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A panoramic view of the London skyline at dusk, featuring The Shard, City Hall, and the River Thames with several boats.

Guide to
Doing business in the UK

Introduction

There are many reasons why so many businesses choose to set up base within the UK. The country has a thriving financial centre, a home market of more than 60 million people and it lies in the central time zone between the USA and Asia.

It also has a favourable corporate tax regime and, depending on your location and field of business, there are a number of grants and incentives that your business may be able to take advantage of.

For businesses looking to set up in the UK, there are many rules and processes which need to be taken into consideration and these requirements can often seem daunting at the start of a new venture.

With this in mind, RDP Newmans has produced this guide to act as a general summary of the trading structures, direct and indirect taxes and main employment issues that businesses need to be aware of.

Our experienced accountants can help you take advantage of the many benefits which are available to overseas businesses and

individuals coming to the UK.

Our team has the breadth of expertise to ensure that both the administration and all the requisite back-office tasks are carried out in full compliance with UK laws, leaving you to concentrate on the day-to-day work of growing your business. As a firm we will strive to make the process as efficient and cost-effective as possible.

This guide should serve as an introduction to some of the most important issues to consider, but please bear in mind that it is important to seek advice about how the rules and requirements relate to your specific circumstances. If you have further questions or would like clarification on any of the matters raised in this guide, please contact RDP Newmans today.





Choose the right trading structure

When it comes to choosing a name for your company you usually have free rein, providing that your choice isn't in anyway offensive and that it hasn't already been used by somebody else.

When setting up in the UK you will be registered for tax automatically. This means that it is very important for you to choose the most appropriate business structure.

The following sections will look at each of the options in more detail, including a discussion of the relative advantages and disadvantages. Please also refer to Appendix 3, which sets out details of the documents required by Companies House when one of these entities is set up and during the lifetime of the business.

The options available:

Private Company Limited by Shares (Limited Company)

This is considered a separate legal entity, even if it has a parent company. Membership is created by the subscription for share capital. The company in question may be "standalone", with the shares owned by individuals, or alternatively it could operate as a "subsidiary", where those shares are in the possession of the parent company.

If you opt for this structure, your company's liabilities to outside

creditors are limited to the amount of its assets and issued share capital. Therefore, if the business is wholly owned by an overseas parent, the parent would not be liable for any amount of unpaid debts belonging to its UK subsidiary. Simply put, liability is limited to the share capital or the amount the members have agreed to contribute to the company's assets in the event it is wound up.

Having one shareholder, owning one share with any nominal value, and one natural director, are the minimum requirements for setting up a limited company. However, you do have the option to choose as many shareholders or directors as you desire.

While there is no requirement to actually trade in the UK, the company must have a registered office in the country, even if this is not its trading address. In fact there is no obligation for a trading address at all, nor for UK resident officers or shareholders. One of the merits of Limited Companies is that they can be formed easily and cheaply, usually within a 24 hour period.

Every year a company will need to prepare and file a copy of its accounts with The Registrar of Companies at Companies House, drafted in accordance with the UK's company law. Once filed, these documents are available to be viewed by the public. All accounts need to be filed within nine months of the company's financial year-end or alternatively within 22 months of it being formed.

While a firm can choose its year-end, it is generally the case that it will choose a date to coincide with that of its parent company.

In circumstances where the limited company is a parent company of a group for which two of the following thresholds are exceeded for the group, then consolidated accounts may be necessary. A statutory audit may also be required. There is an exemption subject to certain criteria if the UK company meets the requirements, but the group does not, where the parent company is within the European Union (EU).

For accounting periods beginning on or after 1 January 2016 the thresholds are:

- Where gross revenues exceed £10.2 million
- Where gross assets exceed £5.1 million
- Where there are more than 50 employees in total.

A statutory audit may also need to be carried out if the company is part of a group that includes a Public Limited Company. Inevitably this will mean that the cost of maintaining the company will be higher than would otherwise be the case.



Choose the right trading structure (*continued*)



Public Limited Company (PLC)

In many respects, a PLC operates in the same manner as a Limited Company, has similar requirements and is also fairly straightforward to set up. The main difference is that it is required to have £50,000 of share capital, of which 25 per cent must be called up. Moreover, it will need a trading certificate before it begins trading, as well as a company secretary.

PLCs need to file their accounts within six months of the company's financial year-end. A firm can choose its year-end but as with Limited Companies it is usual to choose one that is in line with what is already in place for the parent company.

Every PLC will need to undergo an audit every year, as well as any UK limited companies in the same group as a PLC. Consolidated accounts may be necessary if there is a PLC in the group, and you will find there are additional disclosure requirements in this paperwork.

It is worth noting that PLC status does carry a number of additional responsibilities and compliance requirements. Please contact the RDP Newmans team if you are thinking of setting up a PLC and we will be able to provide more details on what is required.

UK Establishment (Branch)

This trading structure is considered an extension of the overseas company operating in the UK and is not classed as a separate legal entity.

Any contractual arrangements or liabilities entered into by the UK branch are binding on the overseas company and the UK establishment is subject to laws and taxes in this country. A UK establishment will need to have a trading address in the UK and present the necessary evidence that it is trading from that location.

Certain documents will be required to set up a UK establishment and RDP Newmans is able to assist with the paperwork required.

Setting up a UK establishment can take longer than some of the other trading structures – sometimes in the region of three weeks. That said, a UK establishment can cease operating more quickly than some of the other options.

While a UK establishment provides a presence in the country, a Limited Company is generally seen as both more permanent and allows greater independence. Third parties often prefer dealing with them.

Accounts for UK establishments do not have to be filed at Companies House, although the accounts of the overseas company must be filed annually and in the English language. If your business has any concerns about this information being placed in the public domain, a UK establishment may not be the most suitable option.

Choose the right trading structure *(continued)*

Limited Liability Partnership (LLP)

This is a structure designed to combine the benefits of the limited liability of a Limited Company with the tax transparency associated with a partnership.

Accounts must be prepared and filed with Companies House on an annual basis.

Audits are also required for LLPs in line with the same thresholds that apply to Limited Companies. (See page 4 for details.)

LLPs tend to be popular with professional services companies such as law firms or accountancy practices, joint ventures and in the financial services industry.

Sole Trader

Sole traders run their business as an individual and classed as self-employed. If you opt for this structure you need to register with HM Revenue and Customs (HMRC) and adhere to a strict set of requirements.

Electing to become a sole trader means that you alone are responsible for the business, but it does not prevent you from recruiting staff. Sole traders are free to hire people in the same manner as any other business, but overall responsibility for the company remains with you.

As a sole trader your main responsibilities are:

- holding the sales and expenses records
- filing a self-assessment tax return each year
- paying income tax on your profits, as well as Class 2 and Class 4 National Insurance
- managing any debts your business accrues
- managing the bills relating to your business

Registering as a sole trader is generally a popular choice among consultants and those working on a freelance basis.

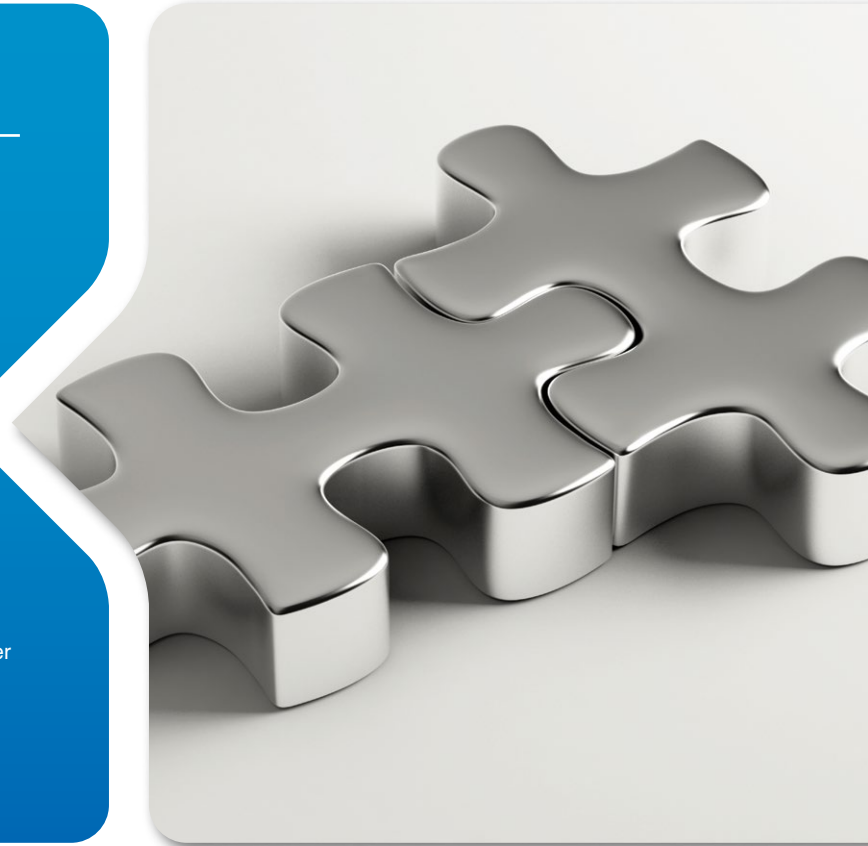
Partnership

In this structure, the company's business partners personally share the responsibility for the firm. Each individual is responsible for their share of any losses the business makes and any bills that are incurred.

Profits within a business partnership will also be shared accordingly and each partner must pay tax on this amount. As a partner you must file a personal annual self-assessment tax return and pay income tax on the profits you receive, as well as making the necessary National Insurance contributions (NICs).

All partnerships are required to choose a 'nominated partner' who is responsible for managing the business tax returns and keeping adequate records.

Contrary to belief, a partnership need not be limited to individuals. For example, a limited company counts as a 'legal person', and can also be a partner in a partnership. If a partner is a company, then it will need to have been registered with HMRC for the purposes of paying Corporation Tax.



Audit





UK limited companies are usually not subject to an audit under law unless:

- It is part of a group which exceeds set limits
- Its turnover is more than £10.2 million and has more than 50 employees
- Its turnover is more than £10.2 million and its assets exceed £5.1 million
- Its assets are in excess of £5.1 million and it has more than 50 employees
- It is a public limited company (PLC)
- Shareholders – holding at least 10 per cent of shares between them – request an audit.

It is the auditor's job to report on whether a firm's accounts give a fair and truthful picture of its profit and loss and balance sheet, while adhering to the UK's accounting standards and complying with the Companies Act 2006.

While sometimes daunting, audits can prove useful when selling a business and ensuring you are up-to-date with its financial health. At RDP Newmans our experienced team can conduct a detailed investigation of your affairs to ensure your company is fully compliant with all relevant legislation.

The tax regime

Once you have chosen the right trading structure for your business and it has been set up, the next step is to register for all the relevant taxes:

Corporation Tax

A company must pay Corporation Tax if it is incorporated in the UK or if its central control and management is exercised in this country. Registration is relatively simple and completed using form CT41G, available online from HM Revenue & Customs (HMRC). The information required includes:

- The names of directors
- The name of the parent company (if applicable)
- The trading activity
- Period end date for the company's first accounts

The Corporation Tax rate for company profits from 1 April 2018 is 19 per cent.

This will fall to 17 per cent on 1 April 2020.

Companies are required to pay Corporation Tax on their profits and can ordinarily relieve losses against the current or future profits.

Most companies have the ability to carry forward losses against future profits indefinitely.

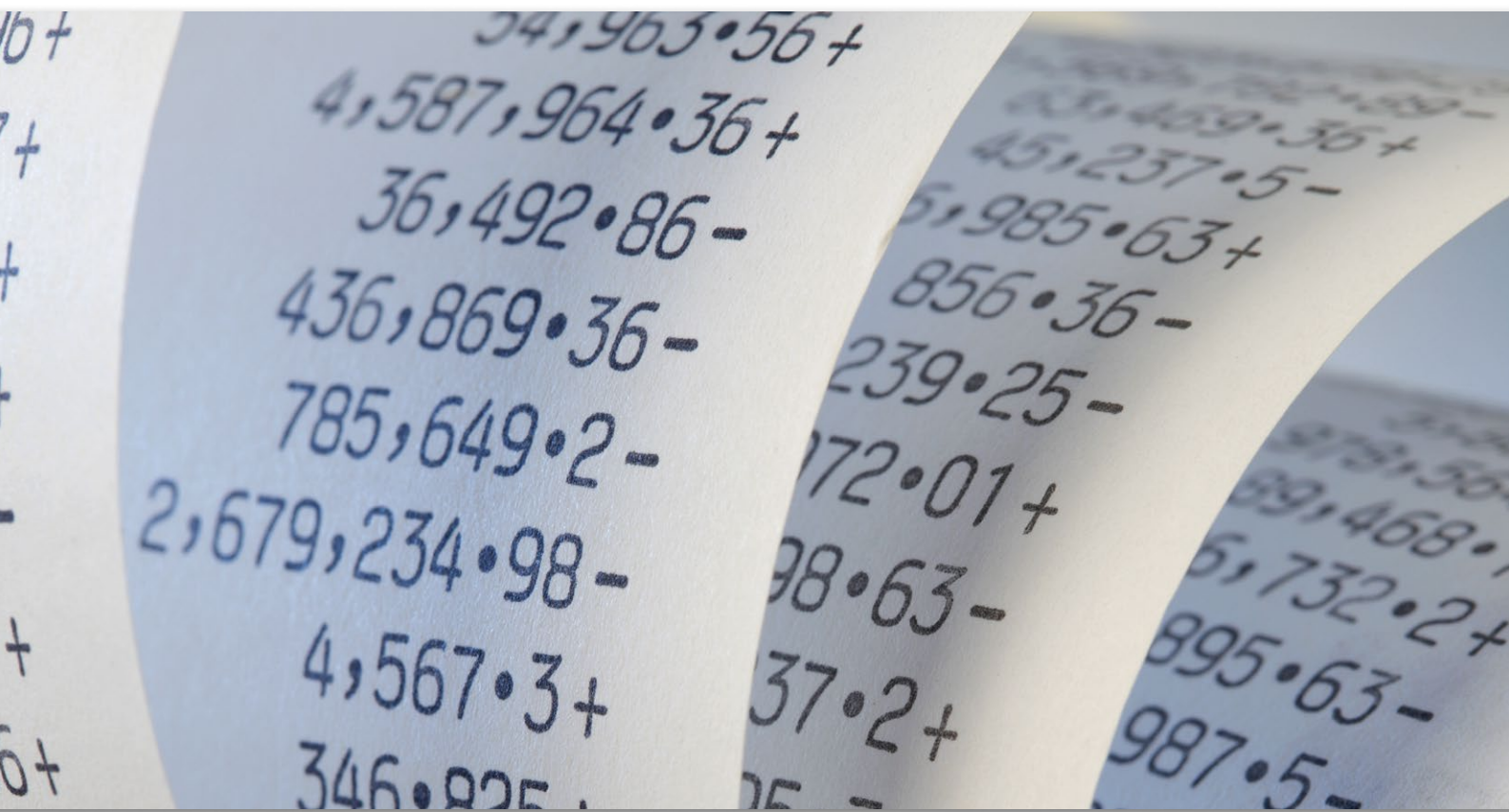
The Corporation Tax return is due within 12 months of the end of the accounting period. Please note that it is possible to change the accounting period of a UK subsidiary so that it is in line with overseas parent.

Corporation Tax returns have to be completed on an annual basis and are filed online. Tax is payable within nine months of the company's accounting year-end or under a quarterly payment arrangement if it is a large business. The accounts need to be filed at the same time and tagged using iXBRL.





The tax regime (continued)





Employment Tax – PAYE

All businesses which employ staff need to be registered for Pay As You Earn (PAYE). This is the system that the tax authority uses to collect both Income Tax and National Insurance Contributions (NICs) from a firm's employees (deducted their gross pay).

The PAYE collected is payable each month to HMRC within certain time constraints. It is important to be aware that late payments will incur interest and potentially penalties.

The tax which is deducted from salaries is Income Tax. The rates vary depending on the amount of money an employee earns. The current rates are detailed in Appendix 1a.

NICs are deducted from employees' earnings at the same time as PAYE, and the employer pays an additional fixed percentage of the pay as employer's NIC. These rates are laid out in Appendix 1b.

Companies are also required to complete monthly returns online, setting out the total Income Tax and NICs paid by the employee and employer in that given period. The tax year for PAYE is 5 April.

Since the arrival of Real Time Information requirements in April 2013, payroll processing can be a complicated and time-consuming process and financial penalties can be incurred if miscalculations occur.

At RDP Newmans, our team can ease the burden on businesses by processing your payroll and handling all the necessary filing requirements.

UK employers have to automatically enrol their staff into a workplace pension if certain criteria are met. Our team can advise on the process for auto-enrolment and introduce you to suitably qualified companies that specialise in the relevant pension advice.

The tax regime *(continued)*



Value Added Tax (VAT)

As is the case across Europe, the UK applies Value Added Tax (VAT) on the majority of business-to-business and business-to-consumer transactions.

Currently, this sales tax is chargeable by businesses if they are making annual taxable supplies exceeding £85,000 (the figure as of April 2018).

It is worth noting that certain services and products are either “zero-rated” or considered “exempt”. A zero-rated supply is classed as taxable, but the VAT is charged at a rate of zero per cent. Exempt supplies differ in that they are not taxable and are ignored as far as the VAT registration threshold is concerned.

If the VAT threshold is exceeded, or it is expected that the threshold will be passed in the near future, the business must register for VAT and must account for VAT on the supply of all goods and services.

When a business is registered for VAT, it must charge VAT at

the relevant prevailing rate on all its sales of goods and services in the UK and EU. Typically the business must submit a VAT return on a monthly or quarterly basis. This shows that the total amount of VAT that has been charged to its customers, as well as the VAT charged by suppliers. Depending on the figures, the net sum is either paid to HMRC or claimed back from them.

Provided a business can demonstrate its intention to trade or that it is currently trading below the £85,000 threshold, it may register for VAT on a voluntary basis before it is required to do so. Overseas businesses which are setting up in the UK will need to be aware of several important issues relating to the tax.

Supply of goods and services outside the EU

If a UK business is selling goods to customers outside this area, and can demonstrate that the goods have left the 28-nation bloc, the exports in question are considered outside the scope of VAT. However, if goods are imported into the UK, VAT will need to be paid at the point of entry. This sum can usually be reclaimed by registered businesses.

Supply of goods and services within the EU

There are rules in place to ensure a “level playing field” across the whole of EU and to remove any competitive advantage that may otherwise be gained by businesses purchasing goods or services from another EU member state where the prevailing rate of VAT is lower.

As it stands UK businesses, registered for VAT, do not have to charge VAT on the supply of goods or most services to businesses in other EU countries as long as they are satisfied that the customer is registered for VAT in their own country. These supplies are zero-rated in the case of goods, and outside the scope of VAT as far as services go.

That said, the purchaser must account for the notional VAT that would have been due if they had purchased the goods or services from a supplier in the same country. This is referred to as the “reverse charge” mechanism.

The rules relating to VAT compliance are likely to change following the outcome of the EU referendum in 2016.

The tax regime *(continued)*

Filing VAT returns and other reports

The majority of businesses will file quarterly VAT returns. These must be submitted to HMRC, usually within one month and seven days of the end of each quarter, along with a remittance if VAT is payable on the return concerned. Most firms are required to submit their returns online, although exceptions are made in certain circumstances.

If a registered trader has zero-rated sales, exports for example, then they may expect to receive regular repayments from the tax authority. Businesses in this position will need to file monthly VAT returns in order to receive these sums earlier, hopefully assisting with their cash flow.

There are a number of different schemes available to help businesses of certain sizes or those operating in specific sectors. For instance, some businesses may elect to file VAT returns annually, or account for VAT on either a cash-basis or at an agreed flat-rate.

Inheritance Tax (IHT)

The Government will levy a 40 per cent IHT charge on the estates of individuals resident in this country at point of death, after a £325,000 exemption (otherwise known as the nil-rate-band) has been deducted.

As part of efforts to encourage entrepreneurs to set up businesses here, a 100 per cent deduction will be provided against the values of qualifying business entities. Special reliefs (from IHT) are also available for non domiciled individuals who reside and work in the uk for up to 15 years out of the preceding 20 years of residence.

Help with tax matters

RDP Newmans's experienced accountants have expert knowledge of the UK's tax regime and the various reliefs available to both individuals and companies. We will be happy to advise on how the rules relate to your firm.

We can also deal with VAT applications and the intricacies of a UK company's payroll.

Resident or Domiciled in the UK?

As of April 2013, a Statutory Residence Test (SRT) is used to determine whether an individual is resident or not resident in the UK for the purposes of paying income tax, Capital Gains Tax (CGT) and Inheritance Tax (IHT). There are two sections to this process - the automatic tests and the sufficient ties tests.

Under the SRT, an individual is required to keep a comprehensive record of the number of days spent in the UK each tax year to determine whether they are regarded as resident or not. Careful planning of an individual's resident status is required in order to ensure that liabilities are minimised.

A person's country of domicile is the country that they consider to be their permanent home. Even if an individual has not lived in his or her homeland for many years, this does not necessarily prevent them from being domiciled there.

In the UK living as a foreign domicile can bring significant tax benefits, although the status should not be taken for granted. A claim has to have been made to HMRC when filing a UK Personal Tax Return and the tax authority does have the right to challenge it.

Tax Concessions

All overseas employees are usually liable to tax and National Insurance on their salary and benefits in the UK in the same way as UK nationals. However, in respect of benefits, certain concessions are available where an employee of an overseas company has been seconded to the UK for up to two years. This allows the individual's employer to provide accommodation, travel and other similar benefits tax-free.

There are also certain concessions for employees serving for longer in the UK, entitling them to tax relief on travel.

Employment matters and personal taxation

Any individual who works in the UK is liable to pay tax in this country and all employees are subject to UK laws, no matter their employer or country of origin. At RDP Newmans we can advise on structuring expat packages that capitalise on the reliefs available.

All employers must ensure they have a good understanding of UK employment regulations. There can be serious and costly consequences if a business does not abide by these laws. For example, an employee could take your company to Tribunal if they can prove unfair dismissal, discrimination, earnings below the threshold set by the National Living Wage or other malpractice.

National Living Wage

On 1 April 2016, the Government introduced a new National Living Wage (NLW) for workers over the age of 25. The current NLW is £7.83 per hour for those aged 25 and over.

Minimum Wage

This was introduced to protect employees from exploitation. Current minimum wage rates are set out in Appendix 4.

Working Hours

The Working Time Regulations are designed to ensure basic rights and sufficient protection of workers, although the UK's vote to leave the EU may eventually have a bearing on this legislation. The rules limit the average working week to 48 hours – although workers may choose to opt out of this if they so choose.

Fringe Benefits

All full-time employees are entitled to 28 days' annual paid leave. This minimum holiday requirement includes public or "bank" holidays, of which there are eight every year. The majority of businesses grant annual paid holiday of between four to six weeks.

Work Permits

The majority of people from overseas working in the UK will require a work permit and a visa in order to take a job. The exemptions are:

- EU nationals and people born in Gibraltar
- Commonwealth citizens who have entered the UK on the basis that a grandparent was born in this country
- Husbands, wives and dependent children (under 18) of people who hold valid work permits.

Personal Taxation

The tax rules which apply to individuals depend not only on whether the person is “resident” in the UK, but whether they are in fact domiciled here. People who are both resident and domiciled in this country are liable to pay UK tax on their worldwide income or gains. Under these rules they are taxed at source on their employment income and benefits after allowances.

The top rate of tax is currently 45 per cent (levied on incomes of more than £150,000 a year). The UK tax year runs from 6 April to the following 5 April. Full details on the current income tax rates are set out in Appendix 1a.

People who are both resident and domiciled in this country are liable to pay UK tax on their worldwide income or gains.



Appendices

Appendix 1a

Income Tax	Taxable bands
Personal allowance (minimum)	£11,850
Basic rate: 20 per cent	£11,851- £46,350
Higher rate: 40 per cent	£46,351 - £150,000
Additional rate: 45 per cent	Over £150,000

Dividend Tax from 5 April 2018

- The first £2,000 of dividends received are tax-free
- Basic rate dividends taxed at 7.5 per cent
- Higher rate dividends taxed at 32.5 per cent
- Additional rate dividends taxed at 38.1 per cent

Different values may apply in Scotland

Appendix 1b

Employee National Insurance contributions

	Weekly	Annual
Lower earnings limit Earnings below this will incur no NICs	£116	£6,032
Primary threshold Earnings below this will incur no NICs	£162	£8,424
Upper earnings limit Earnings above the Primary threshold and below the Upper earnings limit will be taxed at 12%	£892	£46,350

Any earnings above the Upper earnings limit are taxed at 2%

Employer National Insurance contributions

	Weekly	Annual
Secondary threshold Income above this threshold will incur Employer NICs at 13.8%	£162	£8,424

Appendix 2

VAT Regulations	
Rates of Tax	
Standard rate	20 per cent
Reduced rate (including fuel and power)	5 per cent
VAT as a fraction of gross price	1/6
Annual Turnover Limits	
Registration	£85,000
Deregistration	£83,000

Taxable supplies are mainly either standard rate, reduced rate or zero rate. There are certain supplies that are not taxable, otherwise known as exempt supplies.

Zero-rated supplies

A zero-rated supply is taxable, but at a rate of zero per cent. These include:

- Food
- Books, pamphlets, newspapers, journals and maps
- The construction of new buildings
- Transport
- Drugs
- Charities
- Children's clothing and footwear

Exempt supplies

No VAT is chargeable on an exempt supply. This category includes:

- Land (unless an option has been made)
- Insurance
- Betting, gaming and lotteries
- Finance
- Education
- Health and welfare

Appendices *(continued)*

Appendix 3

Information that needs to be filed at Companies House for Limited Companies (both Private and PLC)

A Limited Company is created when it is registered at Companies House. All businesses are required to file certain documents when they are initially set up and from then on an ongoing (usually annual) basis.

Starting a new company

To set up a Limited Company, you are required to send the following documents to Companies House:

- A Memorandum of Association
- Articles of Association: explaining how the company will be run, the rights and obligations of the shareholders and the powers entrusted to company's directors
- Form IN01 (an application to register a company). This sets out details of the company's registered office, the directors' names and addresses, the company secretary's address and the names of the initial shareholders and issued share capital

Accounts and returns

- Companies will need to confirm the details of directors and shareholders with Companies House on an annual basis, in addition to their PSC register of "Persons with Significant Control"
- Companies are also required to file copies of their financial statements each year
- Firms have a duty to inform Companies House when there are changes to the company

Change of company secretary or directors

Firms must notify Companies House within 14 days of the appointment, resignation or retirement of a director or company secretary.

Other changes

It will also be necessary to notify Companies House of:

- A change in the registered name or office address
- Certain changes to shareholdings and the company's share structure
- The grant of a mortgage or charge over an asset

Closure of a Limited Company

Form DS01 can be completed if a Limited Company has not been active for three years and has no outside liabilities. For further advice on the most efficient way of closing a limited company, taking into account the tax implications, please contact RDP Newmans today.

Information to be filed at Companies House for a Limited Liability Partnership (LLP)

These requirements are not dissimilar from those of a Limited Company. To set up an LLP, you must submit the following to Companies House:

- Form LLIN01 – registration form, which includes the details of the members and the Registered Office
- A £20 registration fee

Other documents need to be filed with Companies House in the same way as Limited Companies. An LLP does not have directors or a company secretary, but changes to its members need to be submitted.

Information to be filed at Companies House for a UK establishment.

Starting a new UK establishment

Within a month of forming a UK establishment, you will need to send the following to Companies House:

- The registration form OSIN01
- A certified copy of the overseas company's constitutional documents, to include the charter, statute and operating agreement (translated into English if necessary)
- A copy of the latest set of the overseas company accounts (translated into English if necessary).
- The £20 registration fee

Appendices *(continued)*

Changes to the overseas company

You will need to inform Companies House when certain circumstances change, including:

- Constitutional documents of the overseas company.
- Company details, including the name, legal form, accounting requirements, head office address, objects, share capital and governing law.
- Director or secretary or their particulars.
- Details of the UK establishment, including its business name, address and the nature of the business.
- The person authorised to accept service or to represent the company in the business of the UK establishment, or their particulars.

Accounts

For the UK establishments of overseas companies located in countries that require the publication of accounts, a copy of the

paperwork (complete with a certified translation if required) must be delivered within three months of public disclosure.

For UK establishments of overseas companies in countries that do not require accounts to be published, a set of accounts prepared in line with the requirements of the Overseas Companies Regulations 2009 will need to be delivered to Companies House within 13 months of the company's accounting reference date. The paperwork must relate to the company and not solely the UK establishment.

Closure of a UK establishment

If a UK establishment closes its doors, Companies House must be notified. This is done by completing form OS DS01. All obligations to submit documents to Companies House end from the date of receipt of the notice. If the UK establishment closed is not the only UK establishment, but was initially the principal one, it will be necessary to inform Companies House of the UK establishment at which the constitutional documents are now kept.

Appendix 4

Minimum Wage and National Living Wage

In the UK, legislation governs the minimum amount you can pay your employees:

These hourly rates are for the current National Living Wage and the National Minimum Wage from April 2018.

25 and over	£7.83
21 and to 24	£7.38
18 to 20	£5.90
16 to 17	£4.20
Apprentice	£3.70





resourceful, dynamic, professional

RDP Newmans LLP

Lynwood House,
373/375 Station Road,
Harrow, Middlesex,
HA1 2AW

T: 020 8357 2727

E: enquiries@rdpnewmans.com

www.rdpnewmans.com



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