

# 10 things to consider when setting up in the UK

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## 1. TAX INCENTIVES

Competitive tax system

- Low overall tax rate of 19%
- R&D Tax Credits
- Patent Box

Government funding is more limited than in some countries which comes as a shock to many clients but DIT can help advise on what funding options may be available.

## 2. EASE OF SET-UP

Formation of a limited company is fast and inexpensive with no minimum capital requirements.

Only need 1 director & 1 shareholder. No requirement for director residency, although often needed to open a bank account.

Payroll is mandatory, but is quick to register (10 days) and simple to administer.

VAT registration is mandatory for turnover above £85k. Overseas companies may elect to, and sometimes must, register.

## 3. R&D AND PATENT BOX

There are significant tax incentives for companies undertaking R&D.

SMEs can deduct an extra 130% of their qualifying costs.

Large companies credit is calculated at 11% of their qualifying R&D expenditure.

Patent Box: 10% tax rate for income from UK & European Patents.

## 4. EMPLOYMENT

Self-Employed or Employee?

- Employees are entitled to more rights (e.g. holiday and sick pay).
- Self-employed individual deals with own income tax and social security and have larger control over their business.
- HMRC and employment tribunals determine status by looking at the actual nature of the relationship, not just the agreement in place.
- All new companies must auto-enrol employees into a pension scheme with employer's contributions 1% matched.

## 8. PROPERTY

- Ownership: UK statute dictates many of the key terms and conditions in a lease.
- Lease structure: leases are usually on a full repairing and insuring basis. Rent is quoted net of taxes, insurance and service charge.
- On average a commercial lease is for 2-5 years.
- It is common for tenants to receive a rent-free period of 3 to 6 months at the start of a lease.

## 5. WORK VISAS

**Sole Rep Visa:** Send an employee to UK to set-up branch or subsidiary. Initial 3 year visa, apply before starting to trade in UK (extendable for 2 years).

**Tier 1 Entrepreneur Visa:** Investor has approx. £200k cash to invest in setting up or taking over a UK business. Initial visa is for 3 years (extendable for further 2 years).

**Tier 2 Skilled Worker Visa:** Employer applies for a sponsor licence and then can apply to bring non-EU citizen to work in the UK

## 7. DATA PROTECTION

- The General Data Protection Regulation (GDPR) comes into force on 25th May 2018
- Intended to harmonise European privacy laws for the 'big data' era.
- Applies to all business established inside or outside the EU, which offers goods or services to EU citizens or monitors their behaviour.
- Potential fines for breach at 4% global turnover or €20m, whichever is the higher.

## 9. BANK ACCOUNT

- Opening a UK bank account:
  - Takes between 3-6 months.
- Is cheaper to handle transactions rather than overseas bank transfers.
- Should you need to be VAT registered, having a UK bank account expedites the process.
- Bank will require an original certified passport copy and 1-2 utility bills (less than 3 months old), showing your current home address which need not be in the UK

## 6. INTELLECTUAL PROPERTY (TRADEMARKS)

**UK:** Protection in the UK only. Fee is £200 for application in one class plus legal fees (includes searches, report and application), and the process takes 3-4 months.

**EU:** Protection in all 28 EU member states including the UK. Fee is €850 for application in one class plus legal fees as above and takes approx. 6 months.

The owner of a trademark can legally defend the mark against infringements.

## 10. INVESTORS EIS / SEIS

**EIS:** 30% income tax relief for an investor on investments up to £1m. Sale of shares can be free of capital gains tax after a qualifying period.

**SEIS:** Available to small start-up companies with under 25 employees and £200k assets. Investor receives 50% of the investment as income tax relief.

**Disclaimer:** This note does not contain a full statement of the law and it does not constitute legal advice. Please contact us if you have any questions about the information set out above.