



Doing Business
in the **United Kingdom**

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Introduction

About Vistra

Ranked among the top four corporate service providers globally, Vistra is a versatile group of professionals, providing a uniquely broad range of services and solutions. Our capabilities span across international incorporations to trust, fiduciary, corporate and private client services, and fund administration.

We have a strong presence internationally, with offices throughout the Americas, Europe, Middle East, and Asia Pacific.

As a leading global player with expert industry knowledge and location specialists, Vistra has a deep understanding of the professional worlds of our clients, and a proven track record of offering highly versatile solutions, providing the people, processes, and products that help our clients get the most from their international business.





Introduction to the UK

Welcome to the United Kingdom

The UK continues to be the leading hub of international commerce. The UK Government have advocated its intent to remain the trailblazer in the world market, and announced it is open for businesses by reforming legislation and the corporate tax system.

The UK consists of England, Wales, Scotland, and Northern Ireland. There are three separate legal jurisdictions:

- England and Wales
- Scotland
- Northern Ireland

The Channel Islands (which include Jersey and Guernsey) and the Isle of Man are not part of the UK but form part of the British Isles. They have their own body of law and tax systems.

When it comes to starting a business, trading across borders, and enforcing contracts, the UK has made significant gains and remains an attractive jurisdiction for commercial practices.



Why Do Business in the UK?

A traditionally strong economy

In 2016 the UK ranked sixth for doing business in the World Bank's annual Doing Business survey – up two places from 2015's ranking, and the third consecutive year the ranking has improved. The ranking measures the ease of doing business and takes factors such as starting a business, dealing with construction permits, getting credit, and trading across borders into consideration.

Market conditions

Notwithstanding the currently unknown effects of Brexit, the UK remains the fifth largest economy in the world. Its access to markets and the high standard of living available attracts a high number of businesses to the country. The retail and service sectors make up a substantial part of business in the UK, whilst manufacturing and tourism also hold a significant measure.

London offers Europe's most diverse workforce and some of the world's best professional service partners.

The official language is English but over 300 languages are spoken across the UK. The 2011 Census undertaken by the Office for National Statistics stated that in March 2011, 55% of the capital's population belonged to a minority ethnic group. In early 2013, about 8% of small and medium sized enterprises were ethnic minority businesses, meaning either the owner, or the majority of partners or shareholders of the business were from a particular ethnic minority group.

Brexit

Brexit is an abbreviation for "British exit," which refers to the referendum held on 23 June 2016, in which British citizens voted for the UK to leave the European Union.

Article 50, the clause of the Lisbon treaty which sets out the process a departing state must follow, was filed with the EU on 29 March 2017 officially triggering the two year process of leaving the EU. Formal negotiations commenced, as scheduled on 19 June 2017.

There will of course be changes and impacts in time, but what these will be and the degree of difference they will have is still unknown. The most certain fact is that uncertainty will prevail for the foreseeable future.

Investment and innovation

The UK has historically maintained a liberal investment policy and is one of the largest recipients of inbound foreign investment in the world. Businesses are encouraged to secure investment and develop new ideas by tapping into tax credits, Patent Box and Enterprise Investment Schemes (EIS).

First choice for headquarters

Positioned in a prime setting between European, Asian, and US time zones, coupled with an excellent holding regime and many double tax treaties, the UK attracts more European headquarters than any other location.

In addition to this, all major UK cities offer low-cost rail and air links to target global territories.

Welcoming environment for businesses

London is both Europe's most accessible and easiest city in which to do business. From simple legal structures, to accessing the world's major single market, businesses have access to more than 8 million Londoners and 500 million people in Europe.

Sophisticated legal system

The UK has a world-renowned legal system that has been through substantial changes in recent times. It has an evolving history dating from the local customs of the Anglo-Saxons, traces of which survived until 1925 and continue to positively influence many countries.

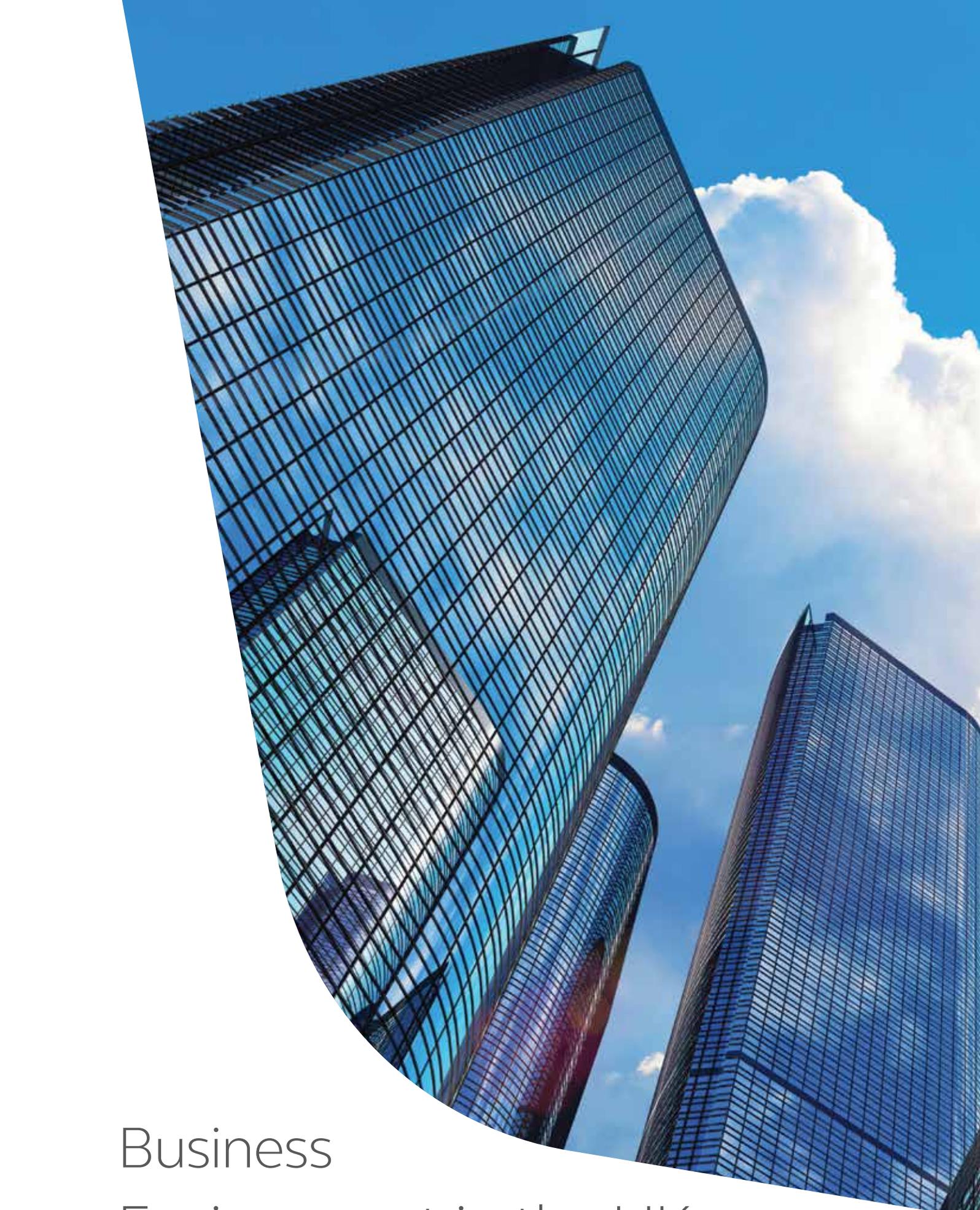
Corporate tax regime

The UK Government continue to enhance its corporate tax regime; this includes the planned lowering of the rate of Corporation Tax to 17% by 2020. This measure will benefit over a million companies, large and small. It will ensure the UK has the lowest tax rate in the G20.

Since 1 April 2015, the rate of Corporation Tax had been 20% with a reduction to 19% effective 1 April 2017. Other positive factors surrounding the corporate tax regime include:

- Generous rules as to deductibility of interest expenses
- No withholding tax on dividends paid out to shareholders
- Exemption from tax on capital gains on the disposal of trading subsidiaries and certain minority interests in trading companies
- An extensive network of double tax treaties and a comprehensive tax exemption regime
- An attractive tax regime for non-UK domiciled individuals intending to be based the UK





Business
Environment in the UK

UK Legal Entities

Any overseas business intending to carry out its commercial interests in the UK will need to consider the manner in which to setup its presence.

The Companies Act 2006 is the main piece of legislation which governs company law in the UK. It is the longest piece of legislation ever enacted in the UK, with over 1,300 sections. Following eight years of consultation, the final provisions of the Act became law in October 2009.

There are typically three principal ways for an overseas company, or investor to carry out business in the UK:

- Register a UK establishment
- Incorporate a private (or public) limited company
- Register a limited liability partnership

UK establishment

A UK establishment is the phrase used in the Overseas Companies Regulations 2009 to refer to either:

- A branch within the meaning of the Eleventh Company Law Directive
- A place of business that is not a branch although located within the UK

The definition of a UK establishment is not clear, however, generally if an overseas entity has established a place of business in the UK from which it does business, it must register a UK establishment.

The registration of a UK establishment does not in itself constitute a taxable presence, or “permanent establishment”; this will depend on the facts and circumstances of each case, as well as if there is any active tax treaty between the UK and the home state of the overseas company.

Advice should be sought as to the requirement to register a UK establishment and whether this creates a permanent establishment in the UK.

If registration is required, the overseas company must notify the Registrar of Companies, Companies House within one month and file the necessary forms and information.

Once a UK establishment has been registered, the overseas company should notify Companies House of any changes to the information provided on registration. For example, an overseas company should, amongst other things, notify Companies House of changes to directors and secretaries, the company name, address, and any other amendments to the company’s constitution or share capital.

In most cases overseas companies are required to send annual accounts to Companies House; the requirement to file annual accounts with the form and content of these accounts will depend on whether the overseas company is governed by the law of a country or territory located in the European Economic Area (EEA). The company is then required to prepare and disclose accounting documents under parent law (the law of the country in which the company is incorporated).

A UK establishment does not have a separate legal personality, and as a result the overseas company is liable for the debts and obligations arising from activity in the UK.

Private company limited by shares (“LTD”)

This is by far the most common type of business vehicle used in the UK.

A limited company has a separate legal personality; therefore, its owners will not be liable for the debts and other liabilities of the company beyond the

amount of the subsidiary's share capital, unless an express guarantee in respect of the company's liabilities has been provided.

The main features of a limited company are:

- Formation of a new company typically takes a day to finalise; subject to receiving all information complete and on time
- It is necessary to have a Memorandum of Association setting out the subscriber's intention to form a company, as well as Articles of Association setting out the rules that govern the arrangements between the shareholders and the management of the company by its directors
- There are no residency or nationality requirements for directors and shareholders of UK companies
- There must be at least one natural director appointed to a UK company
- Shareholders of a UK company may be natural or corporate
- Shareholders have no liability for the company's debts above the amount payable to the company when the shares are issued (nominal value)
- Transfer of ownership is easily affected by sale of shares
- Certain actions of the company are subject to shareholder approval. This is either by ordinary resolution (more than 50% of those entitled to vote) or special resolution (requiring a vote in favour of no less than 75% of those entitled to vote). Written resolutions signed by the requisite number of shareholders can be used to avoid convening

A private limited company can be more credible than a branch operation and is often more desirable for the purpose of holding regulatory licences with its trading activities ring-fenced from its parent company.

A limited company must comply with accounting, audit, and regulatory requirements. The main compliance obligations for a private limited company are:

- Filing a confirmation statement with Companies House. This contains information about the company, such as its share capital and officers, and must be filed at least annually

- Filing statutory financial statements for the company for each financial period and circulating those financial statements to its members. These may also be subject to audit if certain conditions are met
- Notifying the Companies House of changes to the company, for example, changes to directors and secretaries, the company name, address, and any other amendments to the company's constitution or share capital
- Maintaining statutory registers for the company in the country which includes a register of persons with significant control over the company which is held on public record

Public limited company ("PLC")

If a company wishes to raise capital by offering shares to the public it must convert to or incorporate as a public limited company.

A public company must have a minimum share capital of GBP 50,000. At least 25% of the nominal value of these shares (i.e. at least GBP 12,500) and the entire premium (if any) must be paid to the company. This applies both when creating a new public company, and when re-registering a private company as a public company.

If a company wishes to list its shares on a regulated securities exchange (such as the London Stock Exchange Main Market), at least 25% of its issued shares must be in public hands following the listing. This minimum does not apply to non-regulated exchanges (such as AIM).

Limited liability partnership ("LLP")

An LLP is a corporate entity that has the features of both a limited company and a general partnership. LLPs are governed by the Limited Liability Partnership Act 2000.

As a body corporate, profits, assets, and liabilities belong to the LLP and not to its members, however,

an LLP is deemed to be transparent for UK tax purposes and therefore tax will be assessed on the members individually rather than on the LLP entity.

The main features of an LLP are as follows:

- There must be at least two members
- Members have no liability for the LLP's debts above the amount of capital they agree to contribute (which can be zero). LLP's are not able to raise capital by issuing shares, which can restrict the availability of third-party investment and prevents listing on the capital markets. An LLP has similar disclosure requirements as a limited company, including filing accounts, and the details of members and other persons with significant control over the LLP at Companies House

Other options

There are other types of company's including company's limited by guarantee, unlimited company, a European company, Societas Europea ("SE"), as well as other forms of partnership, such as general and limited.

Societas Europea ("SE")

The SE is a European Public Limited – Liability Company. An SE may be created on registration in any one of the member states of the EEA.

Private company limited by guarantee

This company does not have a share capital. The members' liability is limited to the amount that they have agreed to contribute to the company's assets if it is wound up (normally a nominal amount). This type of company is used principally for charitable organisations and clubs.

Private unlimited company

There is no limit to the members' liability.

General partnerships ("GP")

These are unincorporated partnerships in which the partners have unlimited liability for the debts of the partnership. Partners may agree to indemnify each other in respect of liabilities but this has no impact on outside parties who deal with the partnership. GPs are governed by the Partnership Act 1890.

Limited partnerships ("LP")

These are unincorporated partnerships in which certain partners have limited liability ('limited partners') and at least one 'general partner' has unlimited liability (but the general partner may be a limited liability company). Limited partners may lose their limited liability status if they become involved in management of the partnership. LPs are governed by the Limited Partnership Act 1907. Partnerships are generally treated as transparent for UK tax purposes.

Tax Implications of a UK Presence

The administration and collection of taxes within the UK is undertaken by HM Revenue & Customs (“HMRC”).

HMRC is responsible for managing all national taxes which include: Corporation Tax, income tax, national insurance, capital gains tax, VAT, annual tax on enveloped dwellings (“ATED”), stamp duty, and stamp duty land tax.

In addition to the above taxes, which are collected on a national basis, local town, city, or county authorities are able to collect business rates. This tax is levied by reference to the value of business or residential property rather than profits or income.

Corporation Tax

Corporation Tax rates

During the Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring-fence profits) at 19% for the years starting the 1 April 2017, 2018 and 2019. At Budget 2016, the government announced a further reduction to the Corporation Tax main rate (for all profits except ring-fence profits) for the year starting 1 April 2020, setting the rate at 17%.

UK tax resident companies

Subject to very limited exceptions, a company incorporated in the UK is automatically resident in the UK for UK tax purposes. Generally, a UK tax resident company is liable to UK Corporation Tax on its worldwide income and gains.

Permanent establishment

A company that is not incorporated (or registered) in the UK may still be a tax resident if it carries on a trade in the UK through a permanent establishment or “PE”.

A non-resident company typically has a permanent establishment in the UK if it:

- Has a fixed place of business in the UK through which the business of the company is wholly or partly carried on, unless the activity is auxiliary or preparatory in character
- Has an agent acting on behalf of the company who has, and habitually exercises authority to conclude contracts on behalf of the company in the UK

A permanent establishment would normally be liable to UK tax on the worldwide income and gains related to that permanent establishment.

Chargeable gains

Subject to certain exemptions, UK resident companies pay Corporation Tax on their chargeable gains at the prevailing Corporation Tax rate, whereas non-resident companies with permanent establishment in UK are also liable to Corporation Tax on chargeable gains arising on the disposal of any assets that are situated in the UK and used for the purposes of the UK establishment or its trade.

Transfer pricing

The UK transfer pricing legislation is widely drafted and covers almost every kind of intra-group transaction. Unless exempt from the transfer pricing rules, UK taxpayers are required to prepare and file tax returns on the basis of revenues and costs calculated using arm’s length prices on transactions with related parties. The arm’s length principle to be applied in evaluating prices is set out in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations.

Evidence to support the taxpayer’s filing position should exist at the time when the tax return is filed.

The statute of limitations is four years, i.e. HMRC can raise assessments to collect tax underpaid for accounting periods ending in the four years prior

to the current date. However, if there is evidence of fraudulent activity, it can be extended.

Effective 1 April 2015, the UK government introduced the new 25% “diverted profits tax” in advance to some of the changes expected from the OECD’s Base Erosion and Profit Shifting (“BEPS”) initiative. This tax applies to situations in which a UK permanent establishment has been avoided, or to transactions or entities that lack sufficient economic substance.

Legislation and draft regulations to implement the G20/OECD country-by-country reporting requirement for large UK multinationals have also been introduced. The requirements take effect for accounting periods beginning on or after 1 January 2016.

Double tax treaties

Where a company or an individual is resident in the UK (under UK rules) and in their home country (under local rules) and there is a double tax treaty between the two countries, that treaty will normally have a residence “tie-breaker” provision. This will determine in which country the person is to be treated as resident for purposes surrounding the allocation of taxing rights between the two countries under the treaty.

Research & development

Innovative companies will be able to further benefit from enhancements under the UK’s research & development tax credit scheme.

Partnerships

Partnerships are generally treated as transparent for UK tax purposes. Accordingly, where the member of a partnership is a company or an

individual, he will be taxed on his share of the profits as if they accrued to him directly.

In the event that a non-resident company is a partner or a member in a partnership that carries on a trade in the UK, the non-resident company will be considered to have a permanent establishment in the UK such that that partner/member’s profits will be subject to UK Corporation Tax.

Value added tax (“VAT”)

The UK as a member of the EU operates the VAT system. In broad terms, the sale of goods or a supply of services in the UK by a business will generally be subject to VAT. The current standard rate of UK VAT is 20%. It is the responsibility of the business supplying the goods or services to account to HMRC for VAT which arises on the transaction, to collect it from their customer and to pay it over to HMRC.

In certain industries, including financial services, insurance, gaming, and healthcare, such sales or supplies are normally “exempt” from VAT. Some goods and services, including certain categories of food, books, and clothing, are “zero-rated”.

There are intra EU simplifications related to the supply of goods and services cross border within EU and additional reporting requirements for the sales of goods and services (Intrastat and EC Sales Lists).

UK Employment

Employment law

Employment in the UK is regulated by legislation governing the relationship between employers and employees. Employment law is founded on UK practices and European Union Directives.

Employment law is a complex area and subject to regular changes and reviews. Employers should seek advice from a human resources or employment specialist for guidance on hiring and employment terms in the UK to ensure they have adequate procedures and controls in place to comply with legislation.

Legal issues

Immigration

A person who is neither a:

- British citizen
- Commonwealth citizen with the right of abode
- Person who is entitled to enter or remain in the United Kingdom by virtue of the provisions of the 2006 EEA Regulations will require leave to enter and work within the UK. As with most countries, the rules surrounding immigration is subject to constant review.

For residents of the European Economic Area (EEA) countries and Switzerland, a work visa is not required and residents of these nations may travel and work freely in the UK. A visa may not be required for short stays or business trips (for stays not exceeding six months), however there will be restrictions on the work and business activities an individual can undertake whilst in the UK.

There are certain classes of migrants who may enter the UK. Under Tier 2 of the Immigration Rules, an employer may register as a sponsor and obtain a certificate for a foreign national to work for that employer for a specified period of time. An

employer must prove a search within the UK labour market has been carried out before obtaining a certificate of sponsorship for a foreign national.

For short-term, temporary business visits, it may be appropriate to obtain a business visitor visa. A person may enter the UK as a business visitor if they are permanently living and working outside the UK and have come to the UK to transact business (such as attending meetings and briefings, fact finding or negotiating contracts with UK businesses to buy or sell goods or services). This category of visa carries strict limitations on the activities the visa-holder may undertake. A person seeking entry into the UK as a business visitor may be admitted for a period of up to six months, subject to a condition prohibiting employment.

At present, applicants from certain countries, including the United States, do not need to apply for a business visitor visa in advance; they may travel to the UK and request such a visa from the immigration officer on arrival.

Separate immigration categories exist in respect of investors, entrepreneurs, low-skilled workers, students, and temporary workers and employers are advised to contact either human resources or immigration advisers to discuss the best option for their business.

Where the Company is proposing to send an individual to the UK for any length of time, employers are advised to contact their advisers in advance of any trips to discuss their company's requirements. Visa applications in the UK can be a lengthy process and employers are advised to start the process well in advance of a trip.

Unfair dismissal

In the UK employees must have a minimum of two years' continuous service with the employer to be eligible to make a claim for unfair dismissal, this period is referred to as the "qualification period". No qualification period or minimum service

is necessary where the reason for dismissal is deemed to be automatically unfair or on grounds of discrimination.

Employment documents

UK Employment legislation requires that the company provide employees with certain documents whilst employed.

An employee must be provided with a written statement of the terms of their employment (ie an employment contract) within eight weeks of starting work.

The Company is also required to provide policies and procedures to employees, these include but are not limited to Disciplinary, Grievance and Health & Safety policies.

Notice periods

Employers are required to provide employees with written notice on termination of employment. The minimum requirement is one week's notice if the employee has been employed by the company for one month or more, but less than two years. Two weeks' notice is required if the employee has been employed by the company continuously for two years, however it is customary to provide a longer notice period for professional employees (usually starting from one month).

Employees are entitled to one additional week's notice for each complete year of continuous service up to a maximum of 12 weeks' notice.

Working time regulations

Working time regulations determine the maximum weekly working time, patterns of work, holidays and rest periods for employees.

The maximum an employee may work is 48 hours per week, averaged out over a 17 week period. However, the UK has opted out of this European Union Directive and employers are not obliged to commit to this working time restriction. Employees may choose to opt out this term and not work

more than the required 48 hours per week.

Holiday (vacation time)

Employees are entitled to 5.6 weeks paid holiday per year, for a full-time employee this constitutes 20 days holiday plus the eight public holidays. Holiday arrangements will be pro-rated for part-time employees, working less than five days per week.

Minimum & living wage

Statutory pay rates are subject to annual review by the Government. With effect from April 2017 the new minimum wage for the UK is as follows:

- **National Minimum Wage** (hourly rate)
GBP 7.50 (age 25+), GBP 7.05 (age 21-24), GBP 5.60 (age 18-20), GBP 4.05 (age 18), GBP 3.50 (Apprentice)

- **National Living Wage**

The Government introduced a new mandatory national living wage (NLW) on 1 April 2016 for adults aged 25 and over, from April 2017 the hourly rate will be GBP 7.50.

UK Payroll

Payroll registration

When employing staff in the UK, employers are required to register and operate a Pay As You Earn (“PAYE”) on UK employees’ earnings.

Payroll withholding

There are two employee deductions, Income Tax and National Insurance (“NI”). There is also an Employer’s NI contribution. The current Income Tax Rates for Tax Year 2017/2018 after deduction of basic personal allowance (GBP 11,500) is:

- Scotland:
 - Basic Rate (GBP 0 - GBP 31,500) is 20%
 - Higher Rate (GBP 31,501 - GBP 150,000) is 40%
 - 45% rate (over GBP 150,001) is 45%
- Rest of UK:
 - Basic Rate (GBP 0 - GBP 33,500) is 20%
 - Higher Rate (GBP 33,501 - GBP 150,000) is 40%
 - 45% rate (over GBP 150,001) is 45%

The UK Personal Tax year is 6 April to 5 April of the following year. Age related personal and married couples allowances may be due depending on income limits.

Employee National Insurance

Employees’ Class 1 NI contribution for 2017/2018 is 12% of earnings on amounts between GBP 157 and GBP 866 per week. An additional 2% contribution is applicable on earnings above GBP 866 per week.

Employers National Insurance

Employer’s Class 1 NI contribution for 2017/2018 is 13.8% of all earnings above GBP 157 per week, this amount is uncapped.

Payroll taxes and Employer’s National Insurance are paid to HMRC by 22nd of the following month (or the 19th if paying by post).

Employers may submit a PAYE Settlement Agreement (“PSA”) to HMRC, signed by both parties, to allow the employer to make one annual payment covering all tax and NI due on small or irregular taxable employee expenses or benefits which have not been processed through payroll. The employer bears the cost of the tax and NI.

Effective from April 2013 all employers must now register for Real Time Information (“RTI”) PAYE reporting. Employers must now send details to HMRC every time they pay an employee, at the time they pay them and use payroll software to send this information electronically as part of their routine payroll process. Employers no longer need to submit end of year PAYE returns (forms 35 and 14) so the starter and leaver process is now simplified.

Employees must be sent a Form P60 summarising their employment income and taxes for the year by 31 May.

Employee benefits reporting

There are annual Employer tax returns and declarations related to the taxation of Employee Benefits (P11D) and a range of registration and reporting requirements related to specific situations such as share plans and options.



Your Partner in the UK

How Vistra Can Help Grow Your Business in the UK

Let our industry experts take care of the paperwork, while you take care of business.

We work with all industry sectors, but with a particular focus on supporting fast growing Information Technology and Life-sciences businesses, especially those from the US. For over 20 years now, we have built a wealth of experience in guiding such entities in their international expansion.

Our team can assist you throughout the entire process of expanding your business abroad.

Accounting & compliance

- Incorporating legal entities
- Registered office & legal compliance
- Local bookkeeping services AP, AR and expense management
- Management reporting to HQ
- Opening & operating local bank accounts
- VAT/GST registration & compliance
- Corporate income tax compliance
- Providing local statutory audits
- Implementation of tax strategies

Human resources & payroll services

- Setting up & operating payrolls
- Providing offer letters & local employment contracts
- Setting up and managing benefit programs
- Employee handbooks
- PIPs, termination guidance
- Expat services & relocation advice

Other services

- Stock option sub plans
- General business advisory services



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