Grunberg & Co.

Chartered Accountants

Guide to Doing Business in the UK

Introduction

The UK has always been, and remains, a wonderful place in which to do business, offering fantastic opportunities to access a domestic market of approximately 64 million people and other nations, through its well-deserved reputation as an international trading hub.

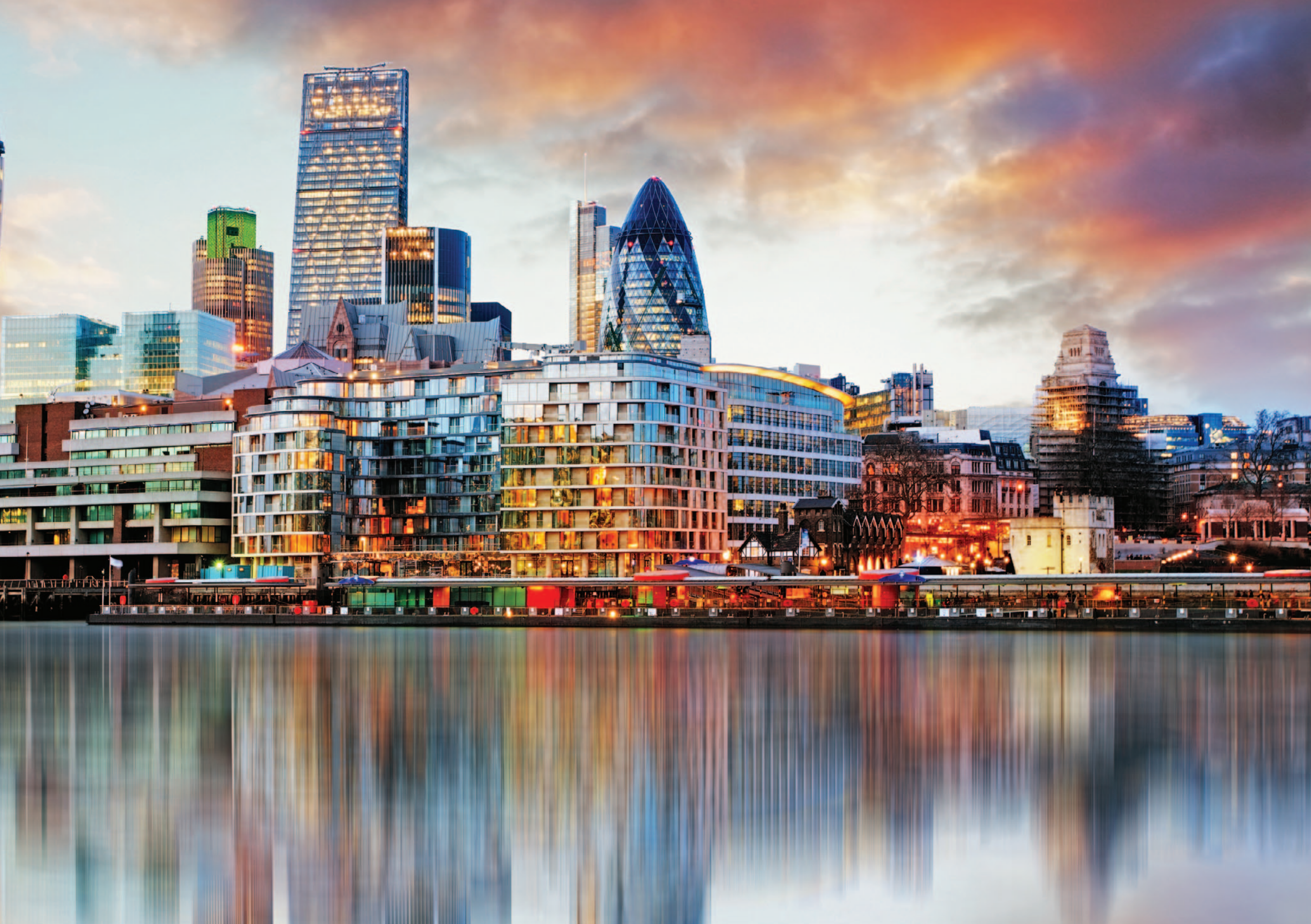
Traditionally the UK was world-renowned for being at the forefront of manufacturing and innovation, and this reputation has not declined. It now sits at the centre of finance, technology, life sciences and the creative industries, in part thanks to its generous tax regime and the ease by which a company can be formed.

At Grunberg & Co we have helped numerous overseas companies establish a base in the UK and we can assist you in taking full advantage of the reliefs and benefits available to you.

Our experienced team can assist in ensuring that all the administrative tasks are handled efficiently and compliantly, while ensuring that your new enterprise is compliant with UK tax and is structured in a way to limit liabilities.

By working with our accountants, tax and business advisors we can take the stress out of setting up a UK business, so that you and your management team can focus on running and expanding your business.

While this guide is fairly comprehensive, professional advice should always be sought when looking to enter the UK market. If you would like support with establishing a business in the UK then we will be happy to discuss your plans and advise on your unique situation.



Trading Structure

When choosing to do business in the UK it is vital that the company or subsidiary is established under the right trading structure, as the different options may have an impact on the way in which you are taxed.

The UK offers a number of different types of trading entity, which have their own relative advantages and disadvantages.

UK Establishment (Branch)

A UK establishment is effectively an extension of the overseas company operating in the UK and is not a separate legal entity. Any contractual arrangements or liabilities entered into by the UK establishment are binding on the overseas company and the UK establishment is subject to UK law and UK taxes. A UK establishment must have a trading address in the UK and present evidence that it is trading from that address.

A certain amount of documentation is required to set up a UK establishment. Grunberg & Co can assist in producing this. Setting up a UK establishment can take up to three weeks. A UK establishment can cease operating quickly compared to other UK structures.

Although a UK establishment and a company both provide a UK presence, a limited company is probably seen as more permanent and independent, and third parties often favour dealing with them.

While the accounts of the UK establishment do not need to be filed at Companies House, the accounts of the overseas company must be filed annually, in English. Thus, if your business is sensitive to the amount of information that is in the public domain, a UK establishment may not be the best choice.

Private Company Limited by Shares (Limited Company)

A limited company is a separate legal entity, even if it has a parent company. Membership is created by the subscription for share capital. The company may be "standalone" (with shares owned by individuals) or it may be a "subsidiary", where the shares are owned by the parent company.

The company's liabilities to outside creditors are limited to the amount of its assets and issued share capital.

Thus, if the UK company is wholly owned by an overseas parent, that parent would not be liable for any unpaid debts of its UK subsidiary. Liability is limited to the share capital or amount the members have agreed to contribute to the company's assets if it is wound up.

The minimum requirement to register a limited company is that it has one shareholder, owning one share with any nominal value and one natural director, i.e. not a company. However, there may be as many directors and shareholders as required.

There is no requirement to trade in the UK, but the company must have a registered office in the UK, although this does not need to be its trading address. There is, in fact, no obligation for a trading address at all or UK resident officers or shareholders.

A company is either registered in Northern Ireland, Scotland, or England and Wales, and the registered office must be situated in the relevant jurisdiction area. We are able to provide a registered office facility for any one of our clients.

This type of company can be formed easily and inexpensively usually within 24 hours. In order to do this we need full details of the directors and shareholders of the company.

A company needs to prepare and file annually a copy of its accounts with The Registrar of Companies at Companies House, prepared in accordance with UK company law. Once filed, these accounts are available on public record.

Accounts need to be filed within nine months of the company's financial year-end or within 22 months of formation. A company can choose its year-end; although it is common to choose one that coincides with that of the parent company.

If the limited company is a parent company of a group for which two of the following thresholds are exceeded for the group, then consolidated accounts may be required.

Where the company is part of a group that meets certain criteria a statutory audit will be required (see audit section). There is an exemption subject to certain criteria if the UK company meets the requirements, but the group does not, where the parent company is within the EU.

Many overseas companies wanting to set up in the UK find the limited company the most convenient trading option. No consents are required and no local shareholders are necessary.

Public Limited Company (PLC)

A PLC operates in the same way as a limited company, has similar requirements and is easy to set up. The only differences are that it is required to have £50,000 of share capital of which 25% must be called up.

In addition it will need a trading certificate before it commences trading and it requires a Company Secretary.

Accounts need to be filed within six months of the company's financial year-end. A company is free to choose its year-end and it is common to select one that coincides with that of the parent company, as with limited companies.

All PLCs require an audit each year by law, as do any other UK limited companies in the same group as a PLC providing that as a whole, the group breaches the small company thresholds. If the group as a whole remains within the small company threshold, the PLC's UK subsidiaries will not need to be audited. Consolidated accounts may also be required if there is a PLC in the group, and there are additional disclosure requirements in the accounts.

PLC status does carry additional responsibilities and compliance requirements. Please contact us if you are thinking of setting up a PLC and we will provide further details of the compliance requirements.

Limited Liability Partnership (LLP)

This combines the benefits of the limited liability of a limited company with the tax transparency of a partnership.

Annual accounts must be prepared and filed with Companies House each year. Audits are required for LLPs in line with the same thresholds that apply to limited companies.

LLPs are popular with professional groups such as lawyers or accountants, joint ventures and in the financial services industry.

Sole Trader

Sole traders run their own business as an individual and are classed as self-employed. Sole traders must register with HM Revenue & Customs (HMRC) and follow a strict set of rules on running their business.

Choosing to become a sole trader means you, and you alone, are responsible for the business, but it does not mean that you cannot recruit staff. Sole traders are free to hire people the same as any other business, but the control and responsibility of the company remains with them.

As a sole trader you are responsible for:

- holding the sales and expenses records of your business
- filing an annual self-assessment tax return
- paying income tax on your profits and Class 2 and Class 4 National Insurance
- your business debts
- bills relating to your business.

Registering as a sole trader is particularly popular amongst consultants and freelance workers. However, these professions carry with them other considerations, such as IR35 tax legislation, which may require professional advice.

Partnership

Within a business partnership, the company's business partners personally share the responsibility for their business. This means that each partner is responsible for their share of any losses the business makes and any bills the company incurs.

Profits within a business partnership are shared and each partner must pay tax on their share of these profits.

As a partner you must send a complete annual self-assessment tax return, pay income tax on your share of the partnership's profits and pay any National Insurance contributions.

A partnership must choose a 'nominated partner' who is responsible for managing the partnership's tax returns and keeping business records.

A partnership does not have to just include individuals, as an example a limited company counts as a 'legal person', and can also be a partner in a partnership. If a partner is a company, it must be registered with HMRC for Corporation Tax.

This section highlights the main issues overseas companies should consider before deciding upon their business structure.

However, there are a number of other reporting requirements which are detailed in Appendix 3. This provides more detail on the documents and reporting requirements that Companies House needs when establishing one of these entities.

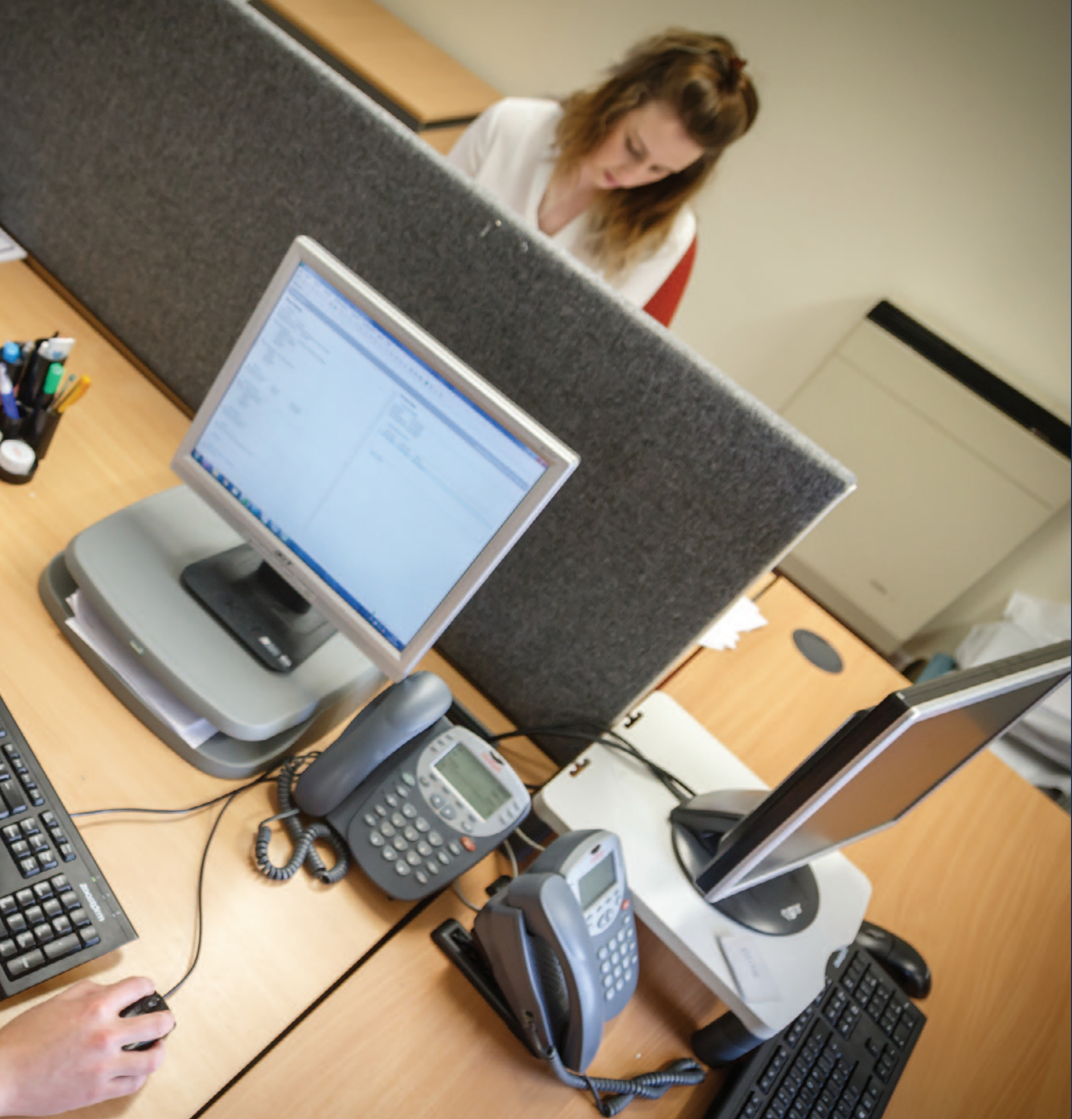
Audit

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

- it is part of a group which exceeds set limits, or
- its turnover exceeds £10.2 million and has more than 50 employees, or
- its turnover exceeds £10.2 million and it assets exceed £5.1 million, or
- its assets exceed £5.1 million and it has more than 50 employees, or
- it is a public limited company (PLC), or
- its shareholders, holding at least 10% of shares between them, request an audit, or
- it is an authorised insurance company, involved in banking or it is classified as a Markets in Financial Instruments Directive (MiFID) investment firm.

It is the auditor's role to report on whether a business' accounts give a true and fair view of its profit and loss and balance sheet and meet the UK's accounting standards and comply with the Companies Act 2006.

However, detailed audits can also be useful when selling a business, seeking investment or checking its financial health. At Grunberg & Co our experienced team of auditors can conduct a thorough investigation of your affairs to ensure your company is fully compliant.



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The tax regime

Once your business is formed, the next step is to register for all the relevant taxes.

Corporation Tax

A company is liable for Corporation Tax if it is incorporated in the UK or if its central control and management is exercised in the UK. Registration is straightforward by means of form CT41G from HMRC, which is now completed online.

The information required includes:

- Names of directors
- Name of parent company (if there is one)
- Trading activity
- Period end date for the first accounts of the company

Tax rates

The Corporation Tax rate for company profits is 19%. The Corporation Tax rate will fall to 17% from 1 April 2020.

Taxable Profits

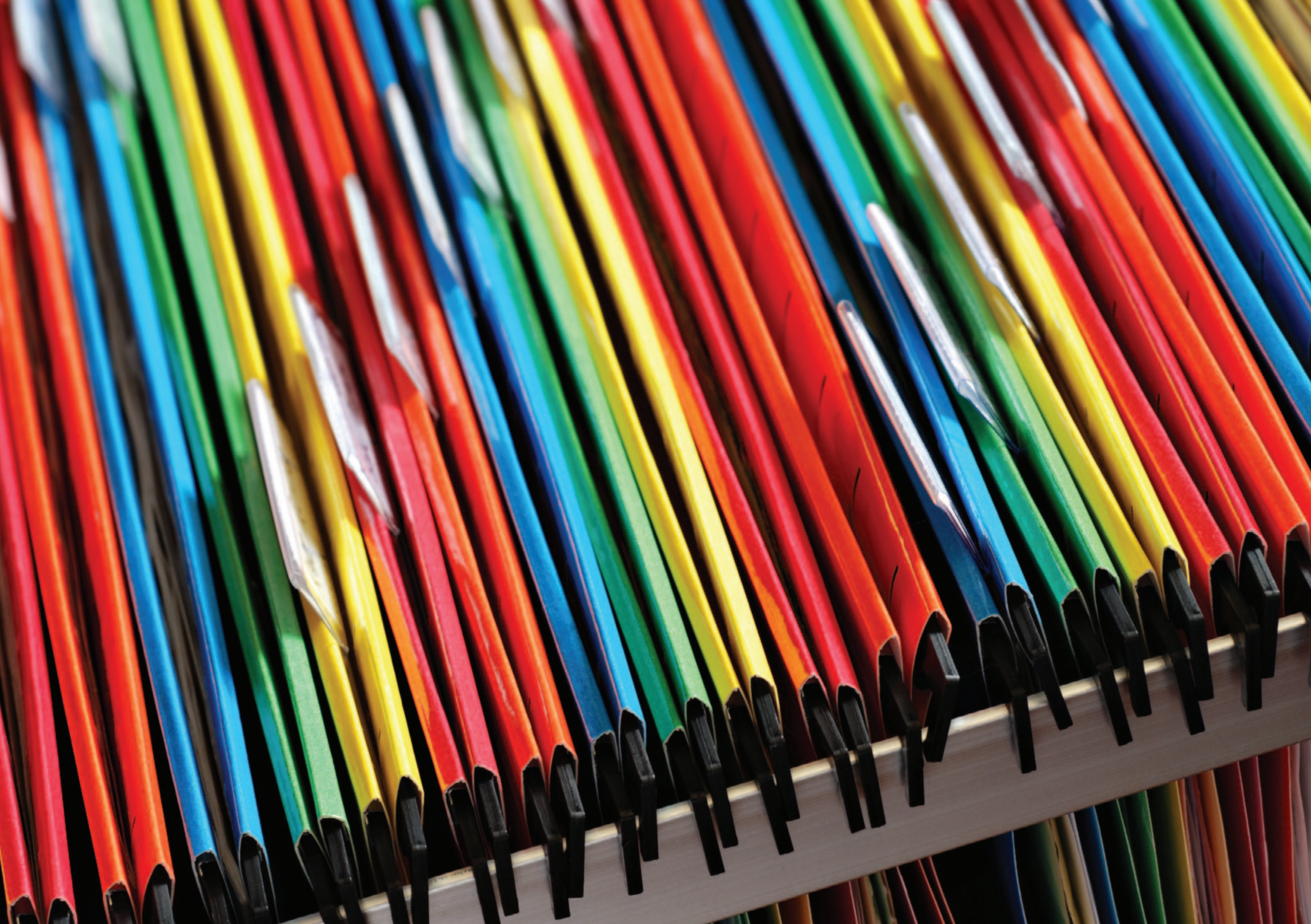
Companies pay Corporation Tax on their profits and can relieve losses typically against the current or future profits. Most companies can carry forward losses against future profits indefinitely.

The amount of taxable profits will depend on the model of trading selected by the parent company. Due to the UK's strict transfer pricing rules, trading between connected parties needs to be done on an 'arms-length' basis. This prevents international business groups from transferring profit to the country with the lowest rate of tax.

In the UK entity exists to provide a single service such as IT support, a fee must be charged to the parent company for the service provided. This fee, less related costs of provision and maintain the UK entity, are what is taxed.

Where the UK entity can enter into contracts with third party customers in its own right, it is more likely to have a buy/sell arrangement. In this case, sales to third parties will be recorded within the UK entity accounts.

It may be advantageous to conduct a transfer pricing study to demonstrate that the pricing between the parent company and its UK business is what would be agreed by parties acting on an arm's-length basis to avoid unexpected tax bills.



Tax on Losses

Where an establishment incurs a loss, this may be available for offset against parent company profits, within the parent's jurisdiction.

The establishment losses can also be carried forward in the UK for offset against future taxable profits and can be carried forward indefinitely for offset against future taxable profits in the case of a subsidiary, providing they are from the same trade.

However, as of 1 April 2017 new rules enable companies to offset carried forward losses generated from that date onwards against other income streams and other UK companies within the same tax group for up to 12 months.

With effect from the same date the profit that can be offset against losses carried forward will be restricted to 50% of the amount of the profits in excess of £5 million.

Typically losses in a UK entity will not be available for offset against the parent company profits, if they are based outside the UK.

Reporting and Paying Corporation Tax

Whilst the accounting period reference date is quite flexible in the UK and can be chosen when the company is formed, the Corporation Tax return is due within 12 months of the end of the accounting period.

Where a company is defined as 'large' there are provisions for payment on account before the year-end if either:

- its taxable profits exceed £10 million in the current accounting period (or as appropriately divided by the number of associated companies in the worldwide group at the start of the current accounting period);
- it was a large company in the 12 months preceding the period and is also large in the current period. For these purposes, 'large' is defined as having taxable profits of £1.5 million or above (or as appropriately divided by the number of group companies in the worldwide group at the start of the current accounting period).

It is possible to change the accounting period of a UK subsidiary to that of its overseas parent, but Corporation Tax returns have to be prepared each year and must be filed online.

Tax is payable within nine months of the company's accounting year-end or under a quarterly payment arrangement if the company is a large company.

The accounts need to be filed at the same time and need to be tagged using iXBRL.

Employment Tax – PAYE

Every business organisation employing staff needs to be registered for Pay As You Earn (PAYE). This is the system that HMRC uses to collect Income Tax and National Insurance Contributions (NICs) from employees as a deduction from their gross pay.

The PAYE collected is payable monthly to HMRC within certain time constraints; late payments will incur interest and may also incur penalties.

Income Tax

The tax deducted from salaries is Income Tax. Income Tax rates vary depending upon personal circumstances. The current rates are shown in Appendix 1a.

National Insurance

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

The company must file monthly returns online showing the total Income Tax and NICs paid by the employee and employer in the tax month. The tax year end for PAYE is the 5th April. The tax month end for PAYE is the 5th of the month and the deadline for payment of income tax and NIC 17 days after tax month end.

Employees on secondment to a UK establishment or business can claim employee and employer NIC exemption if they meet the correct criteria and remain employed in a country with which the UK has a social security agreement.

This includes:

- Barbados
- Bermuda
- Bosnia-Herzegovina
- Canada
- Croatia
- Israel
- Jamaica
- Japan
- Jersey/Guernsey
- Macedonia
- Mauritius
- Montenegro
- New Zealand
- Philippines
- Republic of Korea
- Serbia
- Turkey
- USA
- Members of the European Economic Area

An employer must apply for a formal certificate of exemption in each instance and the agreements only allow exemption for a set period, usually around five years.

Where an employee is seconded from a country outside these agreements they might be eligible for up to 52 weeks NIC exemption, as long as they meet certain conditions.

Temporary Workplace Arrangements

Employees that are seconded to the UK are able to benefit from a number of significant tax reliefs which can reduce their tax and NIC liabilities and their employer's costs.

Employees seconded to the UK for up to 24 months, and who keep their employment contract and permanent workplace in the home country, can enjoy tax-free living expenses at their UK temporary workplace.

This relief can cover accommodation costs, such as rent, utilities and council tax, as well as the cost of food and local travel.

The relief can either be claimed in the form of a tax-free benefit in kind if the employer is willing to bear the cost, or if the employee bears the costs the relief can be claimed as a deduction from taxable earnings through the employee's UK personal tax return.

Such arrangements often involve a salary sacrifice whereby employer and employee share the tax and national insurance benefits of the lower wage. There is an exemption from social security charges (NICs) for both employer and employee on expenses qualifying for the tax relief.

Overseas Workday Relief

Employees who are temporarily resident, but who regularly travel overseas, can also benefit from an exemption from UK tax on earnings for duties performed outside the UK.

This applies to non-UK domiciled individuals and is available in the tax year of becoming a UK resident, and the following two tax years.

Overseas workday relief, as it is also known, applies to the proportion of earnings relating to duties performed outside the UK, to the extent such earnings are paid outside the UK and not brought into or used in the UK.

Employees working in the UK who are not UK resident and work for an employer who is not UK resident may also benefit from the provisions of the UK's double tax treaty if certain conditions are satisfied.

Payroll

With the introduction of Real Time Information in April 2013, payroll processing can be a complex and laborious task, and penalties can be incurred for the incorrect calculation of the various deductions.

Grunberg & Co can remove this burden by processing your payroll and dealing with all filing requirements.

Workplace Pension

Individuals or organisation, whether situated in the UK or not, must provide a workplace pension plan for any eligible employee based in the UK.

The employer's duties include:

- setting up a workplace pension plan
- assessing and categorising UK workers
- automatically enrolling eligible UK workers into the plan
- collecting pension contributions from employees' pay
- paying the employee and employer contributions to the plan
- issuing all workers with certain statutory information
- keeping permanent records
- registering the scheme with The Pensions Regulator.

Eligibility

All employees aged 22 to state pensions age (65 to 67) earning more than £10,000 a year (2017/18 tax year) must be auto-enrolled; the employer must also contribute.

All employees aged 16 to 74 earning less than £6,032 (2018/19 tax year) are not automatically enrolled but have the right to join the workplace pension plan, although the employer does not have to contribute.

Minimum contributions

Minimum contributions are based on a band of earnings. For 2018/19 tax year this is earnings between £6,032 and £46,350.

From 6 April 2018 until 5 April 2019 employers must contribute at least 2%, while employees must contribute 3%.

From 6 April 2019 on employers must contribute at least 3%, while employees must contribute 5%.

Grunberg & Co can assist in the set up and administration of Auto-enrolment, and introduce you to suitably qualified companies that specialize in pension advice.

> "Individuals or organisation, whether situated in the UK or not, must provide a workplace pension plan for any eligible employee based in the UK."

Value Added Tax – VAT

In common with other countries in the EU, the UK imposes Value Added Tax (VAT) on most business-to-business and business-to-consumer transactions. Currently, this sales tax is chargeable by businesses if they are making annual taxable supplies exceeding £85,000. Some services and products are "zero-rated" or "exempt".

A zero-rated supply is classed as taxable, but the VAT is charged at a rate of zero per cent. Exempt supplies are not taxable and are ignored as far as the VAT registration threshold is concerned.

If the VAT threshold is exceeded, or is expected to be exceeded in the near future, the business must register for VAT and must account for VAT on its supplies of goods and services.

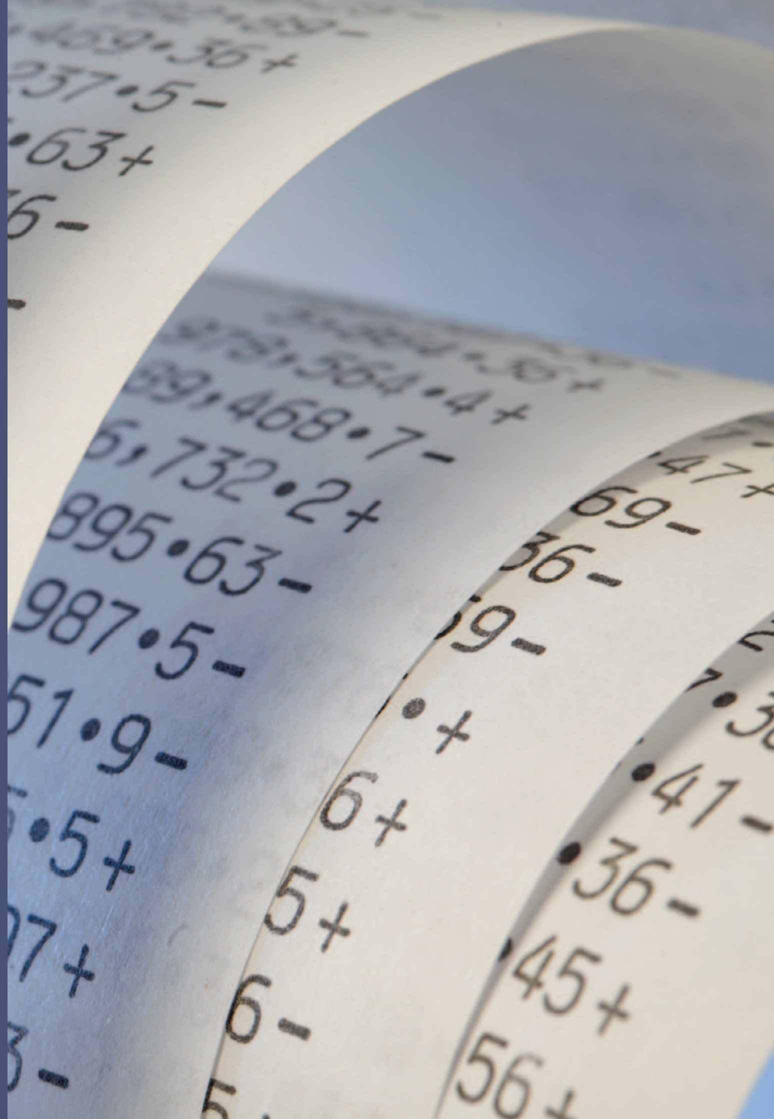
When a business is registered for VAT, it must charge VAT at the relevant prevailing rate on all its sales of goods and services in the UK and EU.

The business must submit typically, on a monthly or quarterly basis, a VAT return showing the total VAT it has charged to its customers, as well as the VAT charged by its suppliers. The net amount is either paid to HMRC or claimed back from them.

A business may register for VAT on a voluntary basis before it is required to do so, provided that it can demonstrate its intention to trade, or that it is already trading but below the threshold of £85,000 per year.

Overseas businesses setting up in the UK need to be aware of several important VAT-related issues.

Businesses should also be aware that VAT on purchases cannot be reclaimed, to the extent that the business is providing exempt supplies.



Supply of goods and services outside the EU

If a UK business sells goods to customers outside the EU, and can demonstrate that the goods have left the EU, such exports are outside the scope of VAT. However, if goods are imported into the UK, VAT will need to be paid at the point of entry. This VAT can usually be reclaimed by businesses that are registered for VAT.

Supply of goods and services within the EU

Rules exist to create a "level playing field" across the EU and to remove any competitive advantage that may be gained by purchasing goods or services from another EU member state where the prevailing rate of VAT is lower.

A UK business, registered for VAT, does not have to charge VAT on the supply of goods or most services to businesses in other EU countries as long as it is satisfied that the customer is registered for VAT in his own country. Such supplies are zero-rated in the case of goods, and outside the scope of VAT in relation to services.

However, the purchaser must account for the notional VAT that would have been due if they had purchased the goods or services from a supplier in the same country. This is known as the "reverse charge" mechanism.

Filing VAT returns and other reports

Most businesses complete quarterly VAT returns. These have to be submitted to HMRC typically within one month and seven days of the end of each quarter, together with a remittance if VAT is payable on the return.

Virtually all businesses must submit their returns online. If a registered trader has zero-rated sales, such as exports, then he can expect to receive regular repayments. Businesses can file monthly VAT returns in order to receive these repayments earlier and help with cash flow.

There are other schemes available to help certain types and sizes of business. For example, businesses up to a certain size may opt to file VAT returns annually, or account for VAT on a cash-basis or at an agreed flat-rate.

Businesses are also required to file European Community (EC) Sales Lists. These need to be provided for the sale of goods to VAT-registered customers in other EU member states and for intra-EU services that are subject to the reverse charge mechanism outlined above.

Finally, businesses involved in the trade in goods between EU states above a certain threshold are also required to complete Intrastat returns. For 2014, there are two thresholds – an Arrivals one of £1,200,000 (EU imports) and a Dispatches one of £250,000 (EU exports).

Patent Box

The Patent Box is a UK tax incentive designed to encourage companies to generate profits from their patented products by reducing the UK tax paid on those profits.

This relief entitles any company subject to UK corporation tax to only pay tax at 10% on the net income received from patents and similar Intellectual Property (IP).

Only companies liable for Corporation Tax can benefit from the Patent Box and these companies must own or exclusively licence-in the patents and must also have undertaken qualifying development on them.

Companies can apply a lower rate of Corporation Tax earned after 1 April 2013 from its patented inventions. If your company holds licences to use others' technology it may still be eligible for the Patent Box but must meet specific criteria.

Patent Box claims must be made within two years after the end of the accounting period in which the relevant profits and income emerged.

R&D Tax Relief

The scheme is designed to encourage innovation in UK industries. It is available to those firms which incur costs in developing new products or services or seek to improve a product or process already in existence.

The tax relief available to companies provides an additional tax deduction or an 'enhanced allowance' in calculating a company's taxable profits for a period. Different rates exist for SMEs and large companies but for larger firms, an 'above the line deduction' can be made to reduce those profits that are subject to Corporation Tax.

For SMEs, the scheme allows eligible companies to claim an overall reduction of 230 per cent on qualifying R&D expenditure. Companies not making profits can exchange tax losses attributable to R&D relief for a payable cash credit at a rate of 14.5 per cent.

For large companies, an enhancement of 30 per cent is available, resulting in 130 per cent tax relief on the qualifying costs incurred. However, for qualifying expenditure incurred as of April 2016, an above-the-line R&D Enhanced Credit has been introduced. The new Enhanced Credit equates to 11% of the company's qualifying R&D spend, and after tax yields a net benefit of 8.8%.

The Enhanced Credit for loss-making companies may also be repaid as a cash credit, capped at the level of payroll taxes incurred in respect of R&D employees during that year, which is carried forward as a credit for the following year.

As regards overseas ventures, UK R&D can still be claimed even where the R&D function is subcontracted to an overseas subsidiary. This can be the case even where similar R&D credits are received locally, such as in the US, by the subsidiary undertaking the R&D. The combined effect can provide a significant competitive advantage in research and development projects.

R&D claims are included in the corporate tax return and must be made within two years of the end of the accounting period in which the expenditure was incurred.

At Grunberg & Co we have an exceptional record for helping business to claim R&D tax credits and have developed a strong rapport with HMRC to ensure clients get the best results from their claim.

Employment matters and personal taxation

Individuals who work in the UK are liable to UK tax; all employees are subject to UK laws, no matter who employs them or their country of origin. Our team are experts at structuring expat packages that maximize the reliefs available to incoming executives.

As an employer, it is very important to have a good grasp of UK employment regulations. The UK laws protect the employee.

The sheer quantity of administrative work involved in effective human resources management, the complex tax and regulatory environment, and the increasing need for specialisation in key areas mean that valuable resources of time, energy, and money are often diverted from core business functions to deal with these administrative chores.

At Grunberg & Co we can help you access a range of services, through our trusted third party referrers, to help you manage your human resources more effectively.

> “Individuals who work in the UK are liable to UK tax; all employees are subject to UK laws, no matter who employs them or their country of origin.”

Minimum Wage

This allows wage costs to remain competitive whilst protecting employees. Current minimum wage rates are set out in Appendix 4

National Living Wage

From 1 April 2018, the Government introduced a new mandatory National Living Wage (NLW) for workers aged 25 and above, initially set at £7.20, this will continue to increase each year. The current rate (as of April 2018) is set out in Appendix 4.

Working Hours

The Working Time Regulations provide basic rights and protections for workers. They limit the average working week to 48 hours – although workers can opt out of this limit.

Fringe Benefits

Workers are entitled to 28 days' annual paid leave. This minimum legal holiday requirement includes public holidays, of which there are eight each year. Most businesses grant paid holidays of four to six weeks.

Work Permits

Most overseas people working in the UK need a work permit and a visa in order to take up employment; however, the following do not currently need work permits or visas:

- Nationals of the EU
- Those born in Gibraltar
- Commonwealth citizens who entered the UK on the basis that a grandparent was born in the UK
- Husbands, wives and dependent children under 18 of people who hold work permits

Inheritance Tax (IHT)

The UK will levy a 40% IHT charge on the estates of persons resident in this country at point of death, after deduction of a £325,000 exemption. To encourage entrepreneurs to set up businesses here, a 100% deduction will be given against the values of qualifying business entities.

Special reliefs (from IHT) are also available for non-domiciled individuals who reside and work in the UK for up to 15 years out of the preceding 20 years of residence.

An additional IHT Residence Nil Rate Band is currently being phased in as well that will allow direct descendants to benefit from a greater exemption above the initial £325,000 on property passed directly to them.This rate will change annually so it is best to seek advice in advance.

Personal Taxation

The basis on which an individual is subject to UK tax depends not only on whether the person is "resident" here, but also whether they are domiciled here.

Individuals who are resident and domiciled in the UK are subject to UK tax on their worldwide income or gains. They are taxed at source on their employment income and benefits after allowances, at basic and higher rates.

The highest rate of tax is currently 45 per cent on higher incomes exceeding £150,000. The tax year runs from 6 April to the following 5 April. Current Income Tax rates are set out in Appendix 1a.

Share Option Schemes

The UK has certain "approved" share incentive schemes which can provide considerable tax advantages to employees to enhance their remuneration package.

There are however a number of pitfalls and reporting obligations of which to be aware. In an area of complexity such as this additional advice is best sought as soon as consideration is given to the establishment of a share option plan or when granting options under an existing plan.

Banking arrangements

After you have established a business, one of the next most pressing tasks is to open a bank account. This is a requirement before registering for VAT.

There are a number of banks with branches throughout the UK. The facilities and services they offer are similar, but often what differentiates one bank from another is the relationship with the managers, and the speed with which they respond to requests.

Grunberg & Co has excellent contacts with a wide range of banks and will be pleased to introduce you to our banking contacts, which specialise in dealing with clients whose head office or parent company operates outside the UK.

Money Laundering Regulations

The financial institutions and professionals who help you set up in the UK will be required to verify the identity and background of the owners and directors of any business unit, and also monitor your business in the light of stringent anti-money laundering legislation.

To comply with these strict regulations, you will need complete identification documents (for example, passport, identity card, driving licence or a certified copy of any of these) plus a recent – within the last three months – bank or credit card statement or utility bill, to identify your home address when opening a bank account.

Grunberg & Co can help collate the requisite documents to ensure that they are accepted by third parties and banks.

Apprenticeship Levy

As of April 2017, employers have been expected to pay a 0.5% levy on their pay bill where it exceeds £3 million per annum.

Anti-Avoidance Legislation

The UK operates tax legislation designed to discourage 'aggressive' tax planning arrangements. Below are some of the rules regarding this area of taxation:

General Anti-Avoidance Rule (GAAR) – This rule was introduced in July 2013 in order to deter taxpayers from entering into abusive tax schemes and prevent schemes from being promoted.

It applies a 'just and reasonable' tax adjustment to schemes that have been identified under the rule.

Diverted Profits Tax – As of 1 April 2016, Diverted Profits Tax rules apply, a 25% tax charge is levied on profits of the multinational group that are diverted outside the UK. This tax applies only to companies defined as 'large' (a business with more than 250 employees, that has a turnover of more than €50 million, and/or its balance sheet is more than €43 million) and is not relevant to SMEs.

Whilst quite far reaching in its approach, it is believed that HMRC is mainly aiming the policy at a modest number of large multinational corporations that have openly entered into 'aggressive' tax planning arrangements.

Transfer Pricing – The UK has strict transfer pricing legislation that requires multinational businesses to account for transactions between groups at arms-length. Keeping documentation of these arrangements is key when justifying to the UK tax authorities why the prices charged should be considered 'arms-length'.

Grunberg & Co

Grunberg & Co was founded in 1990 by David Grunberg and has rapidly grown to become an established accountancy firm in the UK. Its expansion over the last 29 years has enabled it to become a top 100 UK accountancy firm, with over 75 experienced staff members.

As a firm it has years of combined experience assisting businesses with the legal, administrative and other matter that arise when setting up a new business in the UK.

Deciding to establish a new business in a different country brings with it opportunities, but also risks, which require greater assistance than starting up in your usual country of residence.

Every new business sets out with objectives and a plan for its services, products, research and development, which is why it is key that they have the right partner alongside them to guide them.

At Grunberg & Co our talented team of partners focus on developing strong and close relationships with each business they work with, allowing them to build up a detailed knowledge of that business and its individual needs.

We have a pool of professional contacts and experts across many fields, who can help to ensure that you as a client receive the most comprehensive advice, to establish your business in the UK.

Our firm is well rooted in the global business world and has a wide breadth of experience through the assistance we provide to our international clientele on a daily basis.

Rapid globalisation has removed many of the barriers that once stood in the way of overseas businesses and has opened up new markets around the world.

Our firm benefits from being the firm behind Reanda UK Limited – the only UK member firm of Reanda International – which is a wholly owned subsidiary of Grunberg & Co.

Reanda International has 96 offices employing over 2,800 people, working across more than 34 territories, making it one of the leading networks in Asia. The plan is for this number to expand to 50 countries covered by the network within the next five years.

This places us in an ideal position to help businesses coming from Asia's emerging markets as well as those closer to home in Europe and the USA. Our membership means we are able to quickly call on assistance from some of the world's leading accountancy firms.

To find out more about this growing international network, please visit www.reanda-uk.com

We would be pleased to help you set up your business in the UK, please contact us.

Appendices

All information and figures included in these appendices were correct at the time of publication. If you are unsure if these rates and processes still apply, please contact us.

Appendix 1a

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

Dividend Tax from 2017/18

- The dividend tax credit is abolished.
- The first £5,000 of dividends received is tax-free.
- Basic rate dividends taxed at 7.5 per cent.
- Higher rate dividends taxed at 32.5 per cent.
- Additional rate dividends taxed at 38.1 per cent.

Appendix 1b

Employee National Insurance rates on salary 6 April 2018 to 5 April 2019	**To 5 April 2019**
Up to £8,424	0 per cent
£8425 - £44,834	12 per cent
Over £44,834	2 per cent
Employer National Insurance rates on salary	
If the employee earns less than £162 per week	0 per cent
If the employee earns more than £162 per week	13.8 per cent

- An Employment Allowance against employer NICs is available of up to £3,000 for many businesses.

Appendix 2

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

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

Zero-rated supplies

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

- Food
- Books, pamphlets, newspapers, journals and maps
- The construction of new buildings
- Transport
- Drugs
- Charities
- Clothing and footwear

Exempt supplies

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

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

Appendix 3

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

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

Starting a new company

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

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

Accounts and returns

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

Change of company secretary or directors

It is necessary to notify Companies House within 14 days of the appointment, resignation or retirement of a director or company secretary.

Other changes

It will also be necessary to notify Companies House of:

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

Closure of a Limited Company

Form DS01 can be completed if a Limited Company has not been active for three months and has no outside liabilities.

For further advice on the most efficient way of closing a limited company, taking into account the tax implications, please contact Grunberg & Co today.

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

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

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

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

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

Starting a new UK establishment

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

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

Changes to the overseas company

It will be necessary to inform Companies House of any changes to the original information when circumstances change. Such information may include:

- Constitutional documents of the overseas company.
- Company details, including the name, legal form, accounting requirements, head office address, objects, share capital and governing law.
- Director or secretary or their particulars.
- Details of the UK establishment, including its business name, address and the nature of the business.
- Person authorised to accept service or to represent the company in the business of the UK establishment, or their particulars.
- UK establishment against which the constitutional documents and accounts of the company are registered.
- Accounting reference date of a company subject to filing accounts.

Accounts

For UK establishments of overseas companies located in countries that require the publication of accounts, a copy of those accounts (with a certified translation if necessary) must be delivered within three months of public disclosure.

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

An annual document-processing fee of £40 should be sent with each set of accounts.

Closure of a UK establishment

If a UK establishment is closed, it is necessary to notify Companies House, which can be done using form OS DS01. All obligations to deliver documents to Companies House cease from the date of receipt of the notice.

If the UK establishment closed is not the only UK establishment, but was originally the principal one, then it is necessary to notify Companies House of the UK establishment at which the constitutional documents are now kept.

Appendix 4

Minimum Wage and National Living Wage

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

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

	April 2018
25 and over	£7.83
21 to 24	£7.38
18 to 20	£5.90
Under 18	£4.20
Apprentice	£3.70

National Minimum Wage rates change every October. National Living Wage rates change every April.

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