

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).

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).

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 businesses 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.

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 until Brexit). 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.

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.

Disclaimer: This note does not contain a full statement of the law and does not constitute legal advice. Information correct at date of publication. Please contact us if you have any questions about setting up in the UK. © Oury Clark 2018