

Can I Invest Via My Limited Company?

Tax Saving

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Disclaimer: At Mighty, it's important to note that while we can advise on the **tax implications** of investing via your limited company, we **can't advise on where or how to invest** your money as we are not financial advisors. Therefore, this article is for general guidance only and should not be taken as financial advice.

If your business has built up a healthy amount of reserves, you might be wondering whether you can make those funds work harder perhaps by investing in shares, funds, or other financial products. The short answer is: **yes, you can** but there are important tax considerations to keep in mind.

A business savings account is the simplest option

Most freelancers simply choose to open a business savings or deposit account to earn a bit of interest on spare cash. Providers like Tide have historically offered competitive rates, but it's always worth comparing what's available.

The interest earned is subject to corporation tax, which is also how most investment returns would be taxed so from that angle, it's broadly like-for-like. A savings account also keeps things simple and avoids other tax pitfalls, which we discuss next.

The tax trap: losing your 'trading' status

If your company holds significant investments, HMRC may no longer consider it a trading company. That's a problem, particularly when it comes time to close the company, because only trading companies typically qualify for Business Asset Disposal Relief (BADR). BADR can reduce the capital gains tax on your final distribution from up to 26% down to 18%, so losing this relief could easily erode any gains you make from your investments. You can read more in our full article on BADR [here](#).

As a general rule of thumb, if more than 20% of your company's income, assets, or activities relate to non-trading investments, HMRC may no longer treat it as a trading business. Whilst they typically assess your status in the year you close, they can also review the years leading up to it as well.

What constitutes as an investment in HMRC's eyes?

There aren't any strict black-and-white rules from HMRC on what counts as an "investment", but there are some clear patterns in how they tend to view different types of accounts and assets. The table below gives

a quick overview of how common scenarios are usually treated:

Account Type:	Generally Treated As:	Rationale:
Business Current Account	Trading	This is used primarily for day-to-day operations. The business couldn't run without it!
Business deposit / savings accounts	Trading	This is seen as cash management. It's prudent for businesses to set aside chunks of their reserves for taxes, for example.
Fixed term savings accounts	Trading (usually!)	These accounts are a bit more of a grey area, but if they're relatively short-term, they would again be seen as cash management. Longer term savings accounts could attract more scrutiny.
Corporate investment platforms / products	Investment	With investment platforms such as Hargreaves Lansdown or products such as General Investment Accounts, HMRC would view the main objective as looking to make a return from investment activity, rather than for trading.
Long-term bonds, gilts or share portfolios	Investment	As above, HMRC would view the main objective as looking to make a return from investment activity, rather than for trading.
Property held for letting / capital gains	Investment	These are seen as passive income source and not related to your main trade activity

When it comes to what HMRC sees as 'investing', it's all about intention. They'll look at what your company's actually doing with its money, is it just parking surplus cash safely, or trying to make money from investments? In other words, keeping funds in savings or short-term deposits is usually fine and seen as part of running the business sensibly, but once you start buying shares, funds, or property, you're moving into investment territory.

What about setting up a separate investment company?

Some business owners decide to set up a separate limited company to hold investments. This can help protect the trading status of your main company but it's not always tax-neutral.

It's likely that your trading company and investment company are "associated" (e.g. under common control), therefore, your corporation tax thresholds are shared across both. That means your trading company may hit the 26.5% marginal rate sooner, even if it's not investing directly. We have a full guide to associated companies [here](#) if of interest.

This route can work in some cases, but it's worth weighing the ongoing costs, compliance, and tax trade-offs especially if the returns from your investments aren't significantly higher than interest from a standard

business deposit account.

Does Mighty support investment companies?

Mighty was built specifically for small, service-based businesses like freelancers, contractors, and consultants. As such, we don't support investment companies on our platform.

That said, if you're thinking of taking this route, we're happy to introduce you to a specialist accountant who can help.

Need help?

If you're unsure about the tax implications of investing via your company, or you're thinking about setting up a separate investment company, speak to your dedicated accountant or drop us a line at support@mightyaccounting.com, we're happy to help clarify anything we can.

Related guides

- [Business Asset Disposal Relief \(BADR\)](#)

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