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SETTING UP BUSINESS IN UNITED KINGDOM

Antea

ALLIANCE OF INDEPENDENT FIRMS

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 1,37 EUR.

Legal Forms of Business Entities

Topic	Feature	Remarks
Branch Office	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.
Sole Proprietorship	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. Special formalities are not required. No formal registration required
Establishment or place of business	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.
Partnerships	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

There are the following partnerships in UK law:

General Commercial Partnership	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.

Partnership limited by guarantee	A legal form related to the General Commercial Partnership, but with the option of limiting the liability of some of the partners. 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.	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. Must be registered under the Limited Partnerships Act 1907
Unlimited Company	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.	Suitable, where individuals essentially require a partnership business, but wish to avoid the expenses involved in drafting a detailed agreement.
Body corporate	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.	For information concerning the incorporation formalities of a company, see: http://www.companieshouse.gov.uk/

There are the following body corporates in UK law:

Public Limited Company (=PLC)	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.	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.
Private Limited Company (=Ltd)	There is no minimum share capital for the Ltd but it must have at least one share. It may only have one director.	This form suits small and medium-sized enterprises and family businesses. The operating rules are relatively simple and flexible.
Limited Liability Partnership (=LLP)	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.	Suitable for the freelance professions. Provides the benefits of limited liability while offering the possibility of retaining internally the ethos of a partnership. A LLP is taxed as a partnership rather than a corporation

Organizational Questions

Topic	Feature	Remarks
Commercial Register	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. 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.	The main functions of Companies House are to: • incorporate and dissolve companies and limited liability partnerships; • examine and store company information delivered under the Companies Act and related legislation; and • make this information available to the public.
	To open a bank account all parties will need to provide proof of identity and evidence of their residential address. Banks will nornally 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.
Transfer of Goods and Machinery	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.
Transfer of Capital	Capital can be moved in and out of the UK without any restrictions.	However, large amounts of capital must be reported.
Visa and Residence permit	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: www.fco.gov.uk or www.ukvisas.gov.uk.

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 the most extensive network of double taxation treaties in the world. The UK fiscal year runs from 6th of April to 5th of April but an individual may draw up his accounts for a year ended on any date.

Tax	Feature	Remarks
Corporate Income Tax	The standard rate of corporation tax is 20 % on all taxable earnings of the body corporate and applies to both resident and non-resident companies.	The corporation tax rate from 1 April 2016 is set at 20 %. However the rate is set to fall to 19 % from 1 April 2017 and to 18 % from 1 April 2020.
Personal Income Tax	The rate of personal income tax starts at 20 % for annual income exceeding the tax-free allowance of 10,600 GBP. It rises progressively to a higher personal income tax rate of 40 %, which is applicable to income of 42,385 GBP or more. The personal allowance is reduced by £1 for every £2 of income above 100,000 GBP. A top rate of 45 % applies to income exceeding 150,000 GBP	Increased tax-free allowances for individuals over 65 are also available. From 6 April 2016 there will be the following changes: Personal Allowance – 11,000 GBP Threshold for 40% Higher Tax Rate – 43,000 GBP From 6 April 2016 there will be a 0 % tax rate on savings income on up to 1,000 GBP for individuals with income of less than 42,385 GBP and up to 500 GBP for individuals with income in excess of 42,385. From 6 April 2016 the UK Government have changed the dividend rules and rates. Firstly a new Dividend Allowance will mean that individuals will not have to pay income tax on the first 5,000 GBP of dividend income. The existing notional dividend tax credit of 10% will be scrapped and flat dividend rates have been set at 7.5 % on dividend income up to 43,000 GBP, 32.5 % on dividend income in excess of this up to 150,000 GBP and 38.1 % thereafter.

Value Added Tax (VAT)	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 82,000 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.	If you acquire goods or services in the UK from other EU countries worth 82,000 GBP or more you may also have to register and account for VAT in the UK. 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.
Capital Gains Tax (CGT)	First 11,100 GBP of gains per tax year are exempt from CGT. CGT paid at 18 % on capital gains above exempt amount, if the capital gains above exempt amount when added to taxable income does not exceed 42,385 GBP. Otherwise the excess above the exempt amount is taxed at 28%.	An “entrepreneurs’ 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.
Real estate transfer tax	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. There has been a recent change in how the tax is calculated, going from a stepped to a progressive approach. 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 4 % with the top rate levied on sales for a consideration of more than 500,000 GBP.	
Real estate tax	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. There is also 15% tax levied on interests in residential real estate costing more than 500,000 GBP purchased by certain non-natural persons.	

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 gain 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. The charge is further increased to £90,000 if they claim the remittance basis and they have been resident in the UK in at least 17 out of the last 20 tax years immediately preceding the year, unless the unremitted foreign income does not exceed £2,000.

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