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Doing Business in the United Kingdom

An introductory guide produced for overseas investors

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INTRODUCTION

Rayner Essex is a firm of Chartered Accountants established since 1967 with offices in Central London and St Albans, Hertfordshire which is 22 miles north of Central London. The nearest major airport to our St Albans office is London Luton Airport which is 12 miles away. The UK's largest International Airport, London Heathrow Airport is 27 miles away from St Albans and 17 miles from our central London office.

We have the knowledge, expertise, resources and technology to help businesses with their financial affairs. In addition we have specialist experience of working for overseas corporations that have already set up in the UK. Rayner Essex LLP has played a key role in helping them establish their business and develop their UK activities.

We are highly experienced in looking after the personal tax affairs and other financial requirements of private clients, including senior executives and company directors, high net worth individuals and non UK citizens residing and working in the UK.

We have extensive knowledge of overseas corporate financial and legal matters. Furthermore, through our membership of INPACT, an International alliance of independent professional Accountants, Rayner Essex LLP have close ties and regular dealings with professional firms around the world. All in all, we know and understand the international corporate landscape.

A significant proportion of US investors may see the UK as a stepping stone into mainland Europe, particularly the other member states of the EU. It is unclear how the plans for the UK to exit the European Union could affect this perception. Here again, Rayner Essex LLP are able to provide expert assistance. We have extensive experience in acting for clients with International business interests and we can deal comprehensively with their requirements worldwide. Our INPACT alliances are there to provide technical skills and expert advice on working practices and the business culture in their own countries.

This document has been produced especially for overseas corporations planning or considering opening operations in the UK. It identifies the key issues you will need to address and the specific requirements and principal taxes you should be aware of. It deliberately avoids going into great detail since the issues can be complex and technical. At the appropriate time however, Rayner Essex LLP can give you all the information and assistance you require on any matter.

Disclaimer

This document has been prepared as a general guide for individuals or companies considering setting up a business in the United Kingdom. Whilst every effort has been made to ensure its accuracy as at 01 October 2018, Rayner Essex LLP can accept no responsibility whatsoever for the results of any action undertaken as a consequence of information contained therein. Professional advice should be sought before considering any such action.

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A

INTRODUCTION TO THE UK

The UK is one of the leading business locations in the world, the World Bank in 2018 ranked the UK as the seventh easiest place in the world to do business. The UK is one of the top ten manufacturers in the world and has the largest industries in Europe for Life Science, information and communications technology and creative industries. It offers a strong skills base, being home to Cambridge University, ranked number one globally. It is at the forefront of the international digital revolution. Tech City aims to make London the digital capital of Europe. The area is widely regarded as being behind only New York and San Francisco in terms of the concentration of tech start ups

The UK has few barriers to setting up and running a business, a strong and flexible labour market and easy access to obtaining finance.

The UK offers an internationally competitive tax environment for businesses operating in the UK, with low rates of corporate tax, the patent box initiatives the research and development tax credit scheme, enterprise zones with business rates reliefs and enhanced capital allowances and creative industry tax reliefs.

B

BUSINESS ENTITIES

1. STRUCTURES OF UNINCORPORATED BUSINESS ENTITIES IN THE UK

The distinguishing feature of unincorporated businesses is that they have no separate legal form.

Sole Trader

This is the simplest way to set up and run a business: ownership and control of the business rests with a single individual. Being a sole trader is inherently risky as the individual has unlimited personal liability for the business debts and any claims against the business. The individual owns all the assets of the business and can employ staff, and trade under a business name. This structure is not suitable for businesses that need external investment as the business is unable to raise equity finance and will find it difficult to borrow money.

There is very little regulation of this type of business. There is no need to register or file accounts at Companies House (The UK company registry). Profits from this type of business are treated as personal income subject to income tax.

Partnerships

This structure is very similar to the sole trader except that with a partnership two or more persons can join together to set up a business. Partners will normally draw up legally binding contracts between themselves but a partnership can exist without a formal agreement. Partners share risks, costs and income from the business amongst themselves in an agreed apportionment. The individuals in a partnership normally own the assets of the business and can employ staff. The partners are jointly and severally liable for the debts and any claims against the partnership. The partners are taxed on their share of profits from the partnership.

There is very limited regulation of this type of business. There is no need to register at Companies House or file accounts in the public domain.

It is possible for a limited company to join a partnership, but the company pays corporation tax on its share of profits.

Unincorporated Association

An unincorporated Association is a group of individuals that come together for a specific purpose and are usually governed by a constitution. A management committee normally runs the business. All members of the management committee will have unlimited personal liability unless they are specifically indemnified in the constitution.

As for a sole trader and partnership there is a limitation on raising finance and the members of the management committee are taxed to income tax on their share of the profits of the business.

Trusts

A Trust is essentially a legal device holding assets. A Trust is governed by a Trust Deed that Trustees administer. The Trustees are responsible for safeguarding the assets of the Trust and are responsible for paying any tax that arises on income generated from assets in the Trust. Trusts have a separate tax regime. Trusts can be used in conjunction with unincorporated associations that cannot hold assets in their name.

Limited Partnership

A Limited Partnership is not a legal separate entity. It has two types of partner – a general and a limited partner. The limited partner is not allowed to become involved in the management of the business, and the limited partner's liability is limited to the amount he has invested in the business. The general partner is jointly and severally liable for the debts of the limited partnership. Limited partnerships have to be registered at Companies House and do not come into existence until registration has been effected. Accounts may have to be filed at Companies House if the general partner is a limited company. Limited partnerships have to register for self-assessment and for VAT if turnover exceeds the VAT threshold currently £85,000. Partners in a limited partnership are taxed under income tax on their share of profits in the business.

2. STRUCTURES OF INCORPORATED BUSINESS ENTITIES IN THE UK

Limited Company

A limited company is the most common legal form in use in the UK for running a business. The company is a business entity in its own right, which is separate from the identity of its owners. This means that the organisation can do business and enter into contracts in its own name. The company is owned by its members. There are two types of membership:

i) Company Limited by Shares. This is the most common type of ownership. Members own at least one share in the company. The members are only liable for the amounts invested by way of shareholding in the company.

ii) Company Limited by Guarantee. The members of the company give a guarantee to pay a set sum if the company should go into liquidation.

Important decisions affecting the company are made by the company members by voting in meetings. Normally one share would carry one vote. For companies limited under guarantee each member would be allocated one vote.

The day to day running of the company is carried out by the board of directors who act in the interest of the company and its members.

Finance for the company can be raised from its members by way of a stake in the share capital of the business for companies limited by shares and by loans from members for companies limited by guarantee. Finance can also be obtained from outside lenders such as banks. Lenders are more willing to lend to limited companies as the assets of the company can be used as collateral for the loans. There are two types of limited companies:

iii) Private Limited Company

- The shares of a private limited company may not be offered to the general public
- The private limited company name has the suffix of 'limited'
- The private limited company must have at least one share in issue

iv) Public Limited Company

- The shares of a public limited company can be offered to the general public.
- The shares can be traded on a public stock exchange
- The public limited company name must have the suffix of 'plc'
- A public limited company must have at least £50,000 of shares issued to the public

Limited companies must be registered at Companies House and must file annual accounts and confirmation statements annually at Companies House. The confirmation statements must give details of individuals who have significant control of the company which is equivalent to more than 25% shares or voting rights in the company.

The profits of limited companies are subject to corporation tax.

Limited Liability Partnership

A limited liability partnership is a body corporate with a separate legal personality similar to a company. The members of a limited liability partnership are liable for any debts of the partnership only up to the amount of money they have invested in the partnership.

The members of the partnership share profits according to the partnership agreement. The non corporate members pay income tax on their share of profits and the corporate members pay corporation tax.

A limited liability partnership must register at Companies House and file annual accounts and confirmation statements that confirms all information held by Companies House about the limited liability partnership, is correct and up to date. At least two members must be designated members who appoint auditors and sign off and file the accounts at Companies House.

Joint Venture Company

A limited company can be used as a vehicle to set up a joint venture. A joint venture is a business arrangement in which a number of parties agree to work together in pursuit of a business venture. Each party will make a contribution to the business venture either by way of investment, skill or assets. Each party will be entitled to a share in the profits generated by the joint venture.

A joint venture company is regulated by Companies House in the same way as described for limited companies. The profits of a joint venture company are subject to corporation tax. The shareholders of the joint venture company can extract profits from the company by way of dividend, interest, royalties or licence fees.

Community Interest Company

A community interest company is a form of limited company which is set up for the benefit of the community.

There are special requirements that need to be fulfilled as follows:

i) All companies applying to be registered as community interest companies must submit a Community Interest Statement to The Community Interest Company Regulator. Annual reports have to be sent to the Regulator.

ii) A community interest company has to restrict the transfer of profits and assets to its members to ensure they are used for the benefit of the community.

In addition to the obligations above, the community interest company has the same filing requirements as described above for limited companies.

The community interest company does not receive a tax break from HMRC. It pays corporation tax on its profits.

3. STRUCTURES USED BY FOREIGN INVESTORS

The most common forms of structures used by foreign investors are a branch and a limited company.

Limited Company

It is very easy and inexpensive to incorporate a company in the UK. The minimum requirements include a sole director, a registered office in the UK and a mere £1 of issued share capital. The limited company could be set up as a wholly owned subsidiary of an overseas company.

Corporation tax is payable on the subsidiary's profits while losses can be carried forward or surrendered to fellow UK/EEA subsidiaries of the overseas company, subject to certain restrictions. Distribution of profits to the parent company is achieved by the payment of dividends. No withholding tax or other UK taxes arise on the payment of a dividend.

Branch

A UK branch must be registered with Companies House and HM Revenue & Customs and will be treated as a separate UK corporate entity for tax and compliance purposes. This means that it has to pay corporation tax on its profits and file financial statements of its overseas company at Companies House, where the statements will be placed on public record available for anyone to see.

Unlike an incorporated subsidiary, a branch only has to prepare a profit and loss account and not a full set of accounts to submit a corporation tax return. However, a set of the overseas company's accounts if required by Companies House has to be submitted along with the tax return.

A branch is free to transfer profits after tax to its overseas parent without formalities and no withholding tax or other tax implications. Losses of the branch can be set against any other profits of the branch or the UK/EEA resident companies in the same group, or alternatively the losses can be carried forward for offset against future profits.

UK Representative

It is not legally necessary for an overseas company to create a local UK organisation in order to sell or market its products or services to the UK. The overseas company can instead appoint a representative or agent to act as a distributor for the goods and services. This solution is only viable if the UK operation is very small.

4. SETTING UP A PRIVATE LIMITED COMPANY

All limited companies must be registered with Companies House. The following are required:

- Company's name and registered address
- At least one director
- At least one shareholder
- Details of the company's shares and rules about how to run the company – known as 'Memorandum and Articles of Association'

Details of individuals with significant control over the company for example anyone with more than 25% shares or voting rights

For a small charge a UK company can be incorporated within hours.

The names of all private limited companies in the UK must end in either 'Limited' or 'Ltd' and the name cannot be the same as any other name already in use.

On the Companies House register of names the name cannot contain a sensitive word or expression, it cannot be offensive nor can it suggest a connection with government or local authorities.

The registered office is where official communications are sent. The address must be a physical address in the same country as where the company is registered.

When the company is set up there must be a statement of capital which sets out the number of shares of the company and their total value and the names and addresses of the persons holding the shares. A UK company can be created with as little as one £1 share.

When the company is set up you must have a memorandum of association which is a legal statement signed by all initial shareholders agreeing to form the company, and articles of association which are basically written rules about running the company agreed by the shareholders.

Within 3 months of starting up a company HM Revenue & Customs have to be notified of its existence and its accounting periods.

5. REORGANISATION, MERGER AND DIVISION OF COMPANIES

i) **Re-organisation**. There is no legal process in the UK to convert partnerships, limited liability partnerships and sole proprietorships into limited companies. A limited company would have to be incorporated and the business and assets of the limited liability partnership, partnership or sole proprietorship transferred into the limited company. The decision and process of transferring the assets and trade should be noted in minutes.

There is a formal legal process in place for a private limited company to convert to a public limited company. The private company must pass a special resolution and deliver a copy, together with an application form to the Registrar of Companies for the conversion to take place. The application must be accompanied by:

- A copy of the new Memorandum & Articles of Association
- A copy of a balance sheet prepared not more than 7 months before the application date and containing an unqualified report by the auditors
- Report by the auditors regarding the net assets of the company at the balance sheet date in relation to the company's called up share capital and its reserves

ii) **Merger**. There is a lot of regulation covering cross border mergers. The regulation is mainly governed by EU Company Law Directives. There are procedures that need to be carried out at Companies House, the Court and internal obligations of the companies involved. It is possible for a transferor company to transfer assets and liabilities to a transferee company without the transferor company having to go into liquidation. The merger must provide at least one company formed and registered in the UK and at least one company formed and registered in an EEA state other than the UK. There are different types of mergers as follows:

a) Merger by absorption. This is where one or more companies transfer all their assets and liabilities to another existing company. Every transferor company is dissolved without going into liquidation.

b) Merger by absorption of a wholly owned subsidiary. This is where a company transfers all its assets and liabilities to another company which holds all its shares. The transferor company is dissolved without going into liquidation.

c) Merger by formation of a new company. This is where two or more companies transfer all their assets and liabilities to a new company formed for the purposes of the merger. The transferor companies are dissolved without going into liquidation.

A UK merging company has to apply to the High Court for an order certifying that the company has properly completed the pre-merger acts and formalities for the cross border merger. Forms relating to the merger also have to be delivered to the Registrar of Companies at least 2 months before the first meeting of the members.

When Companies House receives a Court Order from the High Court approving the cross border merger then it will inform all the transferor companies and dissolve them.

iii) **Takeovers/Acquisitions**. This occurs when a company acquires another company. In the City of London takeovers of public companies are regulated by the City Code on Takeovers and Mergers which is now on a statutory footing as part of the UK's compliance with the European Directive on takeovers. The code requires that all shareholders in a company should be treated equally. It regulates when and what information companies must and cannot release publicly in relation to a bid. It sets timetables for certain aspects of the bid and minimum bid levels based on a previous purchase of shares.

C

CORPORATE TAXATION

1. INTRODUCTION

Type of Tax System

The UK now charges a flat rate of 19% on profits of companies. Before 1st April 2016 a progressive system of tax was in place whereby the average rate of tax increased in line with the increase in profits. Corporation tax is payable by companies and permanent establishments of non UK resident companies on the profits of the business.

Taxable persons

A UK resident company is chargeable to corporation tax on all its worldwide profits (being income and chargeable gains) in a financial year which runs from 1 April and by reference to the accounting periods of the company.

A UK resident company is defined as one that has been incorporated in the UK. However, a company that has been incorporated overseas and whose central management and control is carried out in the UK can be treated as a UK resident company for the purposes of UK corporation tax.

Taxable income

The profits of a company are calculated in accordance with generally accepted accounting policies subject to adjustments for disallowable expenditure and for capital allowances which are a deduction against profits for the use of assets in the business. Depreciation and amortisation in the accounts are not deductible for tax purposes. Items that are capital in nature are not allowed as a tax deductible expense.

Generally only expenses incurred wholly and exclusively for the purposes of the company trade are allowable as deductible trading expenses. There is a separate tax regime for taxing investment businesses, the treatment of loan relationships, and intellectual property.

Capital gains

Where the taxable profits of a company include a profit from the disposal of a tangible asset the profit is deducted from trading profits. The taxable capital gain is calculated by reference to the disposal proceeds, cost of acquisition of the asset, improvements to the asset and a deduction for indexation allowance (an inflationary adjustment) up to 31 December 2017. The net gain is charged to corporation tax at the corporation tax rate used to tax the other profits of the business.

LOSSES

Trading Losses

Company trading losses are computed in the same way as trading profits. Trading losses may be relieved in the following ways:

- set against total profits of the current accounting period.
- carry back against total profits in the preceding 12 months.
- carry forward and set against next available profits of the same trade if losses pertain to periods before 1 April 2017 and against total profits for periods pertaining to losses generated after 1 April 2017.
- Surrender the loss to a fellow 75% owned group company.
- Companies with profits in excess of £5,000,000 are only able to use carried forward losses against 50% of the profits in excess of £5,000,000

Capital Losses

The disposal of a tangible fixed asset may give rise to a loss where the disposal proceeds are lower than the acquisition costs. Capital losses can only be set against current period capital gains and carried forward against future capital gains. Capital losses can also be set against capital gains in 75% owned group companies.

RATES

Trading income and capital gains

The Corporation Tax rates for the financial year beginning 1 April 2017 is 19%

The corporation tax rate for companies that make profits from oil extraction is as follows:

Main rate	30%
Small profits rate	19%

It is planned that the corporation tax rate will drop to 17% as from 1st April 2020. This will be one of the lowest corporation tax rates in the developed world.

Withholding taxes

Tax at the Income Tax basic rate of 20% must be withheld from certain UK interest which is paid to a company or individual resident outside the UK.

Withholding tax at 20% is withheld on basically all cross border payments for use of intellectual property. The tax arises if the payment is made in the UK. It is possible to reduce the rate of withholding tax due by reference to double tax treaty agreements.

Companies that are resident outside the UK but receive rental income in the UK may receive rental income net of 20% deduction withholding tax. It is possible to apply for the rental income to be received without the deduction of withholding tax.

INCENTIVES

Annual Investment Allowances

The annual investment allowance allows a 100% allowance for plant and machinery purchased within an accounting period. The maximum amount of relief available from 1 April 2016 to date is £200,000. The rates have fluctuated over the years from April 2008 to 1 April 2016. There are complicated rules in place to calculate the amount of relief where the accounting period spans changes in the rates.

Research and Development Tax Relief

Qualifying research and development expenditure incurred by a company is eligible for an enhanced deduction against taxable profits or even in some cases a repayable tax credit.

Patent Box

The aim of the patent box regime is to provide an incentive for companies to develop and retain patents and other qualifying intellectual property within the UK. Qualifying companies can elect for a reduced rate of Corporation Tax to apply to the income generated from patents.

The rate at which this income will be taxed from 1 April 2017 is 10%.

Tonnage Tax

Shipping companies resident in the UK can elect to pay Corporation Tax on the basis of the size and number of ships they operate instead of profits and gains in the company's accounts.

Approved share schemes

A company that offers shares to its employees under an approved share incentive scheme will get a deduction in its Corporation Tax computation for the provision of the shares, setting up and running costs of the scheme if certain criteria are met.

A company that operates an employee management incentive scheme whereby employees are offered options to acquire shares in the company will get a deduction in the Corporation Tax computation for the difference between the market value when shares were acquired and amounts paid by employees to acquire the shares.

Creative Industry Tax Reliefs

Creative Industry tax reliefs are available to companies carrying out the following activities:

– Film production - producing films (whether or not the films are intended for cinema release)

– Television production – producing relevant animation children's or high-end television programmes

– Video games productions

– Theatrical and orchestral production

– Museum and gallery exhibitions

The qualifying companies can, subject to certain criteria, claim a larger deduction of costs against profits or in some circumstances claim a re-payable tax credit when calculating their taxable profits.

ADMINISTRATION

Taxable period

A company subject to Corporation Tax must prepare and file a company tax return (CT600) for each accounting period regardless of whether it has made profits. An accounting period is the period over which the company must calculate the Corporation Tax liability. An accounting period cannot be longer than 12 months. If the company accounts cover a period of more than 12 months it will be necessary to file two tax returns, one covering 12 months and the other the remainder of the period.

Tax returns and assessments

The tax return details income, expenditure and loss reliefs to show the total taxable profit and tax due thereon. Profits are taxed at the applicable rate in place for the financial year in question. The financial year runs from 1 April from one year to 31 March of the following year. The main rate of Corporation Tax for the year beginning 1 April 2018 is 19%.

Company tax returns have to be filed online in iXBRL format on the anniversary of the end of the period for which the return is made. Penalties are charged for late filing.

Payment of tax

The due date for paying Corporation Tax is nine months after the end of the accounting period in question. However if the profits exceed £1.5 million, Corporation Tax must be paid in instalments on a quarterly basis. Penalties exist for late payment of Corporation Tax. Payments for tax, interest and penalties all have to be made electronically.

2. GROUP OF COMPANIES

Group treatment

Where one company owns at least 75% of another company or two companies or more are both owned to the extent of 75% by the same parent company, it is possible for the companies within the group to surrender trading losses and non-trading loan relationship deficits to profitable companies within the group without first setting these losses/deficits against other profits in the surrendering company.

Qualifying charitable donations, losses in respect of property income, management expenses and non-trading losses on intangible fixed assets can also be surrendered as group relief but only if they exceed the surrendering company's gross profits for the surrender period.

In very limited circumstances, losses in non-UK subsidiaries in an EEA territory can be surrendered to the UK group companies. In order for the losses to be surrendered there must be no possibility of relief in the company's jurisdiction.

Consortium relief enables losses of a consortium company to be transferred to consortium members in proportion to the consortium member's interest in the consortium and vice versa. A consortium company is a company which is 75% owned by consortium members. Consortium members are companies that own at least 5% of the consortium company. Overseas companies are included when deciding whether there is a consortium relationship although they cannot receive or surrender losses for consortium relief.

A transfer of tangible fixed assets between members of a capital gains group will be considered to be made on a no gain no loss basis and disregarded for capital gains subject to certain conditions. A group for capital gains tax purposes exist where there is a principal company which has 75% subsidiaries and the effective control has to be more than 50%.

Companies are exempt from tax on any gains arising from the disposal of substantial (10% or more) shareholdings in certain companies. Conversely any losses are not allowable for tax deduction.

The basic exemption covers a disposal by a company of all or part of a substantial shareholding in another company as long as certain conditions are met. This exemption may also be given where a disposal made during the previous six years would have qualified even though the conditions are not met at the actual time of disposal. From the 1 April 2017, this relief is also now available to qualifying institutional investors including such bodies as pension funds and charities holding 80% or more of the ordinary share capital of the investing company immediately before the disposal. This allows qualifying institutional investors to invest in non-trading entities such as real estate investment trusts with no chargeable gain on an exit.

Intra-group dividends

UK resident companies are not taxed on dividends received from intra-group companies. Dividends and distributions received from non UK companies are also largely exempt from UK Corporation Tax so long as they fall within specified exempt classes of distribution.

3. TAXES ON PAYROLL

Payroll tax

Every business in the UK which is an employer must register to operate a pay-as-you-earn (PAYE) system for deducting income tax and National Insurance contributions from payments it makes to its employees. Monthly submissions of the pay details must be made on line by the company using the RTI System.

Most employees in the UK receive a personal allowance (£11,850 – 2018-19). Tax is not paid on earnings up to this level. Earnings above this amount are taxed at the rates shown below. The personal allowance is restricted where earnings exceed £100,000 per annum and removed altogether once earnings exceed £123,700.

Income Tax Rates for 2018-19

20% on the first £34,500

40% on income from £34,500 to £150,000

45% on income over £150,000.

The personal allowance is the same in Scotland but the rate bands are different. The top rate of tax for income above £150,000 is 46%, the basic rate of tax of 20% applies to income between £2,000 and £12,150. Income between £12,150 and £31,580 is taxed at 21% and between £31,580 and £150,000 at 41%.

There is also a 10% starting rate for savings income only (maximum - £5,000). If the non savings income is above this limit the 10% rate will not apply.

The employer has to account to HM Revenue & Customs for PAYE deducted and the amount due must be remitted monthly. However, if the total amount deducted in income tax and National Insurance contributions adds up on average to £1,500 per month or less, payment to HM Revenue & Customs can be made quarterly.

Where an employer provides benefits to any employee or director, these must be reported each year to HM Revenue & Customs on a P11D form.

The most common benefit provided by companies in the UK is a car that the employee can use for private as well as business use. The tax charged to the employee depends on the level of carbon dioxide emissions of the vehicle.

If an overseas employee temporarily assigned to the UK is provided with accommodation, this is treated as a taxable benefit unless the employee's contract and actual stay in the UK are for less than two years.

Businesses in the UK must pay National Insurance contributions (equivalent to social security payments) in respect of their employees' earnings. The employees must also pay National Insurance contributions which are deducted regularly by the employer from their gross pay. The employer remits their own National Insurance contribution payments and those of their employees to HM Revenue & Customs through the PAYE system.

Employer's National Insurance contribution rates for 2018-19 are:

Employee's earnings per week	Employer's contribution
Below £162	NIL
£162 and over	13.8%

Employee's National Insurance contribution rates for 2018-19

Employee's earnings per week	Employer's contribution
Below £162	NIL
£162 - £892	12%
Over £892	2%

Employer's National Insurance contributions are also due on benefits in kind provided to employees. The rate of contribution is 13.8% and is payable by the 19th July following the end of the tax year in which the benefit is made available.

Overseas employees who are assigned to work in the UK may in certain situations continue to pay contributions in their home state.

It is not always immediately clear whether an individual employed by a non UK resident company is subject to UK taxation or not. This will depend on where the duties of employment are carried out, who is paying the salary, where the salary is being paid, residence/domicile status of the employee concerned and the relevant provision of any application of the tax treaty between the UK and their country of origin. Specific situations may require careful examination and professional advice.

4. TAXES ON CAPITAL

Capital Gains Tax (CGT)

The disposal of certain chargeable assets is subject to capital gains tax. Only the profit or 'gain' is taxed, so relief is given for the original cost and any enhancement expenditure incurred on that asset.

For the year ended 5 April 2019 no CGT is payable on gains up to £11,700. Individuals who have gains in excess of £11,700 will pay tax at the rates of 10% and 20% except for gains on residential property and carried interest. The rate of tax paid by individuals for gains on residential property and carried interest is 18% and 28%. Individuals pay 10% on gains qualifying for Entrepreneurs' Relief (ER). ER can be claimed on the sale of businesses, shares in trading companies and certain assets used in a business. There is a lifetime limit of £10 million on the gains eligible for this relief.

There is a 28% tax charge for gains on property which was subject to the Annual Tax on Enveloped Dwellings. The annual exemption of £11,700 is not available to reduce the gain.

There is a 20% tax charge for companies that are not resident in the UK and dispose of UK residential property.

For assets located outside the UK, the remittance basis rules for Capital Gains Tax (CGT) apply to non UK domiciled individuals only if they are resident in the UK. A £30,000 charge is payable if the non UK domiciled individual is resident in the UK for seven out of the last nine years and a £60,000 charge is payable if the individual has been resident in the UK for twelve out of the last fourteen years and wishes to claim the remittance basis.

From 6 April 2017, new deemed domicile rules came into existence for individuals who have a non UK domicile but have been living in the UK for 15 out of the last 20 years immediately before the relevant tax year. Individuals who are regarded as deemed domicile no longer have access to the remittance basis for taxing overseas income and gains. These individuals are now taxed on income and gains on a worldwide basis.

If a person is not resident in the UK there is no liability to CGT even for UK assets – unless the assets are used in or for the purposes of a UK trade or profession or if they are UK residential property. A non UK resident individual or company controlled by five or fewer individuals will pay tax on the gain derived from the disposal of a residential property – companies at the rate of 20% and individuals at the rates of 18% or 28% dependent on the level of the gain. The gain is calculated by reference to the increase in the value of the property from April 2015 to the date of disposal of the property. Proposals were announced in the Autumn Budget 2017 to bring UK commercial property under the same CGT regime for residential property. The government continues to consult on this proposal.

Inheritance Tax

On the death of an individual who was domiciled in the UK - irrespective of their residence status - their assets worldwide are subject to the inheritance tax in the UK.

In the case of a non UK domiciled individual, only their assets located in the UK will be subject to inheritance tax in the UK unless the individual had been resident in the UK for 15 of the last 20 years of their life. In the latter case the deceased's assets will be treated as though he or she had been UK domiciled at the time of their death. Gifts made between spouses are exempt.

For the tax year ended 5 April 2019, no inheritance tax is payable on assets valued up to £325,000 and where assets are above that amount, tax is payable at 40% on the excess. Where 10% or more of the net estate is left to charity the rate of inheritance tax drops from 40% to 36%.

No inheritance tax or gift tax is normally paid in respect of gifts that one individual makes to another during their lifetime provided the donor lives for seven years after conferring the gift. But if the individual dies within the seven year period, inheritance tax may be payable on the gift subject to reduction after three years.

The following gifts during lifetime are exempt from inheritance tax even though the donor may die within seven years of making the gift:

Annual exemption	£3,000
Small gifts	£250
Gifts on marriage	£1,000 - £5,000 dependent on the relationship between donor and person getting married.

Gifts made by a UK domiciled spouse to his or her non UK domiciled spouse are only exempt up to a value of £325,000. Any excess is treated as a potentially exempt transfer as it may become subject to inheritance tax unless the donor survives seven years from the date of the gift. To protect against this deemed domicile rule, a non UK domiciliary can establish a trust to hold all of his or her non UK assets. Such a trust is termed as an excluded property settlement and is outside the scope of inheritance tax. From 6 April 2017 this exclusion does not apply to settlors who have a domicile of origin in the UK in the tax years in which they are UK resident.

Annual Tax on Enveloped Dwellings

The annual tax on enveloped dwellings was introduced by the government from the tax year commencing 1 April 2013. When it was introduced it applied to all UK residential properties valued in excess of £2 million at 1 April 2012. The value was reduced to £1 million for returns for 2015-16 onwards and there was a further reduction to £500,000 for returns from 2016-17 onwards.

The annual tax on Enveloped Dwellings is a tax payable by companies that own high value residential property in the UK. A high value residential property is one that was valued at more than £500,000 on 1 April 2017 or at acquisition date if later. There are a number of reliefs from this tax as follows:-

- if it is let to a third party on a commercial basis and is not at any time occupied or available for occupation by anyone connected with the owner.
- if it is open to the public for at least 28 days per annum.
- if it is part of a trading property business and is not at any time occupied by anyone connected with the owner.
- it is for use by the employees of the company where the employee interest in the company is less than 10% and the employee's duties do not include services for any present or future occupation of the property by someone connected with the company.

The tax rates are as follows for the period from 1 April 2018 to 31 March 2019:

Property value	Annual chargeable amount
£500,001 to £1,000,000	£3,600
£1,000,001 to £2,000,000	£7,250
£2,000,001 to £5,000,000	£24,250
£5,000,001 to £10,000,000	£56,550
£10,000,001 to £20,000,000	£113,400
£20,000,001 and over	£226,950

The annual tax on enveloped dwellings tax return is due by 30 April of the period of the return and payment of tax is also due on the same date.

5. INTERNATIONAL ASPECTS

Resident Companies

Foreign income and capital gains

The general rule is that all income and capital gains which arise in the United Kingdom whether derived by a UK resident company or not and all income and capital gains derived from abroad by a United Kingdom resident company are chargeable to UK Corporation Tax.

Many foreign countries have similar taxation principles which lead to income being taxed twice. In order to lose the burden of double taxation, countries provide for relief either by:

- exempting income or gains from tax in the country where the income or gains arise or
- getting a credit in the country of the recipient for the tax paid in the other country.

In the UK, relief is usually given by the second method - the credit relief method. Where relief is not given under an agreement, the UK gives credit unilaterally to UK residents. The credit is limited to the lesser of the foreign tax and the UK tax attributable to the doubly taxed income or gain.

Foreign Capital

International groups that have a controlling UK resident company are obliged to report to HMRC the movement of capital in excess of £100m. In practice this reporting requirement is restricted to large groups with substantial activities outside the United Kingdom. The purpose of the report is to enable HMRC to determine whether the transaction gives rise to an advantage in relation to UK taxation. The category of events that are reportable are:-

- An issue of shares or debentures by a foreign subsidiary.
- A transfer of shares or debentures by the UK company or a transfer caused or permitted by the UK company of shares or debentures of a foreign subsidiary in which the UK company has an interest.
- Any situation which results in a foreign subsidiary becoming or ceasing to be a controlling partner in a partnership.
- The exclusions from the reporting requirement are as follows:
    - Transactions carried out in the ordinary course of a trade
    - Transactions between residents in the same territory or
    - The giving of any security by a foreign subsidiary to a financial institution.

Non resident companies

A non resident company trading in the UK through a permanent establishment is subject to UK corporation tax on its profits. Where a company trades in the UK other than through a permanent establishment the profits are charged to UK income tax. The chargeable profits of a permanent establishment in the UK are classed as follows:

- Trading income arising directly or indirectly through or from the permanent establishment.
- Income from property or profits used by or held by or for the permanent establishment and chargeable capital gains resulting from assets used or held or acquired for the permanent establishment or the trade carried on through the permanent establishment.

Withholding Taxes

Dividends

There is no requirement in the UK to deduct withholding taxes on dividends paid by UK companies.

Interest

Annual interest arising in the UK and paid by the following:

- A company
- A local authority
- Or on behalf of a partnership of which a company is a member or by a person to another person whose usual place of abode is outside the United Kingdom must have income tax at the current basic rate at 20% deducted before payment is made. There is an exemption for this to apply for payments where the payment is made to a UK resident company. However, where payments of yearly interest are made to an overseas lender the UK borrower is obliged to deduct income tax at the basic rate for the year in which the payment is made. Where interest is paid by a UK subsidiary to its overseas parent company application can be made to HMRC requesting permission to pay such interest gross without deduction of income tax under the terms of the Double Taxation Agreement.

Royalties

A royalty has to be paid under deduction of income tax at the basic rate of income tax which is currently 20%. UK companies can pay royalties to overseas companies and deduct only the treaty rate from the royalties before payment if they have reason to believe that the company is entitled to treaty relief. If it subsequently transpires that the overseas company is not entitled to treaty relief then HMRC will be entitled to the income tax deduction that should have been made in the first place. Certain types of royalties such as film royalties and equipment royalties will generally not be subject to UK withholding tax.

6. PROPERTY LAW

Real estate in the UK is land and buildings. There are two types of title to land and buildings, freehold and leasehold interest. A freehold interest constitutes outright interest in the land and buildings. A leasehold interest permits the holder of the leasehold interest to rights of possession and use of the land for a specified period of time.

Overseas companies or companies with a limited history of trading in the UK would generally opt for an occupational licence to have the use of office space with flexible terms and ease of termination.

The ownership of title whether by freehold or leasehold interest over 7 years in England and Wales is registered at the land registry.

Rent is normally expressed per annum and paid quarterly on the quarter days 25 March, 24 June, 29 September and 25 December.

Most UK businesses lease property with a term of 5 years or more with an inclusion for annual rent review.

In England and Wales there is an annual liability on the part of occupiers to pay the local authority a local tax called 'rates' which is based on the rateable value of the property which is fixed by the Valuations Office Agency.

The landlord of buildings with multiple occupancy, normally charge a service charge to the tenants for maintenance of the structure of the building. The tenants will be responsible for repairs and utilities within their specific unit.

Where the tenant has the whole of the building he will be obliged to repair the exterior and interior of the building. At the end of the lease the tenant will be required to give the premises back to the landlord in good repair and order.

7. ANTI AVOIDANCE

General

HM Revenue & Customs regard tax avoidance as an attempt to exploit legislation to gain a tax advantage that was not intended by the government. Certain sections of the corporation tax legislation have specific anti avoidance provisions.

Transfer pricing

There is legislation in place to regulate the price charged in a transaction between connected parties. A transfer pricing risk mainly arises in cross border transactions between two companies who are part of the same group. However, UK transfer pricing legislation also applies to transactions where both parties are within UK transfer pricing and are not limited to overseas connected party transactions.

The rule requires a company's profits or losses to be calculated for tax purposes by substituting an arms length provision for an actual provision if the parties involved are connected. The UK legislation allows only for the transfer pricing adjustment to increase taxable profits or reduce a tax loss. It is not possible to decrease profits or increase a tax loss.

Generally small and medium sized enterprises are exempted from the transfer pricing regulations. The exemption does not apply where a business has transactions with a related business in a territory with which the UK does not have a double tax treaty with an appropriate non discrimination clause.

Thin Capitalisation

Thin capitalisation occurs where there is more debt on the balance sheet than the entity could borrow without support from connected entities. The UK's approach to thin capitalisation is to apply the arms length principle to lending and borrowing transactions – treating parties to a transaction as if they were independent of each other. A UK borrower needs to consider thin capitalisation even if it is not borrowing from overseas and has no non UK ownership. However in a UK to UK situation there is a compensating adjustment which ensures that all of the interest on the loan is charged within the group.

Where the ratio of debt to equity is disproportionate and there appears to be an element of manipulation of interest charged in the accounts then the thin capitalisation legislation is applied to disallow a proportion of the interest in the accounts of the borrower. The arm's length provision is only substituted for tax purposes where there is a potential advantage in relation to UK taxation. The legislation can only apply to increase the taxable profits or decrease the allowable losses in the UK.

Controlled foreign companies

A controlled foreign company is a non UK resident company controlled by UK persons. If UK profits are diverted to a controlled foreign company these profits are apportioned and charged on a UK corporate interest holder that holds at least 25% interest of the controlled foreign company. There are a number of exemptions to the application of the controlled foreign company rules to a company, which are based on the following:

- Exempt countries
- Exception by way of failing the rules regarding foreign residence
- Income levels
- Motive tests
- Exempt activities

Base Erosion and Profit Shifting (BEPS)

Base erosion and profit shifting refers to tax avoidance strategies that exploit gaps and mismatches in tax rates to artificially shift profits to low or no tax locations. Under the inclusive framework, over 100 countries and jurisdictions including the UK are collaborating to implement the BEPS measures and tackle BEPS. The OECD has developed an action plan. Fifteen actions designed to be implemented domestically and through bilateral tax treaty provisions were agreed at the 2015 G20 Antalya summit. These are as follows:

1. Digital Economy – addresses the tax challenges of a digital economy.
2. Hybrids – develops model treaty provisions to neutralize the effects of hybrid instruments and entities.
3. CFC Rules – recommendations to strengthen the rules of taxation of controlled foreign companies.
4. Interest Reductions – best practice for the prevention of base erosion through the use of interest expense.
5. Harmful Tax Practices – improvements to tax transparency.
6. Treaty Abuse –preventing the granting of treating benefits in inappropriate circumstances.
7. Permanent Establishment Status – preventing the artificial avoidance of permanent establishment status.

8–10. Transfer Pricing – aligning transfer pricing outcomes with value creation.

11. BEPS Data Analysis – measuring and monitoring BEPS.
12. Disclosure of Aggressive Tax Planning – mandatory disclosure rules creation.
13. Transfer Pricing Documentation – revised guidance on transfer pricing documentation to enhance transparency.
14. Dispute Resolution – develop solutions to address obstacles that prevent countries from solving treaty related disputes.
15. Multilateral Instrument – development of a multilateral instrument to enable countries to streamline the implementation of the BEPS treaty measures.

As a result of the BEPS action points the UK introduced new legislation – the Corporate Interest Restriction in Finance Act No.2 2017. This legislation applies from 1 April 2017. The aim of the legislation is to restrict a group's deductions for interest expense and other financing costs to an amount which is commensurate with its activities taxed in the UK. The rules apply to all companies within the charge to corporation tax whose net interest expense within an accounting period is more than £2 million.

8. VALUE ADDED TAX

Businesses in the UK must register with HM Revenue & Customs for Value Added Tax – VAT – if they have an annual taxable turnover of £85,000 or more or if they expect to be trading at that level very shortly. They are given a VAT registration number and this must appear on all sales invoices.

VAT is added to sales and recorded on sale invoices – currently at the standard rate of 20%. Certain goods and services are exempt from VAT; these include charges for finance and in some cases use of property. There are also zero-rated supplies such as food (though not restaurant meals), books and services outside the EEA. A reduced rate of VAT at 5% applies to items such as home energy and children's car seats.

When a business is VAT registered most of its input VAT – that is VAT it pays out in the course of business – can be deducted or reclaimed against its output VAT – the VAT charged on the sales invoices. VAT on motor cars available for private use and entertainment of clients is not reclaimable.

If a business supplies only VAT exempt goods or services it will be unable to reclaim input VAT. If it makes both taxable and exempt supplies it falls into the partially exempt category in which case it can reclaim some of its input VAT.

Registration for VAT can be done online using the HMRC website facilities. If a business fails to register for VAT when it is liable to do so it will nevertheless be liable for VAT on supplies it makes regardless of whether or not VAT was charged to the customers. Penalties are in place for late registration; late and incorrect VAT returns.

A business must complete on line four VAT Returns each year. Any VAT due to HM Revenue & Customs is payable quarterly and any refunds due are paid by HM Revenue & Customs quarterly.

A business whose taxable turnover is £1,350,000 per year or less may apply to complete one VAT return per year. The payment of VAT is made either by nine interim payments at monthly intervals or three quarterly interim payments throughout the year. A shortfall may have to be paid over when the VAT return is submitted.

There are other VAT schemes that are available for businesses namely:

- Cash accounting scheme – normally used by cash businesses. Turnover must be £1,350,000 or less in a year
- Flat rate scheme – used by small businesses that prefer the ease of simply paying a fixed percentage of turnover as VAT. To join the scheme the VAT turnover must be £150,000 or less (excluding VAT) and an application must be made to HMRC.
- Margin schemes for second hand goods, art, antiques and collectibles
- Tour operators margin scheme

Non residents

The VAT status of an overseas company's subsidiary in the UK is not straightforward. It must register for UK VAT if it trades at the annual taxable turnover threshold of £85,000. If an overseas company simply makes supplies it must charge VAT on any taxable goods or services that are supplied within the UK. But if goods being supplied to UK customers are being shipped from outside the UK, the VAT position may depend on whether or not they are being shipped from within the EU and the VAT status of the customer. The VAT treatment of the supply of services by a UK subsidiary is dependent upon the place of supply of the service. There are complex rules regarding the place of supply of a service and it is dependent on the type of service. However the general rule is that the place of supply for supplying a service to a business customer is where the customer belongs. If the place of supply of the service is the UK then VAT has to be charged by the UK subsidiary to the customer. If the place of supply is another EU country then the supply is outside the scope of UK VAT. If the place of supply is not in the EU then the supply of the service is outside the scope of VAT. In the latter two cases the UK subsidiary does not charge VAT on its supply.

There are certain issues that relate to a company which has business activities in the UK but no permanent UK address. When registering for VAT in the UK, the company will have to appoint a UK agent who will complete VAT returns and make payments of VAT to HM Revenue & Customs.

The business will have to register for VAT online as a non-established taxable person at the earlier of the date it makes a taxable supply in the UK or the date the business expects to make taxable supplies within the next 30 days.

When any business trading in the UK imports goods from outside the EU it must normally pay VAT at the port of importation. However, a VAT registered business can apply to HM Revenue & Customs for a deferred arrangement which allows payment of the VAT to be deferred for an average of 30 days. In order to obtain a deferred arrangement a company must provide HMRC with a bank guarantee to cover the amount of VAT due on the importation each time.

There are special provisions which may enable VAT to be recovered by an overseas trader who is not registered for VAT in the UK but incurs VAT charges in the course of business within the UK.

9. MISCELLANEOUS INDIRECT TAXES

Stamp Duty Reserve Tax

Stamp Duty Reserve Tax (SDRT) is levied on the following paperless transactions:

- shares purchased in a UK company
- shares purchased in a foreign company with a share register in the UK
- purchase of an option to buy shares
- purchase of rights arising from shares already owned
- purchase of an interest in the shares

The purchase of a new issue of shares or debt security is outside the scope of the SDRT charge.

SDRT does not apply to the following transactions:

- a gift of shares for free
- purchase of shares in an open ended investment company from the fund manager
- purchase of units in a unit trust from the fund manager

The rate of SDRT is 0.5% of the amount paid for the shares

Stamp Duty

Stamp duty is payable if a stock transfer form is used to buy shares where the transaction value is over £1,000. The rate is 0.5% of the value of the transfer rounded up to the nearest £5.

Stamp Duty Land Tax

Stamp Duty Land Tax (SDLT) is charged to the purchaser of a property in the UK. The rates are as follows:

Residential Properties Property or lease premium or transfer value	SDLT Rate
£0 - £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 and above	12%

A discount can be claimed if the purchaser is buying his first home. No SDLT is paid up to a property value of £300,000 and 5% is paid on property value from £300,001 to £500,000. If the price is over £500,000 the rates revert to the above table.

There is an additional 3% added to the normal SDLT rates if the purchaser already owns other residential properties.

NB: SDLT is charged at 15% on residential dwellings costing more than £500,000 bought by companies and collective investment schemes unless the property is bought for a property rental or development business or for the public interest.

Non residential and mixed use properties

Purchase price/lease premium or transfer value	Rate of SDLT (percentage charged on total price)
Up to £150,000	0%
£150,001 to £250,000	2%
Over £250,000	5%

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LABOUR AND SOCIAL SECURITY SYSTEM

Labour

There are a number of restrictions in place for bringing in employees from overseas to work in the UK. Citizens from the EEA or Switzerland do not require a work permit to work in the UK.

Individuals who are not citizens of the EEA or a Swiss National and want a permanent job in the UK will need to apply under the points based system. The following is a list of some types of work permits that are available.

- **Tier 1 (Entrepreneur Visa)**
  This type of visa applies to individuals who want to set up or run a business in the UK and have more than £50,000 investment funds available.

- **Tier 1 (Exceptional Talent) Visa**
  Individuals who are an expert, endorsed by a designated competent body as a leader or potential leader in arts or sciences can apply for this type of work permit.

- **Tier 1 (Investor) Visa**
  Individuals who want to invest £2,000,000 or more in the UK can apply for this type of visa.

- **Tier 2 (Intra-company transfer) Visa**
  Individuals who have overseas employers who have offered them a role in a UK branch of the overseas company can apply for this type of visa. This type of visa can also be used by graduate trainees for specialist roles.

Employers are required by law to make the following checks when employing individuals:

- make sure that documents are not expired (except UK passports which can be expired)
- photo in the documents look like the employee
- the date of birth on the document seems consistent with the employee's appearance.
- the visa covers the type of work they will be doing

Employers can be fined up to £20,000 per worker for employing illegal workers. They can be sentenced to jail for up to 5 years and receive an unlimited fine if they knowingly employ an illegal worker.

An employer is obliged to issue employees with an employment contract that sets out:

- employment conditions
- rights
- responsibilities
- duties

The employer and the employee are expected to adhere to the terms of the contract over the period of employment.

A contract of employment must specify the period of notice to be given by and to the employee to terminate the contract. Employees are protected under law for unfair dismissal and there are statutory redundancy payments in place for employees who have worked with an employer for at least two years and have been made redundant. An employee can bring an action for unfair dismissal to the employment tribunal. Compensatory award which is based on financial loss by the dismissed employee can be awarded up to a maximum of £83,682 or one year gross salary whichever is the lowest.

The UK operates a national minimum wage, below which employers are prohibited from paying their staff. The current table is as follows:

Category of worker	Hourly rate from 1 April 2018
National Living Wage	£7.83
Aged 21 – 24	£7.38
Aged 18 – 20 years	£5.90
16 – 17 years	£4.20

There are working time regulations which stipulate that employees are entitled to 28 days holiday per year which includes bank holidays.

All employers have to provide workers with a work place pension scheme by law. All employees between the ages of 22 and state pension age earning at least £10,000 per annum and work in the UK have to be enrolled in a workplace pension scheme. Employers have to make an employer's contribution of 3% to the scheme. This is increasing to 4% from April 2019.

Personal Tax and Capital Gains Tax for Non UK Residents and Non UK Domiciled Individuals

The key factors which govern the taxation of individuals in the UK into two main areas:

- their personal status
- the source of their income or capital gains

The most important issues that determine an individual's personal tax status is his country of residence and domicile. Domicile is defined as the place in which an individual intends to make his or her permanent home. There are three types of domicile – domicile of origin, domicile of dependence, domicile of choice. The domicile of origin is normally the country that an individual's father considers to be his home. The domicile of origin continues until the individual acquires a new domicile.

If an individual is legally dependent on another person then that individual will automatically have the same domicile as the other person.

After the age of 16, an individual can change his domicile by settling permanently in a country other than the previous country of domicile. This is referred to as a domicile of choice.

UK residence status is determined by the Statutory residence test which was introduced in 2013.

The first criteria to check is to determine whether an individual can be classed as automatically non UK resident. If an individual was resident in the UK in one of the last three years and spends less than 16 days in the UK in the current year he is automatically non UK resident.

If an individual was resident in the UK for none of the preceding tax years and spends no more than 46 days in the UK in the current year then he is classed as non UK resident.

If an individual works overseas for at least 35 hours per week on a full time basis without any significant breaks during the tax year he is considered to be non UK resident.

If the individual does not satisfy any of the above three tests then the next three tests are examined.

If an individual has spent 183 days in a tax year in the UK he will be considered to be resident in the UK. If the individual fails this test then he needs to look at whether he has a home in the UK at which he spends sufficient time or if he works full time in the UK with no significant breaks. If he meets any of these tests, then he is considered to be UK resident otherwise he will have to check whether he meets the sufficient ties test to determine whether he could be classed as UK resident.

If an individual is considered to be UK resident then he is normally taxed on an arising basis of taxation. This means that all of his worldwide income and gains will be taxed in the UK.

From 6 April 2017, the government has introduced a new status of individual who will be taxed on an arising basis on this worldwide income and gains. If a non UK domiciled individual is resident in the UK for at least 15 of the last 20 tax years immediately before the relevant tax year he will be taxed on his worldwide income and gains on an arising basis.

If an individual is UK resident but not domiciled in the UK and has been UK resident for less than 15 years of the last 20 years then he can opt to have his foreign income and gains taxed on a remittance basis which means that foreign income and gains will only be taxed in the UK when remitted to the UK.

If the individual is a long term resident then he will be liable to pay the remittance basis charge if in a tax year he has unremitted income or gains of more than £2,000 and wants to use the remittance basis for taxing any foreign income and gains. If an individual has been resident in the UK for seven out of nine years then he will be required to pay an annual amount of £30,000 and if UK resident for twelve of the last fourteen years an annual fee of £60,000 for the privilege to use the remittance basis.

Remittance basis payers who bring their foreign income and gains or property deriving from this income and gains to the UK and invest them in a qualifying company may claim relief from the UK tax charge that would otherwise arise.

Social Security Benefits

The contributions of national insurance enable the payment of most of the social security benefits. There are a number of social security benefits that are not taxable on the recipient. The list includes the following:

- child benefit (providing annual income is less than £50,000)
- cold weather payments
- disability living allowance
- housing benefit
- maternity allowance

The following are some of the taxable social security benefits:

- carer's allowance
- jobseekers allowance
- state pension
- statutory sick pay
- statutory maternity pay

Some social security benefits are paid to qualifying individuals based on the level of national insurance contributions paid over by the individual. There are also non contributory benefits such as child benefit that do not depend on the payments of national insurance contributions. There are also means tested social security benefits such as income support where the amount of benefit payable depends on the needs and other income of the claimant.

Anti Money Laundering Regulations

The UK government have introduced strict regulations to counter money laundering. Accountants and lawyers amongst others have a legal obligation to report suspicious transactions directly to the National Crime Agency (NCA).

Furthermore under the same legislation accountants must demonstrate that they have seen proof of identity and address of the client, officers of the company and controlling shareholders before they commence to act. In a group situation the shareholdings must be identified so that shareholders of the ultimate controlling company are certified. For an overseas group this may prove problematic and therefore an overseas company preparing to set up a UK subsidiary must be prepared to provide the information when requested.

The documentation required is likely to be incorporation documents in the case of a company and passports and utility bills for individual shareholders and officers. All of this documentation will have to be certified or notarised by a local attorney or Notary Public.

RaynerEssex
chartered accountants
and business advisers

MAKE CONTACT WITH RAYNER ESSEX

We hope you have found this guide helpful. If you are considering setting up in the UK, Rayner Essex LLP can provide more detailed information on any specific issues that may concern you.

With our experience of assisting other overseas companies investing in the UK, we can be of great help to you. You can depend on us to provide the essential information advice and support you are certain to need as you formulate your plans. Then, once you are here and starting to develop your UK business, we will be pleased to offer whatever level of continuing assistance you may need from us.

In the first instance, make contact with Rayner Essex LLP – by telephone, fax, mail or e-mail – so we can discuss your particular objectives and answer your questions.

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