

# SETTING UP BUSINESS IN UNITED KINGDOM



## General Aspects

The United Kingdom (UK) lies off the north-western coast of the European mainland. It consists of England, Wales, Scotland and Northern Ireland and covers an area of 244,820 square kilometres. English is the main language throughout the UK. The total population of the United Kingdom is around 63 million. Although it is a member of the EU, the UK is not part of the Euro area. The monetary unit is the pound sterling (GBP=Great Britain Pound). At the time of writing, the GBP was worth approximately 1,12 EUR.

## Legal Forms of Business Entities

Topic	Feature	Remarks
<b>Branch Office</b>	An extension of a non-UK company. Has no legal personality, but is part of the legal entity of the foreign company. All responsibilities for any liabilities in the UK lie with the foreign company. There is no (minimum) capital required but the foreign company has to invest the necessary amount of money to carry out the business in the UK.	Suitable for foreign companies looking for a presence in the UK to initiate business. A branch can be opened quite simply, but may need to be registered with Companies House if the branch has a physical presence in the UK. The costs of registering and translating all the documents should not be underestimated.
<b>Sole Proprietorship</b>	Set up by a single natural person, who is fully liable for the debts incurred by the business with his or her own present and future wealth. There are no UK nationality or residence requirements.	Suitable for small businesses and start-ups. Trade will need to be registered with HM Revenue & Customs for tax and national insurance purposes.
<b>Establishment or place of business</b>	An establishment is a physical or visible indication that a business may be operated there.	An overseas company also has to register with Companies House if it regularly conducts business from a particular location in the UK, even if there is no physical sign of the company's connection with it.
<b>Partnerships</b>	Any partnership requires at least two partners with a personal commitment. Their liability for the partnership's debts and liabilities is generally unlimited and personal, including all private assets.	No minimum share capital is required and the accounting and publication obligations are less extensive than those for body corporates. No formal registration required. Trade will need to be registered with HM Revenue & Customs for tax and national insurance purposes.

There are the following partnerships in UK law:

<b>General Commercial Partnership</b>	Has no corporate personality, except in Scotland. All partners have unlimited joint and several liability.	The classic company form for the freelance professions. No formal registration required.
---------------------------------------	--	--

<b>Partnership limited by guarantee</b>	<p>A legal form related to the General Commercial Partnership, but with the option of limiting the liability of some of the partners.</p> <p>The general partners are personally and jointly liable without limitation, as well as with their private assets. The liability of the limited partners is limited to their respective share of the partnership capital.</p>	<p>Suitable for medium-sized companies seeking additional start-up capital from persons who prefer a limitation of liability. The main place of business has to be in the UK.</p> <p>Must be registered under the Limited Partnerships Act 1907</p>
<b>Unlimited Company</b>	<p>An unlimited company may or may not have share capital. The company must be entered in the commercial register. Its one major advantage is that it is not required to register annual accounts at Companies House.</p>	<p>Suitable, where individuals essentially require a partnership business, but wish to avoid the expenses involved in drafting a detailed agreement.</p>
<b>Body corporate</b>	<p>A legal entity (such as an association, company, person, government, government agency, or institution) identified by a particular name. Also called corporation, corporate body or corporate entity.</p>	<p>For information concerning the incorporation formalities of a company see <a href="https://www.gov.uk/government/organisations/companies-house">https://www.gov.uk/government/organisations/companies-house</a></p>

There are the following body corporates in UK law:

<b>Public Limited Company (=PLC)</b>	<p>The minimum share capital of a PLC is at least 50,000 GBP of which 12,500 GBP must be paid up and there must be at least two directors.</p>	<p>Shares can be transferred easily; the PLC can be listed publicly on the stock exchange and enjoys a high market reputation. The costs of the founding process are relatively high. The organizational and accounting obligations and the publication requirements are very extensive.</p>
<b>Private Limited Company (=Ltd)</b>	<p>There is no minimum share capital for the Ltd but it must have at least one share. It may only have one director.</p>	<p>This form suits small and medium-sized enterprises and family businesses. The operating rules are relatively simple and flexible.</p>
<b>Limited Liability Partnership (=LLP)</b>	<p>The LLP has no share capital but is a form of corporation. The LLP has members with limited liability, but no shareholders. Two or more members are required to be designated members, who have statutory responsibility for certain tasks and are subject personally to sanctions. In default of notification to the registrar of companies of the designated members, all members are designated members.</p>	<p>Suitable for the freelance professions. Provides the benefits of limited liability while offering the possibility of retaining internally the ethos of a partnership.</p> <p>A LLP is taxed as a partnership rather than a corporation</p>

## Organizational Questions

Topic	Feature	Remarks
<b>Commercial Register</b>	<p>Companies House is the central commercial register for the United Kingdom based in Cardiff. Scotland maintains a separate register in Edinburgh for companies registered in Scotland. Since 1 October 2009 the Northern Ireland companies register has been fully integrated into Companies House in Cardiff. A satellite office remains in Belfast, headed by the Registrar of Companies for Northern Ireland.</p> <p>England and Wales are treated as a single entity (companies may be "Registered in England and Wales"). Companies must advise Companies House of their intended registered office (the official address of the company), which may be in England and Wales, in Scotland, Wales or Northern Ireland. Consequently, on incorporation, a company registered in one jurisdiction cannot move its registered office to a different jurisdiction within the United Kingdom.</p>	<p>The main functions of Companies House are to:</p> <ul style="list-style-type: none"> <li>incorporate and dissolve companies and limited liability partnerships;</li> <li>examine and store company information delivered under the Companies Act and related legislation; and</li> <li>make this information available to the public.</li> </ul>
	To open a bank account all parties will need to provide proof of identity and evidence of their residential address. Banks will normally require documents to be certified by a lawyer, accountant, banker or other regulated professional person. Companies need to provide their registered name and number as evidenced on their incorporation documents, together with the personal details of the partners/directors and other business contact details.	Different UK banks will have their own criteria for providing banking facilities to overseas businesses.
<b>Transfer of Goods and Machinery</b>	Within the EU goods and machinery can circulate freely. Imports from non-EU states to the UK are subject to the "European Community Common Customs Tariff".	There are several customs exemptions to be considered.
<b>Transfer of Capital</b>	Capital can be moved in and out of the UK without any restrictions.	However, large amounts of capital must be reported.
<b>Visa and Residence permit</b>	In general, nationals of European Economic Area (=EEA) countries are permitted to live and work freely in the UK. All non-EEA nationals intending to stay in the UK for more than six months must also apply for a UK Residence Permit.	Please note that the UK is NOT part of the Schengen agreement. Further information and advice about entry clearances (=application process for "visa nationals") can be obtained at: <a href="http://www.fco.gov.uk">www.fco.gov.uk</a> or <a href="https://www.gov.uk/government/organisations/uk-visas-and-immigration">https://www.gov.uk/government/organisations/uk-visas-and-immigration</a>

**Conversion from one company type to another**

A private limited company can be converted into a public limited company and vice versa, or to an unlimited company. An unlimited company can be converted to a private limited company. A company limited by guarantee cannot be converted to a private limited company or vice versa.

On re-registration the company keeps its original company number and remains the same corporate identity. Re-registration does not affect any existing rights or liabilities of the company

## Taxation

The UK economy is a low tax economy with several key advantages for businesses and individuals, including: one of the lowest main corporate tax rates in the EU, low personal taxes and one of the most extensive networks of double taxation treaties in the world. The UK fiscal year runs from 6<sup>th</sup> of April to 5<sup>th</sup> of April but an individual may draw up his accounts for a year ended on any date.

Tax	Feature	Remarks															
<b>Corporate Income Tax</b>	The standard rate of corporation tax is 19 % on all taxable earnings of the body corporate and applies to both resident and non-resident companies.	The corporation tax rate from 1 April 2017 is set at 19 %. However the rate is set to fall to 17 % from 1 April 2020.															
<b>Personal Non-savings Income Tax</b>	<p>The rates of personal income tax on non-savings income for the year to 5 April 2018 are:</p> <table border="1"> <thead> <tr> <th>Band</th> <th>Taxable Income</th> <th>Tax Rate</th> </tr> </thead> <tbody> <tr> <td>Personal Allowance</td> <td>Up to £11,500</td> <td>0%</td> </tr> <tr> <td>Basic Rate</td> <td>£11,501 to £45,000</td> <td>20%</td> </tr> <tr> <td>Higher Rate</td> <td>£45,001 to £150,000</td> <td>40%</td> </tr> <tr> <td>Additional Rate</td> <td>Over £150,000</td> <td>45%</td> </tr> </tbody> </table> <p>The personal allowance is reduced by £1 for every £2 of income above 100,000 GBP.</p> <p>There is no personal allowance where income exceeds £123,000.</p>	Band	Taxable Income	Tax Rate	Personal Allowance	Up to £11,500	0%	Basic Rate	£11,501 to £45,000	20%	Higher Rate	£45,001 to £150,000	40%	Additional Rate	Over £150,000	45%	<p>Non savings income includes earnings, pensions trading profits and property income.</p> <p>From 6 April 2018 there will be the following changes:</p> <p>Personal Allowance – 11,850 GBP            Basic Rate 11,851 to 46,350 GBP            Higher Rate 46,351 to 150,000 GBP</p> <p>No personal allowance where income exceeds 123,700 GBP</p> <p>From 6 April 2017 the bands of income and tax rates (other than savings and dividend income) are different for taxpayers who are resident in Scotland to taxpayers resident elsewhere in the UK. The Scottish Government set these rates which varied significantly from the rest of the UK from 6 April 2018.</p> <p>The Marriage Allowance allows certain couples, where neither pay tax at more than the basic rate, to transfer 10% of their unused personal allowance to their spouse or civil partner, reducing their tax bill by up to £230 a year in 2017/18.</p>
Band	Taxable Income	Tax Rate															
Personal Allowance	Up to £11,500	0%															
Basic Rate	£11,501 to £45,000	20%															
Higher Rate	£45,001 to £150,000	40%															
Additional Rate	Over £150,000	45%															

**Personal Savings Income Tax**

The rates of personal income tax on savings income for the year to 5 April 2018 are:

Band	Savings Allowance	Tax Rate
Basic Rate	£1,000	0%
Higher Rate	£500	0%
Additional Rate	£0	5%

Savings income is income such as bank and building society interest.

Savings income is taxed after non-savings income.

Provided total income falls within the basic rate band, then the first £1,000 of savings income will be taxed at 0% and the balance at 20%.

If total income falls within the higher rate band, then the first £500 of savings income will be taxed at 0% and the balance at 40%.

Some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. However, this rate is only available if taxable non-savings income is less than £5,000.

**Personal Dividend Income Tax**

The rates of personal income tax on dividend income for the year to 5 April 2018 are:

Band	Dividend Allowance	Rate
	First £5,000	0%
Basic Rate		7.5%
Higher Rate		32.5%
Additional Rate		38.1%

Dividend income is treated as the top slice of income and is taxed after non-earnings and savings income.

Provided total income falls within the basic rate band, then the first £5,000 of dividend income will be taxed at 0% and the balance at 7.5%.

If total income falls within the higher rate band, then the first £5,000 of dividend income will be taxed at 0% and the balance at 32.5%.

If total income falls within the additional rate band, then the first £5,000 of dividend income will be taxed at 0% and the balance at 38.1%.

From 6 April 2018 the dividend allowance will reduce to £2,000.



<b>Value Added Tax (VAT)</b>	<p>You may voluntarily apply for a VAT registration number if you are in business in the UK and making taxable supplies, or intend to do so in future, or have a physical establishment in the UK (e.g. a branch office). If your taxable supplies exceed 85,000 GBP then registration is compulsory. The standard VAT rate is 20 %. A lower rate of 5 % applies to certain goods such as medical and hygiene products for personal use, energy saving products for installation into buildings, the supply of fuel and power used in the home and by charitable bodies, and some building services to residential buildings. A limited number of goods and services (including most food, books and clothing for children), are zero-rated, as are shipments of goods to VAT registered EU businesses and all shipments to destinations outside the EU. Any goods or services deemed to be supplied in the UK which are not subject to VAT at the 20%, 5% or zero rate of VAT are VAT exempt (which does not carry an automatic entitlement to recovery of VAT incurred on related expenditure).</p>	<p>If you acquire goods or services in the UK from other EU countries worth 85,000 GBP or more you may also have to register and account for VAT in the UK.</p> <p>The registration and acquisition threshold do not apply to businesses which do not have a physical establishment in the UK. Liability to VAT registration is effective immediately from the date from which their sales subject to UK VAT commence.</p>
<b>Capital Gains Tax (CGT)</b>	<p>First 11,300 GBP of gains per tax year are exempt from CGT. CGT is paid at 10 % on capital gains above exempt amount, if the capital gains above exempt amount when added to taxable income does not exceed the basic rate band. Otherwise the excess above the exempt amount is taxed at 20%. Higher rates of 18% and 28% apply to residential property gains with the exception of any element that may qualify as a Principal Private Residence.</p>	<p>From 6 April 2018 the CGT annual exemption will increase to £11,700.</p> <p>An “entrepreneurs’ relief” and “investors relief” is available on certain disposals relating to trading companies and businesses, reducing the CGT rate to 10 % on the first 10 million GBP of qualifying gains.</p>
<b>Real estate transfer tax</b>	<p>This tax is payable by UK or foreign purchasers of real estate and shares in UK incorporated companies. The rate on shares is 0.5 % of the consideration. On residential real estate a scale of 0 % to 12 % applies, with the top rate levied on sales for a consideration of more than 1,500,000 GBP. Whereas commercial real estate incurs tax on a scale of 0 % to 5 % with the top rate levied on sales for a consideration of more than 250,000 GBP.</p>	
<b>Real estate tax</b>	<p>Local authorities levy a tax, known as the Uniform Business Rate, on the occupiers of commercial and industrial property. The amount paid depends upon the annual rental value which takes into account its location and size.</p> <p>There is also 15% tax levied on interests in residential real estate costing more than 500,000 GBP purchased by certain non-natural persons.</p>	

## **Non-resident Taxation**

A **Non-resident company** which is trading through a permanent establishment is liable to corporation tax on income connected to the permanent establishment in the UK, and on capital gains arising from assets connected with the activities of that permanent establishment.

**Non-resident individuals:** Domicile status is the status of most people coming to the UK if they are non-UK nationals and do not intend to remain in the UK permanently. This status can bring significant tax advantages. In particular, investment income and capital gains arising outside the UK are not taxed in the UK if the funds are not brought into the UK (remittance basis). However a claim for remittance basis will result in loss of personal allowance and capital gains annual exemption, unless the unremitted foreign income and/or gains is less than £2,000. Furthermore Domicile status individuals who are resident in UK in at least 7 out of the last 9 tax years immediately preceding the year of the claim will, in addition to the loss of allowances as stated above, be liable for a £30,000 charge. The charge is increased to £60,000 if they claim the remittance basis and they have been resident in the UK in at least 12 out of the last 14 tax years immediately preceding the year, unless the unremitted foreign income does not exceed £2,000. From 6 April 2017, individuals who have been UK resident for 15 of the previous 20 years will be deemed to be UK domiciled and therefore not eligible to claim the remittance basis.





Local Matters, National Strength.

*This guide has been prepared by  
HWCA, an independent member of  
Antea*

#### **HWCA**

Advantage, 87 Castle St,  
Reading, United Kingdom  
Tel.: + 44 118 958 41 11  
reading@hwca.com  
www.hwca.com

#### **Antea members in United Kingdom:**

##### **LONDON & READING**

Coordinator for UK:  
Contact partner: Ben Loveday  
Tel.: + 44 118 958 41 11  
Mail: bloveday@hwca.com  
Web: www.hwca.com



Alliance of  
independent firms

Mallorca, 260 àtic  
08008 – Barcelona  
Tel.: + 34 93 215 59 89  
Fax: + 34 93 487 28 76  
Email: info@antea-int.com  
www.antea-int.com

This publication is intended as general guide only. Accordingly, we recommend that readers seek appropriate professional advice regarding any particular problems that they encounter. This information should not be relied on as a substitute for such an advice. While all reasonable attempts have been made to ensure that the information contained herein is accurate, not Antea Alliance of Independent Firms neither its members accepts no responsibility for any errors or omission it may contain whether caused by negligence or otherwise, or for any losses, however caused, sustained by any person that relies upon it.