



GUIDE TO STARTING A BUSINESS IN THE UK

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INTRODUCTION

There are many reasons why the UK is an ideal location from which to trade. The UK itself offers a home market of approximately 67 million people and acts as an excellent conduit for establishing new markets in Europe, the US and beyond.

Although it still maintains a strong manufacturing sector, the UK has become a hub for new developments in finance, technology and life sciences based upon its favourable tax regime and the easy process for establishing a new business.

Forming a business entity in the UK is relatively straightforward and can usually be done within 24 hours.

We can help you take advantage of all the benefits available to overseas businesses and individuals coming to the UK, by providing a one stop shop for inward investors to the UK.

We have the expertise to ensure that the administration and back-office tasks are properly, and tax effectively set up and run smoothly, allowing your management team to concentrate on running and expanding your business.

This guide should serve as a good starting point, but it cannot replace a face-to-face, telephone, or video meeting with us, where we will be only too happy to discuss your plans and advise on your specific situation.

CHOOSING THE RIGHT TRADING ENTITY AND STRUCTURE

Where a business is trading in the UK, there are several different types of trading entities to consider, each with their own relative advantages and disadvantages.

UK branch

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

Additional documentation is required to set up a UK permanent establishment. We can assist in producing this. Setting up a UK permanent establishment can take up to three weeks. A UK permanent establishment can cease operating quickly when compared to other UK structures.

Although a permanently established UK branch and a separate company both provide a UK presence, a limited company is generally seen as more permanent and independent, and third parties often, therefore, favour dealing with them.

While the accounts of the UK branch 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 branch must be carefully considered.

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 a parent company).

The company's liability to outside creditors is generally 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 generally be liable for any unpaid debts of its UK subsidiary.

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 necessary.

There is no requirement to trade in the UK, but the company must have a UK registered office, although this does not need to be its trading address. There is, in fact, no obligation for a trading address at all for 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 can provide a registered office facility for our clients registered in England and Wales.

This type of company can be formed easily and inexpensively, usually within 24 hours. 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 financial statements 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 21 months of formation. A company can choose its year-end and 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 either on its own or where it is part of a group that exceeds two of the following thresholds a statutory audit

may also be required. The requirements usually set in the second year of thresholds being breached unless the thresholds are met immediately on incorporation in which case the requirements commence straight away. The group includes the international group, not just the UK companies. Where these thresholds are not exceeded companies are permitted to voluntarily have their financial statements audited.

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

- / Gross revenues exceeding £10.2 million
- / Gross assets exceeding £5.1 million
- / Number of employees exceeds 50

A statutory audit may also be required if the company is part of a group that includes a public limited company or is regulated.

If an audit is required, the cost of maintaining the company will be higher and we would be happy to provide indicator costs.

Public Limited Company (PLC)

A PLC operates in the same way as a private limited company, has similar requirements and is easy to set up. The main difference is that it is required to have £50,000 of share capital of which 25 percent must be called up and paid. In addition, it needs a trading certificate before it commences trading, and a company secretary is also required.

Unlike a private limited company, the accounts need to be filed within six months of the company's financial year-end. A company can choose its year-end. It is common to choose one that coincides with that of the parent company, as with limited companies.

All PLCs require an annual audit, as do any other UK limited companies in the same group as a PLC. Consolidated accounts may also be required if there is a PLC in the group, and there are additional disclosure requirements in the accounts.

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 structure generally combines the benefits of limited liability with the tax transparency of a partnership. Where members of an LLP are individuals, they are regarded as self-employed for tax purposes and the tax position is in line with that of a Partnership (see below).

Annual financial statements must be prepared and filed annually with Companies House on the same basis as companies. Audits are required for LLPs in line with the same thresholds that apply to companies.

LLP structures are regularly adopted by professional firms or groups such as lawyers or accountants, joint ventures, and in the financial services industry, as they enable the free movement of members and offer more flexibility when changing ownership.

For an LLP to maintain its limited status it must always have at least two members. A member of an LLP is the equivalent of a shareholder and director in a company structure. At least two of the members need to be appointed as a 'designated member', recognising their additional compliance responsibilities. If there are either no designated members or only one, then every member is deemed to be a designated member.

Appendix 3 also provides more detail on the documents and reporting requirements that Companies House needs when establishing a corporate entity in the UK.

Partnership

A partnership exists if two or more people come together to oversee business operations and share its profits and liabilities. A partnership does not need to just include individuals; 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.

A partnership if they are all individuals, is like a sole trader except that there is more than one business owner. Within a business partnership the 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 liabilities the business incurs. However, if any partner is unable to meet his liabilities the other partners assume the debt.

Profits within a business partnership if they are all individuals are shared and each partner must pay their own tax on their share of these profits as allocated on the partnership tax return.

A partner is required to complete an annual Self Assessment tax return in the same way as a self-employed person. They are also expected to pay Income Tax on their share of the partnership's profits, as well as Class 2 and Class 4 National Insurance contributions.

Most people pay Class 2 and Class 4 National Insurance through Self Assessment. If your profits are less than £6,725 a year, then these contributions become voluntary, for example to make sure you get the full State Pension. The deadline for filing your Self Assessment tax return is April 5 of the given tax year. The deadline for the current tax year is April 5, 2025.

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

Sole Trader

A sole-trade business is not a separate legal entity from that of the individual and are classed as self-employed. Sole traders must register with HM Revenue & Customs (HMRC).

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 in the same way as any other business, but the control and responsibility of the business remains with the sole trader.

As a sole trader you are responsible for:

- / Filing an annual Self Assessment tax return
- / Paying Income Tax on your profits as well as Class 2 and 4 National Insurance Contributions (NIC)
- / Your business debts for which you have unlimited liability

Registering as a sole trader is particularly popular among consultants and freelance workers owing to the reduced filing obligations. However, some businesses refuse to work with sole trader consultants and insist that they operate as limited companies.

The off payroll working (IR35) regulations also need to be considered as they can apply to treat workers as if they were employees of their client.



AUDIT

A UK limited company is generally not subject to an audit unless:

- / Their turnover exceeds £10.2 million and the company has more than 50 employees
- / Their turnover exceeds £10.2 million, and its assets exceed £5.1 million
- / Their assets exceed £5.1 million and the company has more than 50 employees
- / They are a public limited company (PLC)
- / They are part of a group which meets the conditions set out on page 5
- / Their shareholders holding at least 10% of shares between them request an audit

It is the auditor's role to report on whether the financial statements for the reporting period give a true and fair view of its financial position and performance; meet the UK's accounting standards; and comply with the Companies Act 2006.

Auditors also review the information in the 'front-end' of the accounts and consider whether that information is materially consistent with the financial statements and knowledge obtained during the audit. For a large company or a charity, there are several 'front-end' requirements to meet.

Audits can also be useful when selling a business or checking its financial health. Our team of auditors can conduct a thorough investigation of your affairs to ensure your company is fully compliant.

THE CORPORATE TAX REGIME

A company falls within the scope of UK Corporation Tax if it is considered:

- / To be a UK tax resident company
- / It has a permanent establishment in the UK.

UK Tax Resident

A UK tax resident company is subject to UK Corporation Tax on its worldwide profits. A company is considered a UK tax resident if it is either:

- / Incorporated in the UK
- / Its place of central management or control is in the UK

Permanent establishment (PE)

In the case of a company deemed not a resident in the UK, by virtue of the above, the UK retains the right to tax profits attributable to UK activities if they derive from a UK permanent establishment.

A company has a PE in the UK if (and only if):

- / It has a 'fixed place of business' through which its business is wholly or partly carried out
- / It has an agent acting on its behalf and this agent has and habitually exercises their authority to conclude contracts on its behalf

Corporation Tax Rates

The main rate of Corporation Tax in the UK is 25%. A small profits rate of 19% may apply where profits fall below £50,000 and certain conditions are met. Marginal relief may be available on profits between £50,000 and £250,000.

These thresholds are reduced where there is a period of account which is less than 12 months and they are divided by the number of associated companies (broadly speaking, companies under common control).

Taxable Profits

UK Corporation Tax is charged on a company's tax adjusted profits. The starting point for calculating taxable profits or losses is taking the profit or loss before tax per the financial statements for the period. There are then several specific areas where adjustments may be required.

We have outlined below some of the common adjustments that may be required as part of the tax computation which may lead to a taxable profit or loss which deviates from the profit or loss before tax on the accounts.

The UK Dividend Exemption

Whilst there are qualifying conditions that need to be considered, the majority of dividends received by a UK company will be exempt from UK Corporation Tax.

Substantial Shareholding Exemption

Where a UK company disposes of shares and certain criteria are met, any gains crystallising on the disposal of these shares is exempt from Corporation Tax.

Capital Allowances

Depreciation is not an allowable deduction for Corporation Tax purposes, instead the UK operates a generous capital allowances regime. This regime currently enables a company to claim a 100 per cent allowance in the year of acquisition for qualifying fixed asset additions.

Fair Value Movements

The tax treatment of fair value movements depends on whether they are recognised as taxable income or deductible expenses.

Generally speaking, fair value movements on investment properties will be adjusted in the tax computation and brought into account for tax purposes on a disposal event. However, fair value movements on investments held for short-term trading purposes or movements on investments considered to be loan relationships (e.g. bonds or financial instruments) will be taxed in line with the movements in the financial statements.

Connected Party Transactions

Connected party transactions must be carried out on an arm's length basis. The UK has a transfer pricing regime as well as specific anti-avoidance provisions to prevent businesses from transferring profits to jurisdictions with a lower tax rate.

Whilst some connected party transactions can be based on a fairly straight forward cost-plus methodology, some connected party transactions are much more difficult to price (e.g. charges for the use of specialist intellectual property) and require specific benchmarking exercises to support the charges.

Interest and Financing Costs

Interest deductions are subject to thin capitalisation rules and may not be allowable where the ratio of debt to equity within a structure is not deemed to be at an acceptable level.

Very broadly, the restriction applies to worldwide groups with an aggregate UK net tax-interest expense in excess of:

De minimis	£2m net interest (pro-rated for short or long periods of account).
Fixed ratio	30% of tax EBITDA.
Group ratio	Group's ratio of interest to EBITDA.

Research and Development (R&D) Tax Relief

Companies engaged in qualifying activities may be eligible for R&D Tax Relief or credits. These incentives allow companies to claim a higher deduction for eligible R&D expenditure. Where a company has a tax adjusted loss, qualifying losses may be surrendered for a cash payment (tax credit).

Patent Box

The Patent Box regime is a tax incentive that aims to encourage innovation and intellectual property development. It provides a reduced rate of Corporation Tax on profits derived from qualifying patents and other intellectual property rights. The regime is designed to attract Research and Development (R&D) activities and promote the commercialisation of patented inventions in the UK.

Companies that qualify for the Patent Box regime can benefit from a significantly reduced rate of Corporation Tax (10%) on their eligible profits.

Land Remediation Relief

Where a company incurs expenditure on remediating certain types of contaminated land, enhanced relief is available for Corporation Tax enabling a company to claim a tax deduction for up to 150 per cent of qualifying expenditure. Where a company has tax losses, these losses can be surrendered for a cash payment (a tax credit).

Creative Industries Relief

The UK operates specific reliefs to support businesses operating within creative industries. This includes:

- / Film Tax Relief
- / Animation Tax Relief
- / Theatre Tax Relief
- / Museums Exhibition Tax Relief
- / High-end Television Tax Relief
- / Video Games Tax Relief
- / Orchestra Tax Relief
- / Gallery Exhibition Tax Relief

The specific eligibility criteria, application processes, and tax benefits associated with each relief vary.

Double Tax Relief

Where profits have been taxed in another jurisdiction and there are no options to reduce this under the relevant double tax treaty, relief may be claimed in the form of a double tax credit, or where the company is loss making, as an expense deduction reducing profits chargeable to Corporation Tax.

Loss Relief

In the UK, there are different types of losses that companies can incur depending upon which activities they relate to. The corporate loss regime provides different rules for each type of loss. However, the loss regime is particularly flexible and in general, losses can be carried forward indefinitely for future utilisation, can be utilised against other income streams and surrendered to utilise against the taxable profits of other UK companies within the same corporate group.

Trading losses can also be carried back to the previous year, or in the case of terminal loss relief to the previous three years.

A corporate group is allocated an annual deduction allowance of £5 million in relation to utilisation of losses brought forward from prior periods. Once exceeded, losses can only be utilised against 50% of profits (i.e., where a company has £10 million of profits after current year loss utilisation, it will only be able to utilise £7.5 million of brought forward losses).

Typically, losses in a UK entity will not be available for offset against profits of overseas companies within the corporate group if they are based outside of the UK.



Reporting and Paying Corporation Tax

Company Tax Returns are due to be filed with HMRC within 12 months of the end of the accounting period. A tax accounting period can only be 12 months long so if the initial period of account exceeds 12 months, two tax returns may be required. As outlined above, the accounting period reference date is flexible in the UK and can be chosen when the company is formed and indeed changed at a later date if required.

Company Tax Returns must be prepared each year and filed electronically with iXBRL tagged accounts.

Tax liabilities have different due dates depending on whether certain thresholds have been breached. These thresholds are divided by the number of associated companies (this includes worldwide companies but excludes dormant or passive holding companies).

Profit

Small companies	Below £1,500,000.	Nine months and one day following the end of the accounting period.
Large companies	Above £1,500,000 but below £20,000,000.	Due via quarterly instalments starting six months and 14 days after the start of the accounting period.
Very large companies	Above £20,000,000.	Due two months and 14 days after the start of the accounting period.

A large company is given a year of grace from making payments via quarterly instalments where it breaches the thresholds for the first time and taxable profits do not exceed £10,000,000.

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 and employers.

The PAYE collected is payable to HMRC within certain time constraints and 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.

Class 1 National Insurance contributions

Class 1 NICs are also deducted from employees' earnings at the same time as Income Tax, 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 typically file monthly returns online showing the total Income Tax and NICs payable by the employee and employer in the tax month. The tax year end for PAYE is 5 April.

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

These include:

- | | | |
|--------------------------------------|-------------------------------|----------------------------|
| / Barbados | / Bermuda | / Canada |
| / Chile | / EU | / Gibraltar |
| / Iceland | / Isle of Man | / Israel |
| / Jamaica | / Japan | / Jersey and Guernsey |
| / Liechtenstein | / Mauritius | / New Zealand |
| / Norway | / Philippines | / South Korea |
| / Switzerland | / Turkey | / United States of America |
| / Republic of Bosnia and Herzegovina | / Republic of North Macedonia | / Republic of Kosovo |
| / Republic of Montenegro | / Republic of Serbia | |

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 may be eligible for up to 52 weeks' NIC exemption, provided they meet certain conditions.

Where employees are coming to the UK on secondment Wilson Wright is skilled at ensuring that the package is set up in a tax advantageous manner to ensure the employees' effective tax liability is mitigated.

Payroll

With the introduction of Real Time Information in April 2013, payroll processing can be a complex and laborious task, and penalties may be incurred for the incorrect calculation of the various deductions. Wilson Wright can remove this burden by processing your payroll and dealing with all the relevant filing requirements.

Workplace Pensions

Individuals or organisations, 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 (2024/25 tax year) must be auto enrolled; the employer must also contribute.

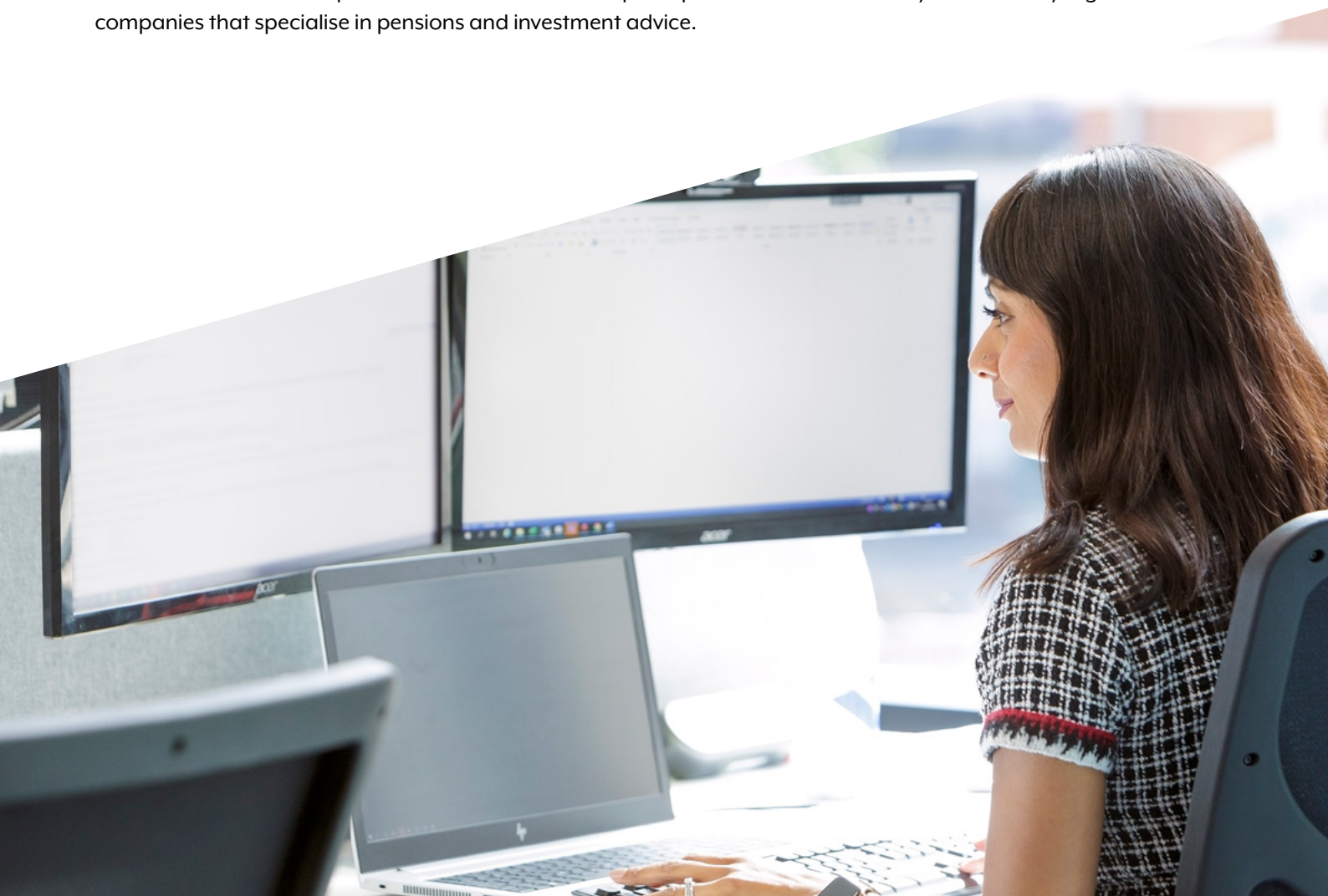
All employees aged 16 to 74 earning less than £6,240 (2024/25 tax year) are not automatically enrolled but have the right to join the workplace pension plan, although the employer does not have to contribute.

Minimum contributions

Minimum contributions are based on a band of earnings called qualifying earnings. For the 2024/25 tax year this is earnings between £6,240 and £50,270.

From 6 April 2019 total contributions must be equal to at least 8% of the qualifying earnings threshold, with the employer responsible for at least 3% of this.

We can assist in the set up and administration of workplace pensions and introduce you to suitably regulated companies that specialise in pensions and investment advice.



VALUE ADDED TAX (VAT)

In common with other European countries, the UK imposes Value Added Tax (VAT) on most business-to-business and business-to-consumer transactions.

Currently, a UK business is required to register for VAT if they exceed £90,000 threshold in a rolling 12 month period. For non-UK established companies there is NIL threshold if they have a taxable supply in the UK. 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 0%. 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 next 30 days, 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 relevant sales of goods and services in the UK. The business must typically submit, on a monthly or quarterly basis, a VAT return showing the total VAT it has charged to its customers. It is able to deduct the VAT charged by its suppliers from the amount collected from its customers. 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 £90,000 per year.

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

The current VAT rates are set out in Appendix 2.

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 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 to 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.

Finally, businesses involved in importing goods between Northern Ireland and the EU are required to complete Intrastat reports when goods worth more than £500,000 are received in Northern Ireland from the EU or goods worth more than £250,000 are dispatched from Northern Ireland to the EU in any calendar year.

WITHHOLDING TAXES (WHT)

Certain payments, such as interest and royalties may require a company to withhold tax under domestic law. There is generally no obligation to deduct withholding tax on dividends (except for property income dividends paid by UK Real Estate Investment Trusts).

The UK has one of the highest networks of double tax treaties in the world as such, where none of the exemptions outlined below apply, the company may be able to rely on the appropriate double tax treaty which may reduce the rate of withholding tax or entirely eliminate it.



INTEREST

Companies are required to withhold tax at a rate of 20% on UK-source interest payments. However, there are several exceptions to this rule. The main exclusions include:

- / 'Short' interest payments, which generally refer to interest on loans that have a duration of less than one year. However, the exact definition can be complex, and it is advisable to seek detailed advice when utilizing this exemption
- / Interest payments made by UK resident companies when the beneficial owner of the interest is also a UK resident company or a UK permanent establishment
- / Interest payments made to or by a UK bank or a UK permanent establishment of a foreign bank
- / Interest payments on quoted Eurobonds
- / Interest payments that do not have a source in the UK. Determining whether a payment qualifies as UK-source interest is a nuanced matter, and specialised advice should be sought when aiming to use this exception
- / Interest payments on private placement debts of UK companies (with a broad definition of private placements)
- / Eligible payments made by a Qualifying Asset Holding Company (QAHC)

If none of these exceptions apply, the interest payment must be made after deducting withholding tax (WHT), unless authorised by HMRC to be paid gross or with a reduced rate of WHT based on the application of relief under the relevant Double Tax Treaty.

ROYALTIES

Under UK domestic law, companies making payments of royalties related to patents, copyrights, designs, models, plans, secret formulas, trademarks, brand names, and know-how that arise in the UK are required to deduct withholding tax at a rate of 20%.

In specific circumstances, and subject to certain conditions, it is possible to make royalty payments without deducting WHT (or with a reduced rate of WHT) when:

- / The beneficial owner of the income is a UK resident company or carries out trade in the UK through a permanent establishment or a partnership that meets specific conditions
- / Relief is available under a Double Tax Treaty

Unlike the rule for interest payments, when relief is available, a company may make royalty payments without authorisation from HMRC provided they reasonably believe that the relief is applicable at the time.

REPORTING

Companies that make payments of interest or royalties subject to withholding tax are generally required to complete and submit CT61 forms to HMRC.

These forms are typically submitted on a quarterly basis, covering the relevant tax period.

EMPLOYMENT MATTERS AND PERSONAL TAXATION

National Minimum Wage and Living Wage

This allows wage costs to remain competitive whilst protecting employees. Current minimum wage rates are set out in Appendix 4. The National Living wage applies to workers aged 21 and above.

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.

Holidays

Workers are entitled to 28 days' annual paid leave in the UK. This minimum legal holiday requirement includes public holidays, of which there are 8 each year. Most businesses grant paid holidays to their employees of between 4 and 6 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:

- / Irish citizens
- / Those born in Gibraltar
- / Husbands, wives and dependent children under 18 of people who hold work permits

Inheritance Tax (IHT)

The UK levies a 40% IHT charge on the worldwide estates of persons domiciled or deemed domiciled in this country at point of death, after deduction of a £325,000 exemption. To encourage entrepreneurs to set up businesses here, 100% relief is given against the value of qualifying business entities.

Non-domiciled individuals who have been UK residents for fewer than 15 out of the previous 20 years typically pay UK IHT on the UK assets only. This is currently subject to consultation and less generous provisions are expected to be in force from April 2025.

Personal Taxation

The basis on which an individual is subject to UK tax depends not only on whether the person is 'resident', 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 and gains.

The highest rate of tax is currently 45% on income exceeding £125,140 per year. The tax year runs from 6 April to 5 April the following year. 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 and employers to enhance their remuneration package.

See Appendix 5 for the various schemes available.

There are, however, several pitfalls and reporting obligations which a business needs to be aware of. 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.

There are several 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.

We have good contacts with a range of banks and will be pleased to introduce you to banking contacts who specialise in dealing with clients with international connections.

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, and to monitor that business in light of stringent anti-money laundering legislation.

To comply with these strict regulations, you will need to provide identification documents (for example, passport, identity card, driving license 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.

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



APPENDICES

Appendix 1a

	Tax bands 2024/25	Rate applicable to income	Rate applicable to dividends
Personal allowance (minimum)*	£12,570	0%	0%
Dividend allowance	£500	N/A	0%
Basic rate	£12,571 - £50,270	20%	8.75%
Higher rate	£50,271 - £125,140	40%	33.75%
Additional rate	Over £125,140	45%	39.35%

*For incomes over £100,000, the Personal Allowance will be reduced for every £2 over the limit.

Appendix 1b

Employee Class 1 National Insurance rates on salary 6 April 2024 to 5 April 2025	
Up to £12,570	0%
£12,571 - £50,270	8%
Over £50,270	2%

Employer Class 1 National Insurance rates on salary	
Up to £9,100	0%
Over £9,100	13.8%
Employer Class 1 National Insurance on benefits	13.8%

From 6 April 2016 an Employment Allowance against employer NICs is available of up to £5,000 for many businesses

Self-employed National Insurance rates	
Class 2 voluntary contribution above small profits threshold of £6,725	£3.45 when making a voluntary contribution, nil when not
Class 4 on profits of £12,570 - £50,270	6%
Class 4 on profits over £50,270	2%

Appendix 2

VAT Regulations	
Rates of Tax	Tax bands 2024/25
Standard rate	20%
Reduced rate (including fuel and power)	5%
VAT as a fraction of gross price	1/6

Annual Turnover Limits	
Registration	£90,000
Deregistration	£88,000

Taxable supplies are mainly either standard rated, reduced rated or zero-rated. There are certain supplies that are not taxable, and these are known as exempt supplies.

There is an important distinction between exempt and zero-rated supplies:

- / If your business is making only exempt supplies, you cannot register for VAT and cannot therefore recover any Input tax
- / If your business is making zero-rated supplies, you can (and probably should) register for VAT as your supplies are taxable (but at 0%) and recovery of Input tax is allowed

Zero-rated Supplies

A zero-rated supply is taxable, but at a rate of 0%. Such supplies include:

- / Food
- / Books, pamphlets, newspapers, journals, maps and music
- / Construction of new residential buildings
- / International services
- / Transport
- / Drugs

Exempt Supplies

No VAT is chargeable on an exempt supply, but directly attributable Input Tax cannot be reclaimed.

Exempt supplies include:

- / Land unless an option to tax has been made
- / Insurance
- / Betting, gaming and lotteries
- / Finance
- / Education
- / Health and welfare

Appendix 3

Information to be Filed at Companies House for limited companies (both Private and PLC)

A limited company comes into existence when it is registered at Companies House. Limited companies must file certain documents when they are first set up and on an ongoing (normally annual) basis.

Starting a New Company

To set up a limited company, it is necessary to send the following documents to Companies House:

- / A Memorandum of Association
- / Articles of Association describing how the company will be run, the rights and obligations of the shareholders and the powers of the company's directors
- / Form IN01 (Application to Register a Company) giving details of the proposed company name, the type of company and its intended principal business activities, details of the company's registered office, details of its directors and company secretary, statement of capital and initial shareholdings, statement of initial significant control and a statement of compliance
- / Registration fee of £40

Accounts and Returns

- / Companies are required to deliver a statement to the Registrar of Companies at least once a year confirming that all the information required to be delivered to Companies House has either been delivered or will be delivered at the same time as the statement
- / Companies are also required to file copies of their financial statements annually at Companies House
- / Companies are required to inform Companies House when there are changes to the company, including changes to the company's constitution, name, registered office address, directors and company secretary and share capital

Closure of a Limited Company

If a limited company is to be closed, this is quite straightforward if it has not traded or changed its name in the previous three months and has no outside liabilities. It can be achieved by completing form DS01.

Please contact us about the most efficient way of closing a limited company, as there are often tax implications that may need to be considered.

If the company has liabilities, we recommend using an insolvency practitioner to wind up the company.

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

The requirements are very similar to those of a limited company. To set up an LLP, the following are required to be sent to Companies House:

- / Form LLIN01 registration form, including details of the members and Registered Office
- / Registration fee of £30

Other documents and changes need to be filed with Companies House in the same way as limited companies are required to do. An LLP does not have directors or a company secretary, but changes to its members need to be notified to Companies House.

Information to be Filed at Companies House for a UK Permanent Establishment (branch)

Within one month of forming a UK permanent establishment, it is necessary to send the following to Companies House:

- / Form OSIN01 registration form
- / A certified copy of the overseas company's constitutional documents, including the charter, statute and operating agreement (with a certified translation into English if necessary)
- / A copy of the latest set of the overseas company accounts, required to be prepared by parent law (with a certified translation into English if necessary)
- / The current registration fee of £20

Changes to the Overseas Company

It is necessary to notify Companies House of any changes to the original information filed as and when they occur. Changes include:

- / 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 £20 should be sent with each set of accounts.

Appendix 4

National Minimum Wage and Living Wage rates

From April 2024 the applicable rates are:

- / £11.44 per hour for workers aged 21 years and over
- / A development rate of £8.60 per hour for workers aged 18 to 20 inclusive
- / £6.40 per hour for all workers between the ages of 16 to 17 (no longer of compulsory school age)

The Minimum Wage Rate for Apprentices is £6.40 per hour, which applies to:

- / Apprentices under 19 years
- / Apprentices aged 19 or over and in the first year of their apprenticeship

Appendix 5

Share Scheme	Outline	Eligibility
Enterprise Management Incentive (EMI)	<p>Up to £250,000 of options per employees valued at date of granting.</p> <p>Capable of being exercised within 10 years of granting.</p> <p>Discount available on grant from prevailing share values.</p>	<p>Available to any number of employees. However, total value of options granted can be no greater than £3 million and employees who already hold more than 30% of share capital are not eligible.</p> <p>The granting company needs to either be a UK tax resident or have a 'Permanent Establishment' in the UK or be a subsidiary with a PE in the UK. Company (or group) must have gross assets less than £30 million and fewer than 250 full time equivalent employees. Option must be to acquire shares in the parent company.</p>
Company Share Option Plan (CSOP)	<p>Each employee eligible for up to £30,000 of options, valued at date of grant. Must be exercisable between three to 10 years from grant date.</p> <p>Options granted at prevailing share values.</p>	<p>Employees holding 30% or more of share capital are not eligible.</p>
Share Incentive Plan (SIP)	<p>Company can offer up to £3,600 free shares and employees can purchase a further £1,800 (or 10% of their income for the tax year, whichever is lower) partnership shares using income before tax and NIC. Company usually holds shares on employee's behalf. Company can match these with further free shares, generally up to two for each share an employee acquires – up to a maximum of £7,500 per annum.</p>	<p>Employees signed up to plan must receive same terms.</p>
Phantom Share Plan (PSP)	<p>A bonus paid to employees based on increase in value of shares (no shares options provided to employees).</p>	<p>Down to company discretion to choose recipients of this bonus.</p>
Unapproved Share Option Scheme (USOS)	<p>Options can be at a discount from prevailing share values and can be exercised at any time.</p>	<p>Down to company discretion to choose who may participate in options.</p>
Employee Shareholder Status (ESS)	<p>Employees are given option to exchange certain employment rights for shares in their employing company. Employees must be awarded shares worth at least £2,000.</p>	<p>Down to company discretion to choose who may participate in options, but rules apply to who is eligible within a business.</p>
Savings Related Share Option Plan	<p>In conjunction with monthly savings contract, savings of £5 to £500 per month can be accumulated to purchase shares on exercise of options (after three or five years). Options should be granted at prevailing share values.</p>	<p>Down to company discretion to choose who may participate in options.</p>



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