	Quarterly updates & annual year-end declaration	Annual accounts & corporation tax return, payroll/dividends managed as needed
Complexity	Increased admin due to quarterly digital filings, rules still evolving	Predictable filings, accountants experienced and familiar with process
Flexibility	Limited, quarterly reporting fixed by HMRC	High, choose year end, control salary/dividends, retain profits for growth
Protection	Personal liability for debts and claims	Company is separate legal entity, personal assets protected
Credibility & Growth	Standard for freelancers and microbusinesses	More professional image, easier to forecast, invest, and grow

Making the Decision

Deciding whether to go Limited depends on your business size, profit, and personal preferences.

If your profits are rising, limited companies can be more tax-efficient, provide personal protection, and offer better planning options.

If MTD quarterly reporting feels overwhelming, a limited company may simplify your life.

If your business is smaller or you want minimal administration, remaining self-employed may still work. However, be prepared for more frequent reporting and potential cost increases.

Next Steps

Making the move to a limited company does not have to be stressful. With the right support, it is straightforward. We guide you through every step, from company setup to salary and dividend planning to annual filings.

For a growing business, limited companies offer flexibility, credibility, and control. Even with MTD changing the reporting landscape, many clients may find that switching is easier and more predictable than navigating quarterly self-assessment filings.

Top Tips for going Limited

- Review your annual profits and tax position
- Consider liability protection and long-term planning
- Choose a company year-end that works for your cash flow
- Seek professional advice early to make the transition smooth

If you are ready to make the change to a limited company, we can help you with this. Explore our services and pricing on our [Small Business Services page](#), book a call to discuss your business with us [here](#), or access more helpful guidance on our [Resources page](#).