



Setting Up a Business in the U.K.

The foreign investor's guide
to navigating complexity in
this exciting jurisdiction



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Country profile

The U.K. consists of the island of Great Britain, which itself is made up of the countries England, Wales, and Scotland. The fourth country that makes up the U.K., Northern Ireland, is located in the north-east corner of the island of Ireland, which it shares with the Republic of Ireland.

The U.K. government is based in London, England, while there are also devolved legislatures in Wales, Scotland, and Northern Ireland. Policies in areas such as defense, immigration, and international trade are controlled by the U.K. government, but the devolved authorities have responsibility for health, education, transport, and some elements of the tax system.

The U.K. is a constitutional monarchy, and its head of state is King Charles III. However, as a parliamentary democracy, decision-making power effectively rests in the upper and lower Houses of Parliament: the House of Lords and the House of Commons, respectively.

The U.K.'s modern economic history began with the Industrial Revolution in the late 18th century, when technological advances resulted in the country becoming a major producer of textiles, iron, and other goods. The U.K. maintained its position as a leading industrial power until the later stages of the 20th century, when competition first from the U.S. and Germany, and later from China and other Asian nations, resulted in the U.K. becoming a more service-focused economy.

Reforms enacted by Margaret Thatcher's conservative government in the 1980s led to the privatization of a number of state-owned industries and utilities. At the same time, the deregulation of the U.K.'s capital markets helped pave the way to the country—and the city of London in particular—becoming one of the world's most important and respected financial centers.

The U.K. was significantly affected by the global financial crisis that began in 2008, with government intervention needed to prevent a number of major banks from failing. Since then, the financial sector has faced increased regulation but remains one of the most important elements of the British economy. The U.K. is

also home to an advanced manufacturing industry, with strength in areas such as aerospace in particular, while its world-leading education, research, and innovation systems underpin a thriving life-sciences industry.

The country's proximity to mainland Europe and the Republic of Ireland means the European Union (E.U.) has played a crucial role in the U.K.'s international trade over recent decades. The 2016 referendum decision to leave the E.U. and the European customs union has resulted in the imposition of some restrictions on trade, in particular in relation to the movement of physical goods. Despite this, the E.U. is still the U.K.'s number one trading partner.

Countless foreign-owned multinational companies have operational bases in the U.K. American retailer Walmart owns the Asda supermarket chain, for example, while manufacturers such as Siemens, Toyota, and Honda also have major plants in the country. The largest banks, insurers, and asset managers from North America, Europe, and Asia have offices in London, while foreign companies are major investors in the U.K.'s infrastructure projects in areas such as renewable energy and transport.

The most recent figures from the U.K.'s Office for National Statistics show that foreign direct investment (FDI) controlled by overseas companies stood at just over GBP 2 trillion (USD 2.5 trillion) in 2021¹, a figure that has more than doubled since 2012. Companies based in countries in the Americas were the biggest inward investors in both 2020 and 2021, followed by firms from the E.U. or non-E.U. Europe

1. ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/foreigndirectinvestmentinvolvingukcompanies/2021

Why invest in the U.K.?

The U.K. is one of the most welcoming and vibrant economies in the world, home to a thriving financial center, and benefiting from close geographic and trade ties to major European nations as well as North America.

A welcoming entrepreneurial culture

The U.K. has a long history of entrepreneurialism that is reflected in its support for new businesses—both domestic and international. According to the World Bank, Britain ranks eighth globally for the ease of doing business. Setting up a new entity is typically a quick and straightforward process, and the U.K. encourages foreign entrepreneurs with a program of visas to set up shop; they like to attract new business founders.

Stability and regulatory flexibility

With regard to business policy, the political climate in the U.K. has been stable for many years. There are few significant differences, if any, between the major parties in terms of trade policy or the regulatory landscape. At the same time, the U.K.'s departure from the European Union could give the British government more freedom to develop its own regulatory framework to support business growth and investment. Britain's legal system, meanwhile, has been copied by numerous jurisdictions elsewhere in the world.

World-leading skills and innovation

Education standards in the U.K. are high and the country is home to a large number of the world's top-ranked universities and research institutions. The government provides considerable funding for innovation, with tax credits for research and development, as well as support for a series of innovation hubs around the country, specializing in areas such as renewable-energy technology, artificial intelligence, and electric vehicles. The U.K.'s well-educated domestic workforce is complemented by a large number of skilled migrant workers.

A global financial hub

London has a long-held reputation as one of the world's most important financial centers. As well as its traditional strengths in banking, insurance, foreign exchange, and asset management, London is home to a growing number of private equity and venture capital firms attracted by the transparent regulatory environment, excellent business-support infrastructure, and high-quality investment opportunities.

A large market with major investment projects

The U.K. population is over 68 million people, providing a large and relatively wealthy addressable consumer market for foreign companies. Meanwhile, the British government welcomes overseas investment in areas ranging from construction and education to power generation and technological research.

2. cia.gov/the-world-factbook/countries/united-kingdom/

3. imf.org/en/Publications/WEO/weo-database/2023/April/weo-report

4. imf.org/en/Publications/WEO/weo-database/2023/April/weo-report

5. data.worldbank.org/indicator/IC.BUS.EASE.XQ?locations=GB

The U.K. at a glance

Capital
London

Official languages
English, with minority native languages including Welsh, Scots, Irish, and Scottish Gaelic

Currency
Pound sterling (£/GBP)

Population
68.14m (2023 estimate)²

GDP
USD 3.07 trillion (2022)³

Area
93,628 square miles

GDP per capita
USD 45,295 (2022)⁴

The U.K. Standard Time
GMT

Telephone country code
+44

Key cities
London, Birmingham, Manchester, Cardiff, Belfast, Edinburgh, and Glasgow

How to do business in the U.K.

Entry options for foreign investors

There are a number of ways for foreign companies to start doing business in the U.K. In general, expert advisors will be able to offer guidance on the most suitable vehicle depending on an investor's specific requirements and goals. The main options are:

- Private limited company
- Public limited company
- Limited liability partnership or limited partnership
- Branch office
- Special purpose vehicle

Private limited company

Approximately 90% of registered entities are private limited companies. A private limited company, often referred to simply as a limited company, limits its owners' liability. This means shareholders are only legally responsible for the business's debts up to the value of their shares. A limited company requires at least one appointed director, at least one shareholder, and a registered address in the U.K. Like other entities, such companies must be registered with—and report annually to—Companies House, the administrative body for entity incorporations. They are also liable for corporation tax (see Taxation on next page below).

Public limited company

A public limited company, commonly known as a PLC, differs from a private limited company in that its shares are traded on a public stock exchange, and its initial share capital must be worth at least GBP 50,000. Public companies also face more stringent reporting requirements and must have at least two directors as well as a company secretary.

Partnership

There are three main partnership options in the U.K.—general partnerships, limited partnerships, and limited liability partnerships. In general partnerships, the partners bear unlimited liability for any losses incurred. Limited partnerships are those that consist of one or more general partners, and one or more limited

partners. In limited liability partnerships, all partners benefit from a cap on their personal liability. In terms of taxation, partners pay income tax on their share of any profits rather than corporation tax.

Branch office

Foreign companies can set up a U.K. branch rather than establishing a new company or partnership as described above. Branches do not benefit from limited liability protections, and it can take longer to register a branch than set up a new company.

Special purpose vehicle

The U.K. also allows companies and partnerships to be formed as special purpose vehicles (SPVs), thus allowing them to ring-fence cash flows and assets. In 2022, the British government introduced the Qualifying Asset Holding Company (QAHC) regime, which offers tax advantages for investments in certain assets, including some types of real-estate investment, as well as unlisted equity and debt.



Taxation

Corporation tax

U.K.-registered companies are liable for corporation tax, which is currently charged at a standard rate of 25% of taxable profits (companies with annual profits below GBP 250,000 pay lower rates).

Income tax

Income tax is charged on earnings from employment as well as sources such as property rental income and pensions. Individuals have a personal tax-free allowance (worth GBP 12,750 in the fiscal year that ends on April 5, 2024), with earnings above this level taxed initially at 20%, then at 40%, and 45%. Dividends from companies and investments are also subject to income tax, but at different rates. Once the annual GBP 1,000 tax-free allowance on dividends is exceeded, the charges range from an ordinary rate of 8.75%, to a 33.75% upper rate and a 39.35% additional rate.

Capital gains tax

Any realized profits on investments or other asset gains are subject to capital gains tax (CGT). It's charged at different rates, ranging from 10% to 28%, depending on the type of asset involved (CGT on residential property is higher, although an individual's main residence is exempt from the tax), as well as the rate of income tax that applies to the individual.

Value added tax

Value added tax (VAT) is charged at a standard rate of 20% on the sales of most goods and services. A 5% reduced rate applies to some products including domestic energy supplies, while the likes of food and children's clothes are zero-rated.

Stamp duty

Purchases of commercial and residential property are subject to stamp duty. On commercial property, the first GBP 150,000 of any purchase is free of tax, the next GBP 100,000 is taxed at 2%, and anything over

GBP 250,000 is taxed at 5%. Stamp duty bands on residential property range from 0% on the first GBP 250,000 to 12% on any part of the purchase price above GBP 1.5 million.

Tax treaties and double-taxation agreements

The U.K. has an extensive network of tax treaties with more than 100 other jurisdictions. These are designed to avoid double taxation on income or capital gains. The U.K. also has information-sharing agreements with numerous other countries to avoid tax evasion.

Tax credits and incentives

The U.K. has a system of tax credits for certain types of research and development (R&D) expenditure. The credit rates vary according to the size of the business and are used to reduce the overall corporation tax bill. The annual investment allowance (AIA) is a 100% capital allowance that allows up to GBP 1 million a year of certain types of capital expenditure to be eligible for corporation tax relief.

Customs policy

Since the U.K.'s departure from the E.U. in January 2020, goods imported from and exported to E.U. member states have been subject to tariffs and other non-tariff barriers. Special arrangements are in place with regard to goods moving between Northern Ireland and mainland Great Britain due to the need to maintain an open border between Northern Ireland and the Republic of Ireland.

Free trade zones

Legislation was introduced in 2021⁶ to support the creation of a network of tax-advantaged free zones within several of the U.K.'s ports. The first to open was in Teesside, in the north-east of England, in November 2021. There are a further seven free zones in England, with more due to be established in Scotland and Wales.

6. [gov.uk/government/publications/the-free-zones-customs-excise-and-vat-regulations-2021/the-free-zones-customs-excise-and-vat-regulations-2021](https://www.gov.uk/government/publications/the-free-zones-customs-excise-and-vat-regulations-2021/the-free-zones-customs-excise-and-vat-regulations-2021)

Employment and labor regulation

Individuals working in the U.K. can be classed as employees, workers, or independent contractors. Employees have the greatest level of protection, while workers have some protections, and contractors typically have no legal protection against termination, for example. Most individuals are classed as employees and are entitled to the rights set out below. Employees are entitled to a written copy of their contract of employment on their first day of work. This should contain details such as:

- Work location
- Salary and overtime
- Annual leave entitlement
- Notice period
- Disciplinary procedure
- Pension

Social security system

To fund individuals' social security entitlement, employers and employees pay monthly National

Insurance contributions through the company payroll. Employers are also obliged to set up, and contribute to, a pension scheme for most employees.

Termination and severance payments

Employees are entitled to a notice period before their contract is terminated, provided they have worked for the company for at least a month. The statutory minimum notice period increases in line with the time the employee has been with the company but is capped at a maximum of 12 weeks. Minimum levels of pay for layoffs also apply based on length of service.

Foreign employees

Citizens of European Union member states (with the exception of the Republic of Ireland) no longer have an automatic right to work in the U.K. Employers based in the U.K. can recruit staff from other countries for skilled or highly paid roles by applying to become a licensed sponsor. Staff can be transferred to U.K. offices of foreign companies through a process known as Intra-Company Transfer. This also requires licensing by the U.K. Home Office.

Public holidays

The U.K.'s public holidays are known as bank holidays. Most of them are shared across England, Wales, Scotland, and Northern Ireland, and there are usually eight a year in England and Wales, nine in Scotland, and 10 in Northern Ireland.

Annual leave

U.K. employees are entitled to 5.6 weeks' paid vacation a year. For an individual working a standard five-day week, this equates to 28 days' leave. This may or may not include bank holidays.

Maternity and paternity leave

Mothers can take up to 52 weeks' maternity leave and are entitled to pay for up to 39 weeks. The rate of pay for this period is 90% of their average weekly earnings for the first six weeks, then the same rate with a cap of just over GBP 170 per week for the next 33 weeks. Fathers can take up to two weeks of paternity leave, with pay also capped at around GBP 170 per week. Both partners can opt to get shared parental leave, sharing up to 50 weeks of leave and up to 37 weeks of pay between them.

Business hours

Standard working hours are typically 9 a.m. to 5 p.m. from Monday to Friday.

Minimum wage and overtime

Employees are entitled to a minimum hourly rate of pay depending on their age. The rate as of April 2023 for individuals aged 23 or older is GBP 10.42 an hour. Employers are not obliged to pay staff for overtime worked, provided their average earnings do not fall below the minimum wage level.

Equality legislation

Employers are prohibited from discriminating with regard to age, disability, gender, pregnancy, race, religion, or sexual orientation when recruiting, employing, or dismissing staff under the Equality Act of 2010.



How CSC can help you invest in the U.K.

Before entering the U.K. market, foreign investors should rely on professional advice to navigate these complex matters. Working with a trusted partner is, therefore, essential.

Who we are

CSC provides knowledge-based solutions for every phase of the business life cycle, helping businesses form entities, maintain compliance, execute transaction work, and support real estate, M&A, and other corporate transactions in hundreds of U.S. and international jurisdictions.

We work with some of the world's largest banks and commercial lenders to reduce risk in their lien portfolios, improve their transaction speeds, and create a secure environment for their financial processing needs. We also provide solutions for secure real estate document preparation and recording.

We are the trusted partner for 90% of the Fortune 500®, nearly 10,000 law firms, and more than 3,000 financial organizations. Headquartered in Wilmington, Delaware, USA, since 1899, we are a global company capable of doing business wherever our clients are—and we accomplish that by employing experts in every business we serve.

What we can do

SPV establishment and management

In the U.K., we have the expertise to establish SPVs, review documentation, and close transactions for the full range of market structures and asset classes. This encompasses deals using both orphan SPVs and SPVs that sit within a wider corporate or fund group.

Directors

We provide highly experienced U.K.-based professionals who have fulfilled independent director roles on the widest range of structures seen throughout the full credit cycle. Our governance offering also includes company secretary, registered office and agent, share trusts, and managing bespoke transaction obligations, for example, executing the periodic purchase of assets in revolving transactions.

Governance and Accounting services

Our tailored services allow the full outsourcing of all SPV obligations across a variety of different asset types. We provide bookkeeping, statutory accounts, structure consolidations, management reporting, GAAP conversions, corporation tax and VAT compliance, and regulatory central bank reporting where necessary.

Entity formation

- Incorporation of legal entities
- Bank account set-up
- Implementation of structures and agreements

Accounting services

- Accounting, financial reporting, and consolidation
- Year-end audit coordination
- Preparation and filing of annual financial statements

Fund services

- Depository services
- Fund administration
- Entity set-up
- Fund accounting
- Financial reporting

Corporate Secretary and other legal services

- Health check company filing history
- Domiciliation services
- Safekeeping and maintenance of statutory books and registers
- Keeping company in good standing by organizing annual filings with Companies House
- Risk assessment and transaction monitoring
- Investment transactions, legal support
- Coordination of annual general meeting, board meetings, and minutes preparation
- Provision of directors and managers to client entities
- Dissolution services

Administrative services

- Tax filings
- Legal entity identifier (LEI) filings
- Office for National Statistics (ONS) questionnaires

Tax Compliance services

- VAT registration and de-registration
- VAT returns
- iXBRL tagging
- Corporation tax compliance
- EMIR and FATCA reporting

Transaction services

- Trustee
- Facility agent
- Loan agent
- Cash management
- Escrow

July 2023

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