

## Expanding your business into the UK

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When choosing to trade with the UK you have the following choices:

- Trade Direct
- Branch
- Representative Office
- UK Trading entity (Limited Company, Limited Liability Partnership, Sole Trader or Partnership)

### Trade direct

Often the most effective method is to trade directly from your home country, especially if you have only a few large customers.

You may still employ people based in the UK, directly from your home country. If you do not have a place of business and your employees work from home, you may not have to pay Employer's National Insurance which is a tax paid by the employer, calculated as 12.8% of the gross amount of salaries of your employees.

You will not be liable to any UK tax, although your employees are likely to be liable for UK income tax.

The problems with this method are that many UK entities will want to see a UK presence in order to trade.

### Branch

A branch is essentially an official representative of your parent company in the UK. It is registered with the Tax authorities and Companies House.

The registration process is cumbersome, with the need to submit documents relating to the parent company, its business and its officers to the UK authorities. This will include financial data and a need to certify the documents in your home country before submission.

The parent company financial reports are also required to be filed, along with the UK results, with the UK authorities on an annual basis.

A UK branch will only be able to take advantage of the lower corporation tax rates if the Parent Companies results are themselves below the thresholds.

A branch has unlimited liability.

The use of a branch is perceived as temporary and suggests that the business is not committed to the UK market, generally it is therefore best to opt for setting up a Limited Company.

Potential advantages, however, include the possibility of opening year losses being available for offset within the parent and the lack of requirement for a statutory audit.

### Representative Office (or place of business)

A representative office is for companies who cannot register as a branch because:

- they are from within the UK (Northern Ireland or Gibraltar); or
- they are not limited companies; or
- their activities in Great Britain are not sufficient to define it as a branch. Such activities might include internal computer processing or warehousing.

Whilst it is possible to operate through a Representative Office they are far less common than either a Branch or setting up an actual trading company in the UK. This is mainly because the restrictions in terms of presence and operation are such that very few can take advantage of a Representative Office. The most common reason to set up a Representative Office is an office established by a company to conduct marketing and other non-transactional operations.

The main advantage of a Representative Office is that it would not be taxable within the UK. This is why HM Revenue and Customs give them close scrutiny and why most inward investors chose to trade through either a Branch or a Limited Company.

However, you are still required to register the company with Companies House, as with a Branch, although you do not have to translate the parents' accounts.

### UK Corporate Vehicle

If none of the above seem appropriate to your needs, then it's most likely you will need to set up a UK entity – please see our **How to guide – Setting up a UK entity**

#### Disclaimer:

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