

DOING BUSINESS

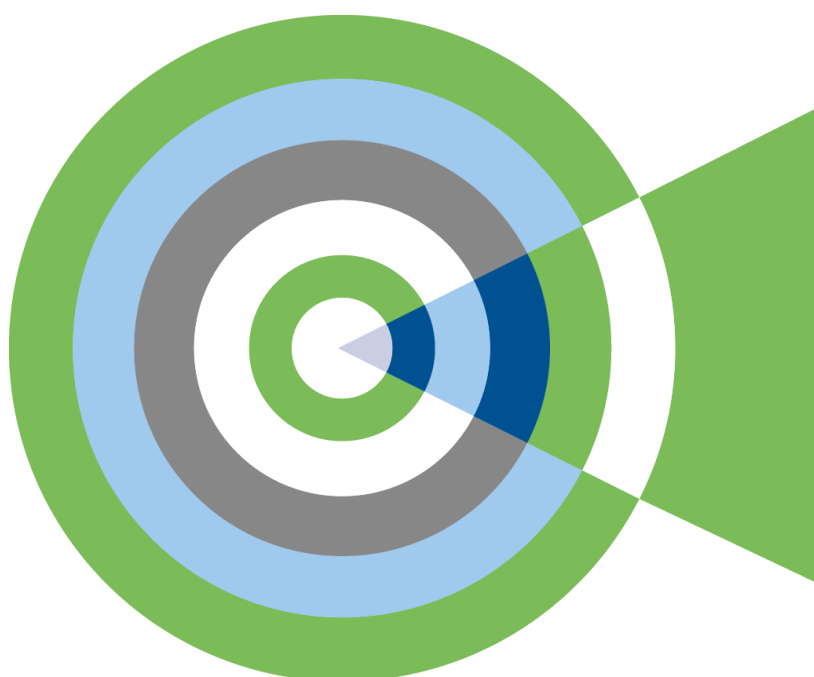
IN THE UK



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in the UK has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at August 2015.

We look forward to helping you do business in the UK.

2 – BUSINESS ENVIRONMENT

BACKGROUND

The UK business environment is considered by many to be one of the world's most sophisticated and, as such, it is an attractive proposition for businesses of all sizes.

The United Kingdom (UK) comprises Great Britain (England, Wales and Scotland) and Northern Ireland. (The full name of the country is officially the United Kingdom of Great Britain and Northern Ireland.) It is a unitary state and a constitutional monarchy.

PARLIAMENT AND THE GOVERNMENT

The UK parliament, with its origins in the 13th century, is one of the oldest representative assemblies in the world. At the end of the 20th century, legislation was passed by the UK parliament to create devolved parliaments/assemblies in Scotland, Wales and Northern Ireland.

The UK parliament consists of three constituent parts:

- The House of Commons
- The House of Lords
- The crown (monarchy).

The Houses sit separately and are constituted on entirely different principles. The relationship between the two Houses is governed largely by convention but is in part defined by acts of parliament.

Members of the House of Commons are directly elected by the people of the United Kingdom in general elections. Parliament has a maximum duration of five years, but at any time up to the end of this period, a general election can be held for a new House of Commons.

The main functions of parliament (known also as the legislature) are to:

- Make UK law – the three constituent parts of parliament all have to agree before a new law can be passed
- Control finance – the House of Commons gives permission for the government to control taxes and can also decide what taxes are collected and how the money will be spent
- Protect public and individuals rights – anyone who feels they have been unfairly treated can complain to their member of parliament (MP) who may investigate the problem
- Examine the workings of government – government policy and administration, including proposals for expenditure, are scrutinised
- Examine European proposals before they become law
- Debate the major issues of the day.

When the results of a general election are known, the Queen invites the leader of the party winning the most seats in the House of Commons to become prime minister and to form a government. The prime minister is the leader of the government and must be a member of the House of Commons. The current prime minister is David Cameron MP, head of the coalition government.

The government (also known as the executive) is primarily responsible for arranging the business of both Houses. As the initiator of policy, it indicates which action it wishes parliament to take, and explains and defends its position in statements and public debate. Parliament is responsible for making the government accountable for its actions.

The most senior members of the government are known as the cabinet and are chosen by the prime minister. The work of the government is divided among departments which specialise in particular subjects such as health, defence and transport. The number and responsibilities of government departments can be changed by the prime minister.

LEGAL SYSTEM

The United Kingdom of Great Britain and Northern Ireland consists of four countries forming three distinct jurisdictions: England & Wales, Scotland, and Northern Ireland, each having its own court system and legal profession. There is no written constitution. The Queen is the head of state, although in practice the supreme authority of the crown is carried by the government of the day.

The constitutional law of the UK consists of:

- Statute law – acts of parliament
- Case law – where judicial precedent is applied in the courts by judges interpreting the statute law
- Constitutional conventions – these do not have statutory authority but do have binding force.

The lowest criminal courts are the magistrates' courts, which deal with minor offences, while more serious cases are heard in the crown court. At the first instance, civil cases are heard in the county courts or the high court (divided into three divisions: Queen's bench, family and chancery). Cases may be taken for appeal to the court of appeal (civil division) and from the county court to the high court.

The House of Lords is the supreme court of appeal. Its judicial functions are quite separate from its legislative work, and cases are heard by up to 13 senior judges known as Justices of the Supreme Court (and formerly as the law lords). In addition to the courts, there are specialised tribunals which hear appeals on decisions made by various public bodies and government departments in areas such as employment, immigration, social security, tax and land issues.

MARKET CONDITIONS

The UK is one of the largest of the world's markets and a high standard of living attracts a number of businesses to the country. The retail and service sectors make up a substantial part of business in the UK. Manufacturing and tourism also play a significant part.

The UK population reached in excess of 64 million people mid-2015. A substantial proportion of the population lives in cities, the largest of which are London, Birmingham, Liverpool and Manchester. The most significant UK cities in terms of economic development and growth are; London, Milton Keynes, Cambridge, Aberdeen and Coventry.

The UK is one of the world's major economies, currently ranking 5th in terms of GDP. With a marketplace of over 64 million, a highly educated labour market and a high standard of living; the UK provides an attractive destination for foreign direct investment. The UK also provides access to the EU – a potential marketplace of in excess of 500 million consumers;

AREA

The UK is approximately 243,000 square kilometres.

LANGUAGE AND ETHNICITY

The official language is English but over 300 languages are spoken across the country. Over half the capital's population belongs to an ethnic minority group, according to the 2011 Census undertaken by the Office for National Statistics.

CURRENCY

The currency is pounds sterling (GBP). The interest rate is set by the Monetary Policy Committee of the Bank of England, the UK's central bank.

THE ECONOMY

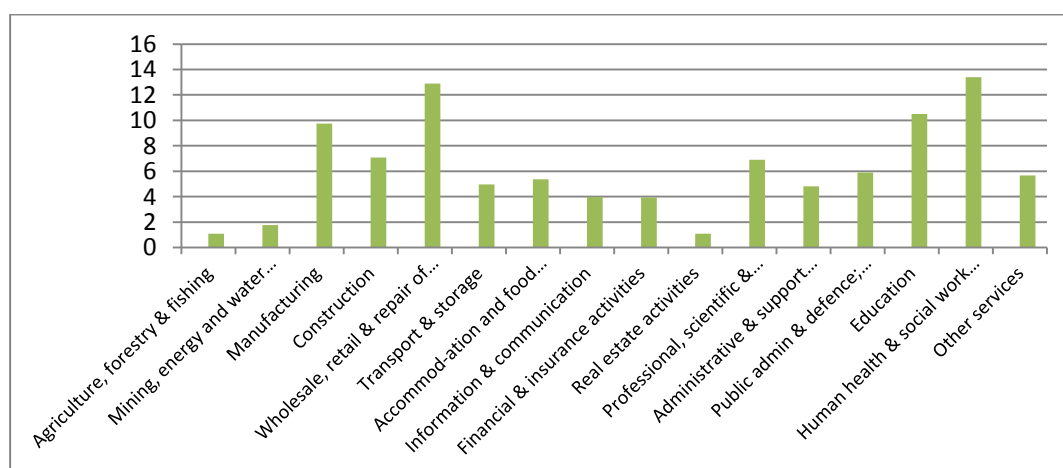
The Gross Domestic Product (GDP) for the UK was worth \$2.9 trillion in 2014, representing growth of 2.6%.

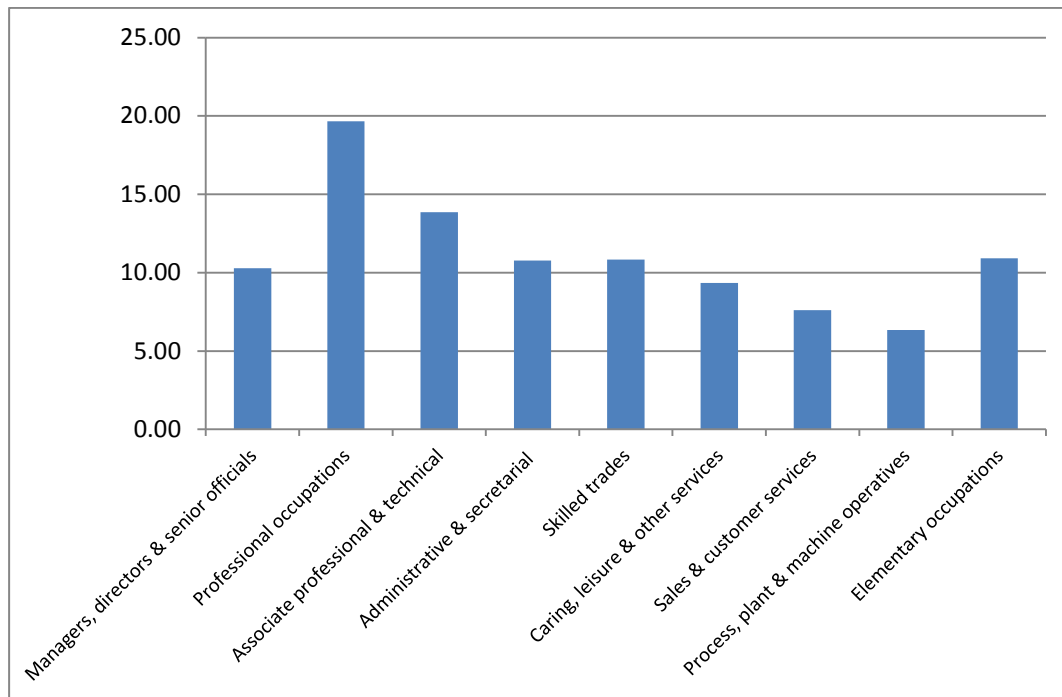
In terms of contributions towards growth, measured by output Gross Value Added (GVA), services were the largest contributor, with 2.5% growth in 2014 (1.5 % in 2013). By comparison, construction achieved 0.6 % growth (0.1 % in 2013), production 0.2 % growth (-0.1 % in 2013) and agriculture 0.1% growth (0.0 % in 2013).

The employment rate for those of between the ages of 16 to 64 in the UK stood at 73.3% for the period March – May 2015. The unemployment rate stood at 5.8%, for the same period.

Average earnings for the year to May 2015 were just over £25,000 representing nearly a 2% increase on the previous year.

PERCENTAGES OF PEOPLE IN EMPLOYMENT BY OCCUPATION AND INDUSTRY, UK APRIL – JUNE 2015, SOURCE: LABOUR FORCE SURVEY





SOURCES OF FINANCE

BANKS AND BUILDING SOCIETIES

Deposit-taking institutions may be broadly divided into two sectors: banks and building societies. Both sectors are currently regulated by the Financial Conduct Authority (FCA). This regulatory organisation is an independent, non-governmental body.

The main institutions within the British banking system are the Bank of England, retail banks, investment banks and overseas banks.

The Bank of England is the UK's central bank and is responsible for setting the UK's official interest rate and for maintaining a stable and efficient monetary policy and framework. Although independent from the government, it remains the government's banker and chief banker to the banking industry generally.

The UK retail banking market is dominated by a few large retail banks, most notably HSBC, Royal Bank of Scotland Group, Lloyds Banking Group, Barclays, and Santander. Retail banks offer a wide variety of financial services to both companies and individuals. Following the 2008 banking crisis, the UK government acquired significant stakes in Royal Bank of Scotland Group and Lloyds Banking Group, although both banks remain operationally independent.

Investment banks manage investment portfolios and corporate finance on behalf of their clients, most of whom are corporate companies. Many overseas banks have subsidiary operations in the UK which offer retail banking services. However, these tend to be niche operations and generally do not provide comprehensive geographic or service coverage.

FINANCING OPTIONS

There are many sources of finance for businesses and choosing the right finance is an important decision.

One of the key factors in determining the best source(s) of finance will be the stage of development of the business so far. For a start-up business, finance borrowed from or invested by family and friends may be sufficient to get the business started, but more substantial funds will be needed later as the business grows. For more established businesses there may be a range of finance options, either debt-based or equity-based (or a combination of both).

DEBT FINANCE

Banks are a traditional source of debt finance, but have always been, and continue to remain, risk-adverse. If you have some security to offer, it will make getting a bank loan easier, but still not certain. A clear and concise business plan will help, as will a track record of success and a good credit history. Asset based lending (ABL) is often provided by specialised companies and can be a source of funds for capital equipment and/or debt factoring facilities.

A more recent option for some companies may be to issue Corporate Bonds. These are usually long-term debt instruments issued directly by the company and these can be listed on stock exchanges and may be traded. However, this market is still in its infancy and is not generally available for any but the larger well-known businesses.

There are many variations of these basic sources of finance and you should seek advice from someone with experience to gain a full understanding of the advantages and disadvantages of each type.

EQUITY FINANCE

Equity finance can be raised from a range of different providers. The main providers are the venture capital/private equity firms and business angels. Larger businesses can also seek to raise equity on a public market, such as one of the capital markets operated by the London Stock Exchange, Euronext (a pan-European exchange) or the ICAP Securities and Derivatives Exchange (ISDX).

VENTURE CAPITAL/ PRIVATE EQUITY

The UK has a strong venture capital/ private equity market – the equity and debt financing of unquoted companies from company start-up to expansion, along with management buyouts and buy-ins of established companies. The industry invests in every sector of the economy and across all regions of the country and worldwide.

BUSINESS ANGELS

Angel investors are usually wealthy individuals who provide their own money for start-up or early stage companies in exchange for equity and/or convertible debt. They sometimes work together with other angel investors or with other finance providers.

CROWD FUNDING

Companies are increasingly turning to equity crowdfunding to raise capital. This can be a means to connect companies with many hundreds or thousands of potential investors, and can be a viable alternative to angel or venture capital finance.

OTHER SOURCES OF FINANCE

These can include government-sponsored initiatives, or peer-to-peer lending, a relatively new concept whereby lenders are matched with borrowers. If funds are needed to help with exports then export finance may be used to mitigate risk of default or delayed payments.

STOCK EXCHANGES

UK equity markets are either recognised investment exchanges, such as the main market of the London Stock Exchange (LSE), NYSE Euronext London and the ICAP Securities and Derivatives Exchange (ISDX) Primary markets or an exchange regulated market, such as AIM (the LSE's Alternative Investment Market) and ISDX Secondary market. These equity markets provide the means of raising capital from the public for UK and international companies through equity, debt and depository receipt issues.

The UK is home to Europe's largest share market and the attraction of London as a venue for the listing and trading of shares in companies of all types has established it as one of the leading equities markets in the world. Overseas companies are actively encouraged to utilise the UK equity markets to raise capital in increasingly global equities markets. UK advisers and investors are also active on many other European exchanges.

As with debt finance, there are many variations within the equity markets and you will need to seek advice from someone with relevant experience to gain a full understanding of the advantages and disadvantages of each.

INSOLVENCY AND CORPORATE TURNAROUND

Should the need arise, there is an established legal framework which enables the closure of a business if a company is insolvent and/or shareholders or creditors want to enforce their debt.

Under the provisions of the Insolvency Act 1986 and the Enterprise Act 2002, company directors are potentially liable if they allow the company to continue trading whilst it is insolvent and they do not act as a reasonable director should. It is therefore imperative that the directors of a failing company seek professional advice at an early stage if they believe their company's future financial health is in doubt.

There is a strong rescue culture in the UK, which includes a number of alternative procedures for dealing with a failing business depending on its circumstances and the needs of its creditors. Wherever possible, the business is allowed time to overcome past setbacks before a final decision is made. The various processes are:

- Administration – The directors, the company or its creditors may place the company into administration allowing the company to continue in business whilst under the protection of a moratorium and the control of Administrators, whose primary objective is to rescue the Company as a going concern.
- Company voluntary arrangement (CVA) – creditors of a company can agree terms of a compromise in order to allow the company to continue in business with the existing management remaining in charge
- Compulsory liquidation – when a company is wound up by a creditor, with the assistance of the court

- Creditors' voluntary liquidation – the directors resolve to hold meetings of shareholders and creditors' in order for the company to be wound up. A company is formally wound up when the shareholders pass a special resolution to wind up the company,
- Receivership – a debenture holder (usually a bank) appoints a receiver to maximise the return to creditors (principally itself) and assess company worth with a possible view to selling off company assets to recoup investment.

Where a company is able to pay its debts in full within a period of 12 months from date of Liquidation, it can apply for a members' voluntary liquidation.

The Insolvency Service is an executive agency of the Department for Business Innovation & Skills (BIS – formerly BERR) and provides essential mechanisms and efficient means for dealing with individual and corporate financial failure and the investigation of fraud and misconduct in insolvencies.

3 – FOREIGN INVESTMENT

The UK is the largest recipient of foreign direct investment (FDI) in Europe receiving inflows of \$72 billion in 2014.

TOTAL FDI

TABLE 1

FDI- inflows and outflows into the UK, USD million

	2005	2010	2013
FDI flows, inward	177,900.65	49,616.88	37,100.90
FDI flows, outward	80,009.38	39,415.68	19,439.98

Source: UNCTADSTAT.

The international investment position held by foreign companies in the UK increased from £960 billion in 2012 to £975.4 billion in 2013. This has increased every year since 2004 (investment position held by foreign companies was £363.4 billion). Net earnings from direct investment in the UK increased from £48.9 billion in 2012 to £54.3 billion in 2013 and have been on an upward trend since 2008/09.

TOP INFLOW FDI INVESTORS, BY COUNTRY

The top six countries investing in the UK in 2013 by value (GBP) are shown in the table below.

TABLE 2

FDI inflows into the UK by country, GBP millions

	2011	2012	2013
US	12,268	6,013	13,451
Belgium	9,057	2,018	2,810
Netherlands	12,068	-2,602	2,400
Germany	-4,171	2,886	2,943
Japan		859	1,979
Switzerland	2,000	6,904	13,451

Source: ONS.

TOP INFLOW FDI INVESTORS, BY SECTOR

The current top five sectors benefiting from FDI into the UK are shown in the table below.

TABLE 3

FDI Inflows into the UK by activity of UK Affiliate, 2013

Main sectors benefiting from FDI	Value of FDI (GBP millions), 2013
Financial services	21,295
Professional scientific and technical services	16,022
Mining and Quarrying	4,197
Metal and Machinery Products	1,833
Computer, Electronic and Optical Products	1,684

Source: ONS.

COMPANIES INVESTING IN THE UK

FINANCIAL ASSISTANCE

If financial assistance is required to establish a company in the UK, there are several options available:

- Grants and loans to aid businesses in their development are available from several sources, such as the UK government, the EU and certain charities. These are linked to sectors, a specific business activity or a geographical area. Further information regarding UK government-backed support is available at: www.gov.uk/business-finance-support-finder. Searches can be customised by postcode, number of employees, type of activity, business stage and/or type of support.
- Banks can provide loans and overdraft facilities.
- Venture capital companies invest directly in companies with a view to receiving a long-term return on investment.
- The European Investment Bank (EIB) is the EU's long-term lending institution and provides funding for companies investing in the European Union.
- Invoice discounting/factoring companies assist with company cash flow.
- Equities and bond markets.

ENTERPRISE ZONES

Enterprise zones, which provide a supportive environment especially for SMEs, include 24 zones in England that offer incentives designed to support both new and expanding businesses in various sectors, by, for example:

- Offering a business rate discount relief, worth up to £275,000 per business over a five year period;
- Enhanced capital allowances in some zones.
- Tax relief for investments in equipment Grants to install superfast broadband.

REGULATORY FRAMEWORK

When setting up a business in the UK it is important to be familiar with:

- The tax, national insurance and VAT systems
- The legal system, and what laws and regulations may affect a business
- Health and safety regulations
- Environmental considerations
- Employment procedures
- Licensing
- Immigration (for example, status of staff)
- Intellectual property, including patents, copyright and trademarks.

GOVERNMENT INCENTIVES FOR FDI INFLOWS INTO THE UK

CORPORATION TAX

The UK's corporation tax on businesses will be reduced to 20% from April 2015. By this time, the UK is expected to have the lowest corporation tax in the G8 countries and joint lowest in the G20 (source: the UKTI Inward Investment report, 2011). The corporation tax rate, set at 23% in April 2013, was reduced to 21% in April 2014 and will be cut further to 20% from April 2015.

TAX TREATIES & ALLOWANCES

The UK has the largest network of treaties for the relief of double taxation globally. The majority of UK-based companies also benefit from an exemption from corporation tax on any foreign dividends they receive from subsidiaries.

This provides a simplified tax environment for holding companies of foreign subsidiaries to be based in the UK. The UK also has an extensive range of capital allowances that allow the costs of capital assets to be written off against taxable profits.

INTELLECTUAL PROPERTY RIGHTS

A key aspect of UK business enterprise is the protection of new ideas and concepts provided by intellectual property rights.

The UK government is implementing a 'patent box' to encourage companies to locate high-value jobs and activity associated with development, manufacture and exploitation of UK and EU patents in the UK. It will also enhance the competitiveness of the UK tax system for high-tech companies that obtain profits from UK and EU patents.

The 'patent box' enables companies to apply a lower rate of corporation tax to profits earned after 1 April 2013 from patented inventions and certain other innovations. The lower rate of corporation tax to be applied will be 10% and is being phased in over five years. If companies have a patent within a product, all the turnover of the product can be considered for relief (not just that of the patented part). A company can benefit from the 'patent box' only if it is liable to corporation tax and makes a profit from exploiting patented inventions. The company must also own, or exclusively license-in, the patents and must have undertaken qualifying development on them.

4 – SETTING UP A BUSINESS

Several legal structures are available for carrying out business in the UK.

The most popular choice for foreign investors is to set up a private limited liability company either as a standalone company or as a subsidiary of a foreign-owned holding company.

The main advantage of a limited company is that it offers the shareholders limited liability. However, other options may suit individual circumstances and a summary of each is detailed below. The taxation treatment is explained in section 6, and accounting requirements in section 7.

PRIVATE LIMITED COMPANY

Most companies in the UK are registered as limited companies and regulated by the Companies Act 2006. A limited company is a legal entity in its own right and has separate and independent legal personality, distinct from its directors and shareholders.

COMPANIES LIMITED BY SHARES

The most popular form of limited company is a company limited by shares whereby the shareholders' liability is limited to the amount outstanding (if any) on their shares in the company.

COMPANIES LIMITED BY GUARANTEE

A company can be limited by guarantee whereby every member of the company undertakes to contribute an amount to the company's assets if it should be wound up, for payment of the company's debts and liabilities. These are mainly used for charities, trade associations and clubs, and the company's Articles of Association (its constitution) would usually have a clause ensuring that any profits are retained to further the objects of the company.

A new limited company can be incorporated within a few hours, to meet the exact name and share capital requirements from the outset.

DIRECTORS' RESPONSIBILITIES

The Companies Act 2006 includes, for the first time, a statutory statement of the general duties of directors, replacing the previous regime of case law and statute. This is intended to make it easier for directors to understand what is expected of them. Directors must manage the company with reasonable care, skill and diligence and have a duty to act within their powers, to promote the success of the company and to exercise independent judgement. Additional duties include the duty to avoid conflicts of interest, not to accept benefits from third parties and to declare any interest in a proposed transaction or arrangement. This is particularly significant if the company has financial problems and may be insolvent. If a director fails in his duties, breaches the Companies Act or acts fraudulently, he may be fined, disqualified from acting as a director or even imprisoned. He may also be held personally liable for the company's debts.

REGISTRATION REQUIREMENTS FOR PRIVATE COMPANIES

In order to register a company, the following information must be provided on the Form IN01 – ‘Application to Register a Company’ to Companies House:

- A suitable company name which is not the same as or too similar to the name of an existing company, as this will not be accepted. The full name of a limited company must also end with the word ‘Limited’ or ‘Ltd’
- Details of at least one director (and a company secretary if desired), including personal details such as residential address, date of birth and nationality. Every company must have at least one director who is a ‘natural person’ which means that a private company is not permitted to have a sole corporate director
- Details of the registered office address of the company to where official correspondence will be sent. This is usually the address of the company’s accountant, solicitor, or the trading address of the company.

The above must be accompanied by the memorandum and articles of association:

- Memorandum – this is a brief statement of the intention of the subscriber(s) to be incorporated. There must be at least one subscriber to the memorandum who agrees to take at least one share in the company
- Articles – these are the internal rules of conduct of the company.

If all is in order, the registrar of companies will issue a certificate of incorporation confirming the company name, the date of incorporation and the registered number. A company does not legally exist until the certificate has been issued. A private company may commence business as soon as it has been incorporated.

REPORTING REQUIREMENTS

- A company must maintain statutory registers containing the above, as well as other company information. This includes the Register of Members, Register of Directors and Secretaries, Minutes of General Meetings, Minutes of Directors Meetings and the Register of Written Resolutions
- These registers must be available for inspection at the registered office or, in some cases, at the Single Alternative Inspection Location (SAIL) address
- Any changes to the directors or secretary (or their personal details), to the registered office or any allotment of further shares must be reported to the registrar of companies on the prescribed form
- There are other instances where prescribed forms or copies of resolutions passed by the members must be filed with the registrar of companies. These include: changes to the articles of association and the registration of mortgages and charges
- An annual audit by external auditors of the accounting records of the business should be carried out if it is over the minimum size (see Appendix III)
- An annual return must be completed each year and delivered to Companies House; it must contain current information about the company, its officers and members.

TRADING DISCLOSURE REQUIREMENTS

From 1 October 2008, a company is required to display its registered name at its registered office, at any place where it keeps any company record that is available for inspection under the act and at any location at which it carries on business. There are also rules on disclosing the name, number, registered office address and place of registration on all business correspondence and on the company's website.

PUBLIC LIMITED COMPANY

In order to offer its shares to the public, a company must be a Public Limited Company ('plc'). A plc can also (but does not have to) list its shares on a stock market (see section 2 for description of stock markets). If it is a listed company, it must, in addition, adhere to the rules of the stock market in which its shares are traded.

Public Limited Companies are regulated by the Companies Act 2006 (see Private Limited Company above) and the same registration and reporting requirements apply. Additionally, a plc must have a minimum of two directors, an appropriately qualified secretary and at least GBP 50,000 issued share capital (or the equivalent in another currency), a quarter of which must be paid up. The full name of a plc must end with 'Public Limited Company' or 'plc'. A plc is also obliged to hold an annual general meeting (AGM) of its shareholders each year. Unlike a private company, a public company cannot immediately commence business on the issue of the Certificate of Incorporation. The company must first apply for a trading certificate which confirms that the company complies with the capital requirements for public companies.

Each UK stock market has its own listing and reporting requirements, procedures and rules of conduct, which can be onerous and time-consuming. For shares to become listed on any of the stock markets, the company will need a team of advisers, including stockbrokers, solicitors and accountants to carry out the necessary procedures.

SOLE TRADER

An individual can be in business on his own account. This option is often used by craftsmen, professionals and people setting up a small business, because it involves minimal paperwork and formalities.

There are no audit requirements, but certain minimum records are required for personal tax, VAT and PAYE purposes, and the individual is liable for all the debts of the business.

PARTNERSHIP

Defined by the Partnership Act 1890, a partnership does not exist as a separate legal entity. The partners in the business have joint and several liability for any liabilities of the business, so their personal property is at risk if the business faces large claims against it.

Profits from the business are taxed as the income of each partner. Certain minimum records must be kept for VAT and Pay As You Earn (PAYE) purposes. Usually a partnership agreement is drawn up by lawyers, which determines how the partnership is governed and how the profits are shared. This option is common for professional firms and is also widely used by small business start-ups.

LIMITED LIABILITY PARTNERSHIP (LLP)

This option has only been possible since April 2001, under the Limited Liability Partnerships Act 2000 and has a mix of corporate and partnership characteristics.

An LLP exists in law as a body corporate, subject to aspects of company law, with the personal assets of LLP members being protected. But profits are taxed as if it were a partnership, provided it is carrying on a trade or profession. The business name must end with the letters LLP. Many professional partnerships have moved to this new status.

OTHER OPTIONS FOR TRADING IN THE UK

UK ESTABLISHMENT OF AN OVERSEAS COMPANY

A foreign company which carries on business in the UK must register the UK establishment under the Companies Act 2006 with the registrar of companies. To do so it must complete a Form OS IN01 with details of the directors and company secretary, details of the UK establishment and the names and addresses of any permanent representatives of the company and/or a person resident in the UK authorised to accept notices on the company's behalf. The Form OS IN01 must be accompanied by certified copies (and certified translations if appropriate) of the constitutional documents and a copy of the latest disclosed accounts. The company must also notify the registrar of companies of any changes to the above information.

JOINT VENTURE

It is possible to set up a joint venture with an existing UK business by forming a business which is part-owned by them and part-owned by an overseas business. The exact arrangements can vary depending on circumstances, the balance of finance and/or practical involvement. Every case is different, so it is important to obtain professional advice to ensure that the two parties are clear about respective responsibilities and obligations, and that arrangements can be made if one party wishes to withdraw from the arrangement.

AGENTS

It may be preferable, certainly at an early stage of trading, to appoint an agent to act on behalf of the supplier business. This avoids having any UK corporate presence, but enables the supplying business, as a result of the agent's efforts, to sell its products or services in the UK. The agent may wish to negotiate an exclusive contract, which may or may not suit the supplier business.

Professional advice should be taken to ensure that the contract with the agent is lawful and unbiased and that payments are made in the most tax-efficient form.

FRANCHISES

Buying a franchise allows you to set up your business without starting from the very beginning. You buy a licence from an existing business in order to use their trade name, business name or product idea. This will involve paying ongoing fees or royalties on sales. In return you receive support and advice from the franchisor.

REGISTRATION WITH AUTHORITIES – FOR ALL BUSINESSES

TAXATION

Businesses must register with the HM Revenue & Customs (HMRC) for PAYE (Pay As You Earn – income tax deducted from employees' wages) and national insurance payments for employees, and for corporation tax for registered companies.

VAT (SALES TAX)

A business must register with HMRC for VAT if the taxable turnover of the business is more than GBP 82,000 in any 12-month period or if taxable turnover exceeding this level is expected in the next 30 days alone. A business can register for VAT on a voluntary basis if its taxable turnover is below this threshold or if it has sales to non-UK customers that would otherwise be taxable in the UK. Registering for VAT can be advantageous for many types of business. Non-resident businesses supplying goods or services in the UK and subject to UK VAT have a zero registration threshold and must register for VAT immediately they commence trading. Thereafter, quarterly returns to declare VAT invoiced on sales and reclaim VAT paid out on expenditure must be submitted although some businesses may choose to file monthly or annual VAT returns subject to certain conditions. There are several simplified arrangements for smaller businesses.

There are three rates of VAT in the UK – 20%, 5% and 0%. Many types of business activities are exempt from VAT. It is important to use the correct VAT treatment or both the supplier and customer can encounter problems.

Most businesses are able to reclaim VAT paid out on business expenditure, although there are many conditions and types of expenditure on which VAT cannot be reclaimed. Also, businesses that have both taxable and exempt income may not be able to reclaim all the VAT they incur on expenditure

LICENCES

Depending on the nature of the business, it may require licences from local or central authorities or from providers of software etc. Trading licences are required for consumer credit, sale of alcohol and tobacco, gambling and other restricted activities.

DATA PROTECTION

Under the Data Protection Act 1998, businesses need to register with the Office of the Information Commissioner to hold and process information on living individuals, including employees and customers.

INSURANCE

Compulsory cover is needed for employer's liability (personal injury and damage to personal property of employees). Any business vehicles must have motor insurance, and it is advisable to have insurance against public liability, property (fire and theft) and business interruption. In rented property, occupier's liability insurance may also be required.

COPYRIGHT, PATENTS AND ROYALTIES

The Patent Office, which is a government agency, oversees all matters relating to intellectual property, including the registration of copyrights and patents.

COLLECTIVE INVESTMENT SCHEMES

Special rules apply to collective investment schemes, details of which are covered at www.hmrc.gov.uk/cisc.

5 – LABOUR

EMPLOYMENT

Employment rules in the UK are designed to ensure that there is no discrimination or unfair treatment of employees and they can work in relative safety and comfort.

Employment law is a complex and fast-changing area and as a result, employers should be prepared to seek advice from a specialist lawyer to ensure they have adequate procedures and controls in place to comply with this constantly changing area of the law.

Employees who claim unfair dismissal or discrimination can take their case to an Employment Tribunal, which may order the employer to pay compensation if the case is proved. Where an employer is found to have discriminated against a member of staff, on the grounds of sex, race, gender reassignment, disability, sexual orientation, religion or religious belief, or age, they may face a potentially unlimited award of damages against them for both loss of earnings and injury to feelings. Damages for unfair dismissal, however, are based mainly on an employee's loss of earnings, which will be limited to 52 weeks' pay or GBP 78,335, whichever is the lower.

RIGHT TO WORK IN THE UK

Employers are only able to employ individuals who have permission to live and work in the UK. Individuals fall into various different categories for immigration purposes depending upon their citizenship or nationality. Some individuals are automatically entitled to live and work in the UK, whereas others are required to seek permission to work.

Rules relating to the categories of individuals who require a visa or corporate sponsorship to work are complicated and advice should be sought before making an offer of employment to any individual where there is any doubt concerning their right to work in the UK. Companies now need to hold a sponsorship licence granted by the UK Border Agency before they can sponsor an employee to work in the UK.

Generally, the following workers have the right to work in the UK without seeking permission to work:

- British citizens (conferred by birth, descent, naturalisation or registration)
- European Economic Area (EEA) nationals (although some will need to register with The Home Office)
- Swiss citizens
- Commonwealth citizens with leave to remain in the UK on the basis of a grandparent born in the UK
- People with a right of abode or settlement in the UK
- People with exceptional or indefinite leave to remain in the UK for humanitarian reasons, or who have limited leave to remain on the same basis, provided this has not expired
- Spouses, dependants and unmarried partners (including same sex partners) of people in some categories allowing work.

Employers can be fined if their employees do not have a valid work visa. Since 1 May 2004, employers have been required to make basic document checks on every worker they take on, before employment commences, in order to establish that they are not taking on an illegal worker. Employers should seek advice about which combinations of documents are acceptable because failure to demonstrate adequate steps have been taken, where the employment of illegal workers has ensued, can result in a fine of up to GBP 20,000 per worker.

CONTRACTS OF EMPLOYMENT

Employers in the UK are not required to provide employees with a written contract of employment, but an employee must be provided with a written statement of particulars of employment within two months of starting the job. Failure to do so can result in an award of two weeks wages being made by an employment tribunal.

The statement of particulars needs to cover information including amongst other things remuneration, hours and place of work, holidays and notice.

There are statutory requirements covering many aspects of employment such as maximum working time, minimum hourly wage, maternity pay and leave, parental leave, sick pay, redundancy pay and others with which employers need to be familiar.

PERMANENT, TEMPORARY AND PART-TIME EMPLOYMENT

A permanent contract of employment will usually have a probationary period of three months (although this is not necessary) depending on the seniority of the post, with a minimum notice period. After the probationary period, the notice period for both employer and employee is usually lengthened. An employer is required to give one week's notice to employees with up to two years' continuous service, and thereafter, one week for each completed year of service up to a maximum of twelve weeks unless the provision in the statement of particulars is longer. The statutory minimum notice an employee must give to terminate their employment is one week in the absence of a contractual agreement.

Part-time workers must be given the same rights as full-time workers, but proportionate to their hours of work and length of service. In addition to this, with effect from 1 October 2011, temporary agency workers have the right to equal treatment in comparison with permanent workers or employees as regards certain basic working and employment conditions after completing a 12 week qualifying period in the same job role with the same hirer. The requirement is to afford the agency worker the same basic working and employment conditions as they would have received if they had been directly recruited by the hirer to that job role. The terms and conditions affected are pay, the duration of working time, night work, rest periods, rest breaks and annual leave.

Furthermore, from the first day of their assignment agency workers are now entitled to the same access to certain collective facilities provided by the hirer (such as a canteen, child care, car parking and transport facilities) and to the same information on job vacancies as comparable permanent workers or employees.

It is also possible to employ staff on a temporary, fixed term contract. The Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002 and Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000 (as amended) make it unlawful to treat temporary or part-time workers less favourably than full-time permanent staff.

GRIEVANCE AND DISCIPLINARY POLICY

With effect from 6 April 2009, the government repealed the statutory disciplinary and grievance procedures and the position returned to that which existed prior to the procedures being introduced, namely that companies are required to act in a reasonable manner, good practice being to investigate the need for a hearing, to invite the employee to a meeting to discuss the issue and to allow the right of appeal against any disciplinary action.

When deciding whether an award is due to employees, employment tribunals are guided by the Advisory, Conciliation and Arbitration Service (ACAS) Code of Practice in determining whether employers have acted in a fair and reasonable manner. These tribunals have the authority to increase or decrease an award by 25% if either party fails to follow the Code.

WAGES – PAYROLL RESPONSIBILITIES

Employers must deduct income tax and national insurance contributions (NICs) from the wages/salary of their employees according to the tax coding given to the individuals by HMRC. This is known as Pay As You Earn (PAYE). There are also schemes for supplementing the income of poorer families which are administered through their employers' payroll. In addition, employers are required to pay employers' NICs. All the tax and NICs deductions and payments must be sent to HMRC promptly, and returns must be filed annually stating total payments and the taxable value of any benefits in kind (see below).

As of October 2014, the statutory minimum wage is GBP 6.50 per hour, but there are lower rates for younger workers. These rates are reviewed annually and changes implemented on 1 October each year (see appendix IV). With effect from October 2015 the NMW rate rises to £6.70.

Where the employer runs a contributory pension scheme, pension payments are also deducted at source and sent to the pension provider. All employers with more than five employees must have a qualifying 'stakeholder' pension scheme or equivalent in place for employees to use if they wish. However, there is no obligation placed upon the employer to contribute. The government is currently implementing auto-enrolment, whereby employers will need to enrol all staff into a qualifying scheme with a three-month postponement period. Staff may opt out, of their own volition, within a 4 week window if they wish their contributions to be refunded. This initiative is being phased in between 2012 and 2016 depending on the number of company employees.

The number of different taxes, benefits and other calculations can make payroll tasks time-consuming and complex for employers, but there are payroll service providers available who will contract to do these tasks for a fee. This is classed as sensitive data under the Data Protection Act and employers are required to take adequate steps to ensure that the data is secure.

BENEFITS IN KIND

Depending on the nature of the work and the availability of people with the necessary skills, employers may offer additional benefits in kind to their employees. These range from a subsidised canteen to company car, pension contributions, health club membership, private medical insurance, share options and so on. For taxation purposes, the government calculates the cash equivalent value of these benefits and employees are taxed accordingly. Employers must ensure that annual returns are submitted which detail any benefits in kind.

REDUNDANCY, UNEMPLOYMENT, SOCIAL SERVICES

When there is a closure of the employer's business, an employee's place of work or a diminished need for employees, usually caused by a downturn in business or restructuring, employees can be made redundant. If an employee has been working for more than the minimum period (currently two years full time), he or she is legally entitled to a statutory redundancy payment, which is calculated according to age, length of service and salary subject to a maximum of GBP 475 per week for each continuous year of service (up to the last 20 years of service).

There is also a strict obligation placed upon employers to consult with their workforce before implementing redundancies. Depending upon the number of redundancies, employers may be required to consult for up to 45 days and notify the BIS of the impending redundancies.

Unemployed workers who are actively looking for work are entitled to receive a jobseeker's allowance from the government. This is sometimes supplemented with skills training, particularly for young people.

INDUSTRIAL RELATIONS/ TRADE UNIONS

Membership of trade unions has declined in recent years and scope for industrial action has also become more limited. However, every employee has the right to be a member of a trade union. Where an industry remains heavily unionised, trade unions are likely to be involved in pay negotiations, training needs and grievance and disciplinary proceedings, working closely with personnel/human resources staff.

HEALTH AND SAFETY

The Health & Safety Executive (HSE) requires all employers to ensure the health and safety of their employees. The HSE issues directives on all aspects of safety and can prosecute businesses which do not comply. HSE inspectors visit employers' premises to ensure compliance and they have the power to close a business if it is deemed dangerous.

Under the Corporate Manslaughter and Corporate Homicide Act 2007, companies and organisations can be found guilty of corporate manslaughter on the basis of gross health and safety management failings. The legislation focuses on the corporate liability of an organisation as a whole. There is no limit on the level of fine which a court can impose under the legislation, nor is it possible for employers to obtain insurance against a fine. Employers must therefore be satisfied that their health and safety management procedures are appropriate, effectively managed throughout the workplace and regularly reviewed.

ALTERNATIVES TO EMPLOYMENT

SUBCONTRACTORS AND OUTSOURCING

It is common in some industries (eg construction) for businesses to use a subcontractor (either a business or a self-employed person) instead of employing someone with particular skills for a specific task. Many businesses and public bodies also outsource some non-core activities of their business (such as catering, facilities management, security and accounts) to external suppliers in return for a fixed price. In both cases, the business has a contract with another business (or self-employed person) for the supply of a service or component product, rather than having to employ people directly. This can reduce costs and administrative time and provide higher quality skills for specific tasks, whilst at the same time relieving the business of the liabilities and responsibilities related to being an employer.

SELF-EMPLOYMENT

It is possible to set up a business as a self-employed person. HMRC uses different methods for assessing and collecting income tax and national insurance, both of which are generally lower than for someone who is employed.

Special regulations apply where an individual uses a company structure to sell his/her services to a client (often referred to as IR35), whereby his/her rewards from that company are taxed as if they were salary with the consequential effect upon income tax, and employers and employee NIC rates applying. Managed service companies are subject to similar regulations. Both structures are designed to enable the individual to receive dividends instead of salary, thereby avoiding NICs and incurring lower income tax rates. If the individual would otherwise be an employee of the customer, HMRC can enforce the equivalent of payroll taxes on his company.

Disputes between businesses and individuals over employee status can be relatively common given the rights afforded to employees as opposed to workers (i.e. non-employees). Employment tribunals are required to apply a series of tests in order to establish whether a person has employee status. When seeking to engage individuals on a self-employed basis, it is advisable to obtain advice from a solicitor specialising in employment law who can assist you in establishing whether an individual would be treated as an employee by an employment tribunal.

GOVERNMENT INCENTIVES

At any one time, there are a number of government incentives designed to encourage employers to:

- Recruit young people needing training
- Open new premises in areas of high unemployment.

For sources of further information please see Appendix I.

6 – TAXATION

TAX AUTHORITIES AND RESPONSIBILITY

The administration and collection of taxes within the UK is undertaken by HM Revenue & Customs (HMRC).

HMRC is responsible for administering and collecting all national taxes which include: corporation tax, diverted profits tax, income tax, national insurance, capital gains tax, VAT, annual tax on enveloped dwellings (ATED), stamp duty and stamp duty land tax. Land and buildings transaction tax applies instead of the latter in Scotland and is administered by Revenue Scotland. From 2016-17 a Scottish rate of income tax will be introduced and administered by Revenue Scotland.

In addition to the above taxes, which are collected on a national basis, local town, city or county authorities are able to collect council tax, which is levied by reference to the value of business or residential property rather than profits or income.

BASES OF TAXATION

Liability to taxation depends upon the residency of the company, individual or trust and the location of assets and source of income. Companies and individuals resident in the UK typically pay tax on their worldwide income and gains, whereas non-residents are subject to tax only on UK-source income.

An individual who is resident but not domiciled in the UK may opt to be taxed on 'the remittance basis' under which foreign income is taxed only if brought to the UK. There is generally a cost to claiming the remittance basis in terms of the loss of tax-free allowances and exemptions and, for longer-term residents, an annual charge of GBP 30,000 or GBP 50,000 depending on the length of their UK residence. Please note, at the time of writing, there are proposals for significant changes affecting the taxation of non-domiciliaries. Therefore, further advice should be taken.

Where foreign income of UK residents is taxable, a credit for foreign tax paid may be given in accordance with double tax arrangements.

BUSINESS TAXES

RESIDENT COMPANIES

There are two tests that need to be considered when determining whether a company is tax resident in the UK. Firstly, any company which is incorporated in the UK is automatically considered to be UK tax resident.

In addition to this, any company, regardless of the location of its incorporation, will be considered to be UK tax resident if it is managed and controlled in the UK.

It is therefore possible for a company to be UK resident by virtue of its management and control, but also resident in an overseas jurisdiction by virtue of their tax law. The residence status of these companies can be resolved with reference to the relevant tax treaty, if one exists.

Companies incorporated outside the UK but not managed and controlled in the UK, will only have a liability to corporation tax based on the profits of their UK branch or permanent establishment.

GENERAL ANTI-ABUSE RULE (GAAR)

In addition to extensive targeted anti-avoidance legislation, the UK operates a GAAR for most taxes excluding VAT. The GAAR seeks to adjust the results which fail the so called 'double reasonableness' test as being avoidance through abusive use of tax rules.

CORPORATION TAX

Companies resident in the UK pay corporation tax on their worldwide trading profits, income and capital gains. Large companies pay tax at the full rate, with lower rates applicable if the company profits qualify as being small (see Appendix II) until 31 March 2016.

Large companies are also obliged to pay tax in four instalments. Based on a twelve-month accounting period, the first payment is due on the 14th day of the seventh month of their accounting period and then quarterly thereafter, with the final payment made on the 14th day of the sixteenth month following the start of the accounting period. Interest is chargeable in the event of tax payments or instalments being late, and is repayable if payments are excessive. Companies who do not pay tax at the full rate normally pay their corporation tax liability nine months and one day after the end of the accounting period.

A company has 12 months from the end of their accounting period to file their tax return. Generally, HMRC has twelve months to open an enquiry into the return. Penalties are levied for both late filing and for filing an incorrect return.

Loans to shareholders or other participators are likely to incur a special (25%) tax, which is payable nine months after the accounting period in which the loan is repaid or forgiven. However, once the loan is repaid or forgiven the tax may become repayable to the company nine months after the relevant period.

DIVIDEND EXEMPTION

Subject to certain anti-avoidance rules, dividends received from both UK and overseas subsidiaries will not normally be taxed in the UK. This is one of the measures which make the UK an attractive location for a holding company.

LOSSES

In general, trading losses may be carried back for 12 months or carried forward indefinitely, subject to changes in ownership and the nature or conduct of the trade. Current year losses may also be surrendered between group members to offset against their profits for the same period. Similar relief is available for excess interest costs, but excess management expenses of investment companies may not be carried back. See below for more information on capital losses.

CAPITAL ALLOWANCES

Book depreciation or amortisation of tangible assets is not allowable for tax purposes; instead, relief by way of capital allowances is often available. Purchases of plant and machinery are eligible for writing down allowances (WDA), typically 18% on the reducing balance. Integral assets (IA) within a commercial building (eg lighting, heating, ventilation etc) only qualify for 8% WDA per annum. However, a 100% annual investment allowance (AIA) is available until 31 December 2015 for the first GBP 500,000 (£200,000 thereafter) of expenditure on any plant and machinery or IA. Long life assets qualify for an annual allowance of 8%.

An initial allowance of 100% is available for certain types of energy efficient expenditure or on cars with very low CO₂ emissions (see below). By contrast, assets leased abroad are only eligible for 8% WDA.

Allowances for cars vary according to their CO₂ emission rating and are 100% (up to 75g/km), 18% (up to 130g/km) or 8% (over 130g/km). If the car is leased the rental is restricted to 85% where the rating is over 130g/km.

INTANGIBLE FIXED ASSETS

Relief is available for new expenditure incurred in the creation, acquisition or enhancement of intangible assets (typically goodwill, patents, trademarks, copyrights and the like) based on the profit and loss account charge. Conversely, credits to the profit and loss account and profits on disposal will be taxable as income. Assets created or acquired before 1 April 2002 or from a connected party other than a group company will remain chargeable as capital gains and so are not eligible for the above relief.

RESTRICTION FOR INTEREST DEDUCTIONS

The worldwide debt cap (WDC) regime may affect UK companies which have an overseas parent. If the level of funding provided by the overseas parent to a UK company or borrowed from third parties is considered by HMRC to be excessive in comparison to the external worldwide debt of the group, then a restriction on the interest deduction claimed by the UK company may apply.

The UK also has both thin capitalisation rules which may restrict the extent to which interest paid to connected parties will qualify for a tax deduction and the normal arm's length interest rate restrictions.

DIVERTED PROFITS TAX

From April 2015 a company can be charged to a separate tax which is not covered by the UK's double tax treaties. This applies if contrived arrangements have avoided UK tax by avoiding a UK permanent establishment or other contrived arrangements between connected parties.

CAPITAL GAINS AND LOSSES

Normally companies are chargeable for corporation tax (see Appendix II) on the excess of the sale proceeds or disposal value for chargeable assets over their cost, after taking into account indexation relief which is based on published rates linked to inflation over the period of ownership. Losses arising from the disposal of assets in the same period or losses brought forward may be offset.

GROUPS OF COMPANIES – CAPITAL GAINS

Special arrangements exist for a group of UK companies to elect for the gain or loss realised on the disposal of a capital asset to be taken by another group member, thereby enabling them to mitigate tax. This is, in effect, a form of group relief for capital losses, but pre-acquisition losses or gains of companies joining the group are ring-fenced to prevent abuse.

Disposals of substantial shareholdings in trading subsidiaries may be exempt if the shareholder continues to be a parent of a trading company, or a trader in its own right immediately after the disposal. The definition of a substantial shareholding for this exemption to apply is a holding of no less than 10%. This exemption, coupled with the dividend exemption referred to previously, have combined to make the UK an attractive jurisdiction to locate a holding company.

GROUPS OF COMPANIES – OVERSEAS BRANCH

Until recently, companies with an overseas branch of a UK company would be liable to taxation in the UK with a credit provided for any foreign tax incurred. In practice, this meant that profits in branches with a lower tax rate than the UK would incur additional tax in the UK.

The recent introduction of foreign branch exemption has changed this, as companies can now opt out of having the profits of their overseas branches taxed in the UK. The effect of opting into this legislation restricts the losses of overseas branches being utilised against any profits arising in the UK.

GROUPS OF COMPANIES – CONTROLLED FOREIGN COMPANY RULES

A Controlled Foreign Company (CFC) is a non-resident company controlled by UK resident persons. Any UK resident company may be assessable on the CFC profits if it holds a 25% or more interest in the CFC. If one of the following statutory exemptions applies to the CFC then no assessment can occur:

- Temporary period – normally up to 12 months
- Excluded territories - typically treaty countries
- Low profits – less than £500K trading or £50k otherwise
- Low profit – less than 10% of relevant operating expenditure
- Local tax – at least 75% of corresponding UK tax.

TAXATION OF BRANCHES OF FOREIGN COMPANIES

UK profits of a branch or other permanent establishment of a non-UK resident company are normally subject to corporation tax in the same way as a UK company. Allocated head office expenses need to be arm's length and justified in the same way as other expenditure with connected parties. Interest on debt due to the head office may not be allowed. Gains realised on assets used in the UK trade are also chargeable.

Special relief is available for the conversion of the branch into a UK resident company, although relief for losses carried forward may be restricted where the head office has also obtained relief for the loss.

SPECIAL RULES – OIL AND GAS ACTIVITIES

Companies undertaking a petroliferous trade in either the UK or in UK territorial waters are subject to an additional tax regime.

This regime generally allows a 62.5% deduction for investment (plant and machinery) expenditure, but imposes a supplementary tax on UK profits. With effect from 1 January 2016 ring fenced profits are taxed at a rate of 35% (currently 50%) in addition to the normal corporation tax.

PATENT BOX

Companies are now eligible to be taxed under the Patent Box regime until 2020 with rates of tax from 10% on worldwide profits derived from items patented in the UK or EU. Some consider this to be a more favourable regime than available elsewhere, although subject to complicated calculations.

RESEARCH AND DEVELOPMENT

Another measure making the UK a favourable tax territory for companies involves two distinct regimes which give relief over and above actual expenditure on research and development. The first operates for small and medium enterprises (SME) and the second for large companies. An SME may claim 230% of the cost against its profits, or where losses are incurred may seek a repayable credit of 14.5%. Large companies can claim an 'above the line' credit of 11%.

PARTNERSHIPS

A partnership will be resident in the UK if most of the individuals or companies which comprise the firm are resident here. However, such entities are not taxed as such, but merely have to report the profits and income derived by their members. Each member is taxed on their share, together with their non-partnership income or gains. Thus a non-resident member of a resident partnership is taxable on their share of the profits arising in the UK.

LIMITED LIABILITY PARTNERSHIP (LLP)

Strictly speaking, this is an incorporated body registered at Companies House. However, where it conducts its business with a view to a profit, it will be treated as a look-through for tax purposes. Thus the same concepts as for a partnership (see above) will apply in taxing the profits or gains of the members. Where the LLP is not conducting business with a view to profit (eg it is in the process of being wound up), it will be chargeable for corporation tax.

With effect from April 2014 certain members of an LLP will be treated as an employee rather than a partner for tax purposes. Also where the LLP has both individual and company members the profits allocated to the company member may be attributed to an associated individual and taxed accordingly.

NATIONAL INSURANCE CONTRIBUTIONS (NICS)

Sole traders and partners (self-employed individuals) are required to register their business activity and pay national insurance contributions based on their profits (see appendix II). This is now collected through the tax assessment.

In addition to collecting employees' income tax and NICs by withholding the relevant amount from their wages or salary payments, an employer has to bear the cost of a further employers' NIC (see appendix II) on both remuneration and benefits in kind provided to employees. The collection and remittance of these taxes by the employer is done under a system known as Pay As You Earn (PAYE). Favourably reduced rates apply for apprentices as well as those under 21 and most employers will be eligible for an NIC rebate of £2,000 (£3,000 from April 2016).

AUTO ENROLMENT

A new workplace pensions regime is now being applied to employers who do not provide a qualifying pension scheme. All eligible jobholders will need to be automatically enrolled into a pension scheme with contribution rates of up to 8% (including at least 3% from the employee).

UK REAL ESTATE

Resident individuals' or companies' rental income from UK property is not subject to withholding tax, but the surplus is chargeable at their marginal rate of tax. They are also chargeable upon the gain realised on the disposal of UK property.

Rent payable to non-residents will be subject to withholding tax at the income tax basic rate (currently 20%) unless the owner enters into special arrangements with HMRC regarding the submission of tax returns.

Companies owning residential property used by connected parties are subject to an annual tax on enveloped dwellings (ATED) if the value of the property is above certain limits. Both non-resident individuals and companies owning UK residential property, whether occupied by connected parties or otherwise, will be taxable upon the relevant gain realised on disposal.

REPATRIATION OF PROFITS

Pre-tax profits may be repatriated by companies in the form of tax-deductible interest, rent, royalties or management charges, provided the cost can be justified as being arm's length. However, the first three items may be subject to withholding taxes, except where clearances are obtained in accordance with a relevant double tax treaty. The application of withholding taxes to interest (20%) or royalties may now be self-assessed by the UK payer, but it remains liable if the overseas entity was not eligible for relief. Excessive payments may be treated as both disallowable for corporation tax purposes and also as a distribution for double tax treaty or income purposes.

Post-tax profits may be distributed in the form of dividends to the overseas shareholder without a further tax charge or withholding in the UK and the recipient may be entitled to a repayable tax credit under certain treaties.

DOUBLE TAX TREATIES

The UK has entered into more double tax treaties than any other country in the world. These double tax treaties cover such matters as residence status, permanent establishments, business profits, income from land and property, dividends, royalties and interest, personal direct and indirect income and capital gains. These agreements enhance the already favourable UK tax regime.

TRANSFER PRICING

The UK operates a universal system of transfer pricing in accordance with the Organisation for Economic Co-operation and Development (OECD) guidelines so that all business transactions between connected parties need to be at arm's length prices, not just those with persons abroad. It is the company's responsibility to ensure that these rules are adhered to and that records are maintained evidencing and justifying the position taken.

An exemption applies to smaller and medium sized groups where they do not employ more than 250 employees and their group annual turnover/gross assets do not exceed EUR 50m/EUR 43m respectively.

PERSONAL TAXES

RESIDENT/ NON-RESIDENT STATUS

Since 6 April 2013, the tax residence status of an individual has been determined by the 'Statutory Residence Test'. The rules are complicated with status depending upon the days spent in the UK in a particular tax year (the 12 months to 5 April) and, in some cases, the individual's ties with the UK.

Someone who spends 183 days or more in the UK in a tax year will be automatically treated as tax resident.

DOMICILE

Domicile is a legal status that the UK applies in determining liability to certain taxes. An individual acquires a domicile of origin when they are born, usually the domicile of their father. This can be displaced by residing in another country with an intention to stay permanently or indefinitely. There are advantages to retaining a foreign domicile even if an individual becomes a long-term UK resident.

INCOME TAX

Income tax and National insurance contribution (NIC) rates, and reliefs applicable to individuals, are set out in Appendix II. Salary (including benefits in kind), trading profits, dividends, investment and property income are subject to income tax at various rates, based on the income arising in the fiscal year ending 5 April. Employment taxes are collected at the time of payment, whilst investment income may suffer a flat rate withholding tax. UK dividend income has a notional tax credit which is not refundable. A similar notional tax credit will usually be given on overseas dividends received. Withholding taxes on interest or other overseas income will normally be allowed under double taxation relief. Property income paid to non-residents may be subject to basic rate withholding tax.

Higher rate tax on investment income and tax on profits of self-employment are normally payable by instalments due 50% on 31 January in the fiscal year and the following 31 July. These instalments are based on the liability of the previous year, with the balance of income tax for the current year being payable on the following 31 January, together with any capital gains tax for that year. Reduced instalments or repayments may be made as soon as the claim can be justified.

BENEFITS IN KIND

The provision by an employer to an employee (or their relative) of an asset (eg accommodation, furniture or a car) or other benefits (eg entertainment, domestic or other services, medical insurance, interest free or low interest loans) are taxable on the employee and give rise to employers' NICs. Nevertheless, such benefits continue to play a significant role in attracting and retaining key employees.

CAPITAL GAINS TAX

Capital gains realised by individuals (see Appendix II) are subject to tax at a rate of either 18% or 28%. For business assets that are held for more than twelve months and meet the conditions for entrepreneurs' relief (ER), up to GBP 10 million of any gain is chargeable at a reduced rate of 10%. Gains are taxed after all reliefs and annual exempt amounts. The ER limit of GBP 10 million is a lifetime limit and as such can apply to more than one disposal.

INHERITANCE TAX

Subject to certain exemptions, inheritance tax (IHT) is chargeable on the aggregate value of an individual's estate at the date of his death, and on the value of any gifts and similar transfers of wealth made by him during the seven years prior to his death. Except in respect of gifts made in the seven years before death, no IHT is payable on gifts made during the individual's lifetime if the gift is made to an individual. Gifts into trust incur tax at the lifetime rate of 20%, subject to certain exemptions. A UK resident and domiciled individual is taxable on his worldwide estate. For non-UK domiciled individuals only UK assets are chargeable.

Non-UK domiciled individuals are currently deemed to lose that status for IHT purposes if they have been resident in the UK for 17 out of the last 20 tax years; this is expected to be reduced to 15 out of 20 years with effect from April 2017. It is also expected that UK residential property owned indirectly by non-UK domiciled individuals (for example, via an offshore company) will be brought within the charge to IHT.

SALES TAXES/ VAT

BASIS OF TAXATION

Most businesses must account for value added tax (VAT) on their sales of goods and services. Depending on the nature of the goods or services, they can be taxed in a variety of places depending where the supplier and customer are established, any goods are located, the services are carried out or 'enjoyed', or where any relevant interests in land are situated. In addition, for cross border transactions, complex rules apply in many instances to determine whether the tax is payable by the supplier or the customer and whether a non-resident supplier is required to register for VAT in the UK. In accounting to HMRC for the VAT collected, a business is normally allowed to deduct the VAT it has accrued on expenditure.

STANDARD-RATED OR REDUCED RATED SUPPLY

Most sales are subject to VAT at the standard rate of 20%. Many however can be subject to the reduced rate of 5%. It is important to charge the correct rate of VAT since it can be difficult to correct the error later and either customers will be out of pocket or the business will be liable for penalties and interest charges.

EXEMPT / 0% RATED SUPPLY

A VAT-exempt business (eg in real estate or finance) should be contrasted with one where VAT is due at 0% (eg selling food, books, children's clothing). No VAT is charged to the customer in either case, but the business can claim a repayable VAT credit if the sales are 0% rated, though not if it is exempt.

VAT RETURNS

Returns declaring income, expenditure, VAT and movement of goods within the EU need to be completed frequently. All VAT returns and other declarations are now filed online normally on a quarterly basis, although some business can choose to file monthly or annual VAT returns instead. The VAT is payable at the same time, although certain businesses may be allowed or required to pay by monthly instalments or place a sum on deposit. Significant penalties or interest can be incurred for late or incorrect payments.

Other forms of return may be required to declare the movement of goods into or out of the UK.

PROPERTY TRANSACTIONS

The VAT treatment of transactions in property can vary considerably. Sometimes they will be subject to full standard-rate VAT compulsorily or by election, whilst in other cases zero-rated, reduced-rated or exempt, with or without a credit for VAT paid on costs. This topic is extremely complicated with often significant sums at stake and the possible outcomes for suppliers and customers can be significantly different with complex interactions with other taxes. It is therefore beyond the scope of this report and specialist advice should be sought.

OTHER TAXES

CUSTOMS DUTIES

Customs import duties are charged on the value of the goods for basic and processed agricultural products, raw materials and manufactured goods imported into the UK from outside the EU. The rate of duty can vary enormously and could be a significant percentage of the import value. In addition, anti-dumping provisions to protect home markets can considerably raise the duty payable.

Goods on which duty has been paid on entry into any member state of the EU are free to circulate within the EU without further payment of customs duty.

Goods produced in the UK can be moved to all other countries in the EU without payment of customs duties.

Preferential treatment, and often complete exemption from duty, is given to a large number of goods manufactured in the UK when they are imported into certain countries such as members of the European Free Trade Association.

Customs and import duties are frequently a significant 'Cost of Sales' item and should be managed carefully to avoid paying too much.

INWARD PROCESSING RELIEF

Inward processing relief from customs duties and other charges is available for goods imported from outside the EU for processing within the EU and exporting to a non-member state. Processes which qualify for relief range from simple forms of handling to complex manufacturing operations.

The procedures to apply for inward processing reliefs can be complicated and there can be significant cashflow differences between not paying the duty at all as opposed to paying it initially and reclaiming it later. This regime is naturally controlled very tightly by the UK tax authorities.

BONDED WAREHOUSES

The bonded warehouses system may be used by importers of goods liable to customs and excise duties, to postpone payment of duties until goods are removed from the warehouse for UK use. Duty is not charged if the goods are re-exported from a bonded warehouse.

ENVIRONMENTAL AND OTHER TAXES

A range of environmental and other taxes are levied on a different industry sectors such as Air Passenger Duty [APD], Insurance Premium Tax [IPT], Climate Change Levy [CCL], Landfill Tax, Aggregates Levy and others.

These are too numerous to be included in any detail in this report but advice should be sought to ensure that any legal requirements or obligations are met.

STAMP DUTY

Contracts for the sale or transfer of shares or securities, including the purchase by a company of its own shares, are subject to a rate of duty (0.5%) for every GBP 1,000 of consideration or part thereof.

STAMP DUTY LAND TAX (SDLT)

Conveyances or transfers of other property (eg land and buildings or related goodwill) are subject to various rates up to 15% based on the value of the transaction, nature of the property or the purchaser (see Appendix II).

Instruments granting leases over non-residential land or buildings are chargeable at 1% times the net present value of the rent over the whole term of the lease, including upward reviews, minus GBP 150,000. A licence, or tenancy at will, is exempt from SDLT.

COUNCIL TAX AND RATES

Local councils levy a charge on businesses occupying premises within their area, based on a notional value of the property, to fund local services including law and order, education, refuse collection etc. A single business rate is normally set for each fiscal year ending 31 March and the amount payable varies with the rate and the value of the premises. Reduced rates are available for charities or unoccupied premises.

A similar system is in place for residential property.

7 – ACCOUNTING & REPORTING

The accounting regulations and disclosure requirements applicable to UK companies are extensive, detailed and complex. Except where otherwise stated, this guidance relates to businesses incorporated in the UK. The following is only a brief summary, and reflects the law as at 31 July 2015.

APPLICABLE REGULATION

LIMITED COMPANIES

Limited (or incorporated) companies, including subsidiaries of parent companies incorporated outside the UK, are governed in the first instance by the Companies Act 2006 which includes provisions relating to:

- the maintenance and retention of accounting records;
- the maintenance of registers and minutes relating to directors and shareholders and their meetings;
- the form and content of annual accounts;
- the publication to shareholders and the public filing of annual accounts;
- the requirements for annual accounts to be audited; and
- voluntary and enforced corrections of unsatisfactory annual accounts.

The Act makes provision for various classes of company. The most important of these are:

- Public limited companies (plcs) – plcs are those companies authorised to issue shares to the public.
- Large, medium-sized and small, private limited companies – medium-sized and in particular small companies are subject to some exemptions from, and some simplifications to, the accounting requirements applicable to larger companies.
- Micro-entities – The UK has enacted the EU directive which permits very small companies that qualify to be treated as “micro—entities” to prepare highly simplified annual accounts.

LIMITED LIABILITY PARTNERSHIPS (LLPS)

Limited liability partnerships are governed in the first instance by the Limited Liability Partnerships Act 2000. Detailed regulations for accounting and reporting are similar to those for ordinary limited companies, but there are some differences.

OVERSEAS COMPANIES

Overseas companies are businesses incorporated outside the UK but operating within the UK through a branch or representative office, and not through a UK subsidiary company. They are also required by the Companies Act to register their place of business and to file annual accounts of the company (not the branch) with the Registrar of Companies.

OTHER BUSINESS STRUCTURES

There is no regulation directly governing the accounting practices of unincorporated businesses, such as sole traders or partnerships. However:

- Various aspects of tax legislation require that vouchers are kept for a number of years to support any required tax computations.
- Subject to any particular adjustments required by legislation, unincorporated businesses are taxed on profits determined on a ‘true and fair’ basis.
- Unincorporated businesses operating in some particular fields, such as the provision of investment advice, are subject to specific accounting and auditing regulations equivalent to those applying to companies.

ACCOUNTING STANDARDS

Public companies with shares traded on the London Stock Exchange, or on AIM or ISDX Main Board, are required to prepare their consolidated accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Other companies are permitted to adopt international accounting standards.

For companies and LLPs that have not adopted international accounting rules, generally accepted accounting practice in the UK (UK GAAP) is determined by the Financial Reporting Council (FRC).

The FRC completed a re-write of UK GAAP in 2013; the new standards may be adopted early but are in any case mandatory for accounting periods beginning on or after 1 January 2015. Although most routine transactions and balances are accounted for in the same way under IFRS and under the new UK GAAP, there are some differences.

Although qualifying micro—entities may adopt UK GAAP, or even IFRS, there is a separate and specific accounting standard that sets out the very simple accounting rules that they must otherwise follow.

PERIOD END ACCOUNTS

Every UK company registered under the Act is required to prepare a set of accounts that gives a true and fair view of its profit or loss for the year and of its state of affairs at the year end. Annual accounts generally include:

- A directors’ report. (Large and medium-sized companies must also give a separate “Strategic report”)
- An audit report
- An income statement (profit and loss account)
- A statement of financial position (balance sheet)
- A statement of other comprehensive income
- A statement of changes in equity
- A cash flow statement (not required for small companies)
- Comprehensive notes to the accounts (micro-entities give only the notes specified in the applicable accounting standard)

Most of these notes present in more detail the figures in the balance sheet, profit and loss account and cash flow statement. In addition, and where applicable, the notes to the financial statements may include:

- A statement concerning any significant doubts surrounding a business' ability to continue as a going concern.
- Details of significant post balance sheet events.
- Details of material transactions with related parties including the directors.
- The identity of parent companies that prepare group accounts, and the ultimate controlling party of the company.
- (For quoted companies) Details of policies on, and exposures to, exchange rate, interest rate, liquidity and market value risks.

If a UK company is a parent company, consolidated accounts must also be prepared, although there is an exemption from this requirement for qualifying small private companies. In addition, in certain circumstances, if an overseas parent prepares and publishes group accounts that include the UK holding company, the UK parent can be exempted from preparing consolidated accounts for the UK sub-group.

Comparative figures should also be given for almost all items and analysis given in the year-end financial statements.

All of the above requirements apply equally to LLPs except that no directors' report (nor any equivalent report) is required.

The accounts must be provided to each shareholder or member of a limited company or LLP, although there are regulations permitting a company to send only summary financial information to its members.

AUDIT REQUIREMENTS

The Act requires that the annual accounts include a report from suitably qualified, registered auditors to the shareholders (or members of an LLP) stating in particular whether or not, in the auditors' opinion:

- the balance sheet gives a true and fair view of the company's (and group's, if applicable) state of affairs;
- the profit and loss account gives a true and fair view of the company's (or group's, if applicable) profit or loss for the year; and
- the strategic and directors' report (of a company) are consistent with the financial statements.

In appropriate circumstances dormant companies, subsidiary companies and some small private companies (and similarly LLPs) may be exempt from the requirement to have their accounts audited (see Appendix III for further information).

Audits are nevertheless often required by:

- Providers of finance.
- Business owners preferring to obtain the assurance of an audit.
- Regulatory or trade bodies.

FILING OF THE ACCOUNTS

All limited companies and LLPs must place a copy of their annual accounts on the public record by filing them with the Registrar of Companies.

For public and large companies, and LLPs, the filed accounts must be identical to those sent to the members. For medium-sized and small (qualifying, private) companies and LLPs the accounts filed with the Registrar at Companies House may be in a shortened format, although it must be said that the abbreviations available to medium-sized entities are minimal.

The accounts on the public file must bear the manuscript signatures of a director (essentially to confirm that these are an accurate copy of, or extract from, the shareholder accounts).

There are time limits starting from the end of a company's accounting reference period for the filing of the accounts with the Registrar of Companies. These are:

- for a public company – six months; or
- for a private company or an LLP – nine months.

Penalties are incurred when there is a breach of these time limits and directors may be prosecuted.

8 – UHY REPRESENTATION IN THE UK

UHY Hacker Young, a founder member of UHY, is a top 15* group of UK chartered accountants. Established over 90 years ago, UHY Hacker Young has grown into a national group of firms, either trading as UHY Hacker Young or in association with the UHY Hacker Young Group.

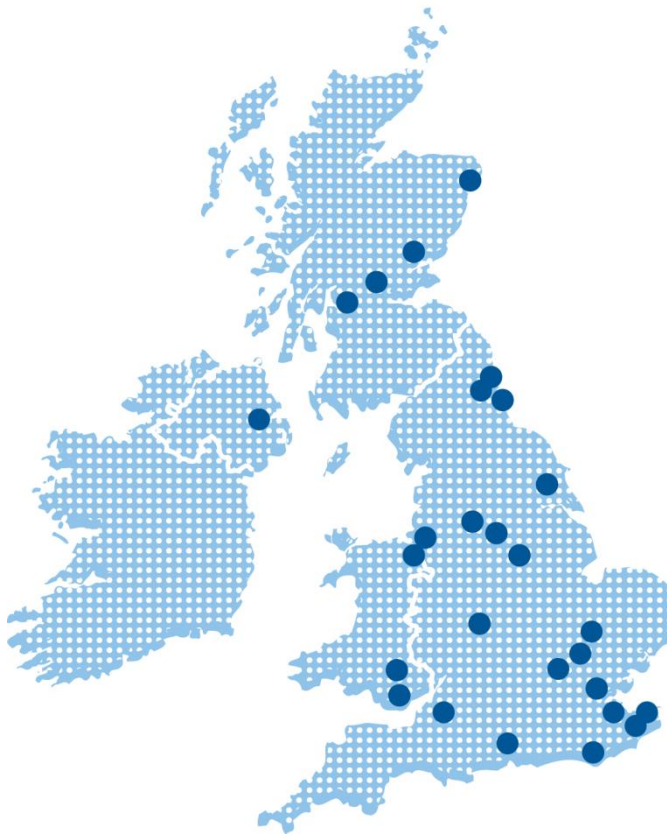
We have 27 offices in major business centres around the UK (listed below), providing a full range of tax, accounting and business advisory services to personal and corporate clients, including:

- audit and accounting
- company secretarial services
- corporate finance
- general business advice
- AIM support & admission
- corporate tax advice
- personal tax and financial planning
- VAT consultancy
- payroll administration
- bookkeeping, budgeting and forecasting
- independent financial advice
- Sarbanes Oxley advice
- corporate recovery and insolvency
- litigation support and forensic accounting
- FCA compliance
- tax investigations

Expanding your business abroad is a big step. In our London office, we have developed a number of international business desks geared specifically to supporting businesses in certain jurisdictions. Our current business desks, each led by partners either native to that country or with significant experience in the business jurisdiction, include: the US, China, Malaysia, India, Israel and Russia, CIS and CEE. You can make contact with our business desk leaders by visiting the International section on our website at www.uhy-uk.com.

* 2015 Accountancy Age and Accountancy Magazine league tables.

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- Chester
- Jarrow
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- Manchester
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- Nottingham
- Royston
- Sheffield
- Sittingbourne
- Sunderland
- Winchester
- York

Wales

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- Newport
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For more information on UHY Hacker Young, our people and services, please see our website: www.uhy-uk.com

The UHY Hacker Young Group is a group of independent partnerships.

Each office is registered to carry on audit work by either the Institute of Chartered Accountants in England & Wales or the Association of Chartered Certified Accountants. Where applicable, offices and their associated businesses are regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales or directly by the Financial Services Authority.

Full details for each office are available on our website:
www.uhy-uk.com/locations-people

International liaison partner
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APPENDIX I – SOURCES OF INFORMATION

BUSINESS ENVIRONMENT

Government services and information	www.gov.uk
Bank of England	www.bankofengland.co.uk
Companies House	www.companieshouse.gov.uk
Department for Business, Innovation and Skills	www.gov.uk/bis
Financial Conduct Authority	www.fca.org.uk
Insolvency Helpline	www.insolvencyhelpline.co.uk
UK Trade & Investment	www.ukti.gov.uk
Local Government Association	www.local.gov.uk
London Stock Exchange	www.londonstockexchange.com
ICAP Securities & Derivatives Exchange (formally PLUS)	www.isdx.com
Ministry of Justice	www.gov.uk/moj
Departments, agencies and public bodies	www.gov.uk
The Insolvency Service	www.bis.gov.uk/insolvency

FOREIGN INVESTMENT

Department for Business, Innovation and Skills	www.gov.uk/bis
General business advice	www.gov.uk
British Chambers of Commerce	www.britishchambers.org.uk
UK Trade and Investment	www.ukti.gov.uk/invest
Department for Environment, Food and Rural Affairs	www.gov.uk/defra
Companies House	www.companieshouse.gov.uk

SETTING UP A BUSINESS

Companies House	www.companieshouse.gov.uk
London Stock Exchange	www.londonstockexchange.com
ICAP Securities & Derivatives Exchange (formally PLUS)	www.isdx.com
HM Revenue & Customs	www.hmrc.gov.uk
Information Commissioner's Office	www.ico.org.uk
UK Intellectual Property Office	www.ipo.gov.uk

Insurance:

The Association of British Insurers	www.abi.org.uk
Chartered Insurance Brokers directory	www.cii.co.uk

Lawyers:

The Law Society (for England and Wales)	www.lawsociety.org.uk
The Law Society of Scotland	www.lawscot.org.uk

EMPLOYMENT

Chartered Institute for Personnel and Development	www.cipd.co.uk
Department for Business, Innovation and Skills	www.gov.uk/bis
Health & Safety Executive	www.hse.gov.uk
Directory website for health and safety issues	www.uksafety.net
British Employment Law	www.emplaw.co.uk

TAXATION

HM Revenue & Customs

www.hmrc.gov.uk

Chartered Institute of Taxation

www.tax.org.uk

ACCOUNTING AND REPORTING

The Institute of Chartered Accountants in

England and Wales

www.icaew.com

Companies House

www.companieshouse.gov.uk

A web based community site for accountants and
tax professionals, incl. directories and news services

www.accountingweb.co.uk

APPENDIX II – UK TAX RATES

For a full list of current tax rates please see the UHY Hacker Young website:

www.uhy-uk.com/resources-publications/tax-hub/tax-cards/tax-card-2015-16

MAIN INCOME TAX RELIEFS

Allowed at top rate of tax:

	2015/16	2014/15
Personal Allowance	GBP 10,600	GBP 10,000

Personal allowances are reduced by GBP 1 for every GBP 2 that taxable earnings exceed GBP 100,000. £1,060 may be transferable between certain spouses where neither pay tax above the basic rate.

INCOME TAX RATES AND BANDS

	2015/16	2014/15
Lower rate	*see below	*see below
Basic rate on first	GBP 31,785	GBP 31,865
Higher rate on next	GBP 118,214	GBP 118,135
Additional rate on taxable income over	GBP 150,000	GBP 150,000

Rates for dividends/interest/other – 2015/16 rates:

	Dividends	Interest	Other
Basic rate	10%	20%	20%
Higher rate	32.5%	40%	40%
Additional rate	37.5%	45%	45%

*0% starting rate for savings income up to GBP 5,000. Not applicable if taxable non-savings income exceeds GBP 5,000.

Dividends taxed as highest part of income, then interest:

Discretionary trust rate

	2015/16	2014/15
For dividend income	37.5%	37.5%
All other income	45%	45%

NATIONAL INSURANCE CONTRIBUTIONS – 2015/16 RATES, Class 1 (employees)

Employee contributions :

- On earnings between GBP 155.01 - 815 per week 12.0%
- On earnings above GBP 815 per week 2%

Employer contributions:

- On earnings over GBP 156 per week 13.8%

Lower rates apply if the employee is a member of a Contracted out Salary Related (COSR) scheme.

Employer contributions (at 13.8%) are due on most benefits in kind and on tax paid on an employee's behalf under a PAYE settlement agreement.

Class 2 (self-employed)

Flat rate per week	GBP 2.80
Small earnings exception: profits per annum	GBP 5,965

Class 3 (voluntary)

Flat rate per week	GBP 14.10
--------------------	-----------

Class 4 (self-employed)

On profits GBP 8,060–42,385	9.0%
On profits over GBP 41,865	2.0%

INHERITANCE TAX

Charges on or after 6 April 2015

RATES

GBP 0–325,000	Nil
Above GBP 325,000	40%
Lifetime chargeable transfers payable at half the death rate, ie 20%.	

Business property relief stands at 100% for all shareholdings in qualifying unquoted trading companies and for most unincorporated trading businesses; agricultural property relief stands at 100% for qualifying holdings of agricultural land.

Annual exemption for lifetime gifts	GBP 3,000
Small gifts – annual amount per donee	GBP 250

Reduced tax charge on transfers within seven years of death

Years before death	% of death rates
0–3	100
3–4	80
4–5	60
5–6	40
6–7	20
Over 7	Nil

CAPITAL GAINS TAX

Annual exempt amount

2015/16

Individuals	GBP 11,100
Trustees	GBP 5,550

Net gains after all reliefs and annual exempt amounts are taxed at 18% for basic rate tax payers. Individuals in the higher and additional rate band and trusts are taxed at 28%. Gains qualifying for Entrepreneurs' Relief up to GBP 10 million are taxed at 10%. Gains in excess of the limit are charged at the rates detailed above.

CORPORATION TAX - YEAR TO 31 MARCH 2016

All profits at 20%.

MAIN CAPITAL ALLOWANCES

	Allowance
Plant and machinery	
– writing down allowance	18%
Integral assets and long life assets	8%
– certain energy efficient plant, including low emission cars	100%
– cars up to 130g/km CO ₂	18%
– cars over 130g/km CO ₂	8%

Annual investment allowance – the current limit is GBP 500,000. 100%
This is available until 31 December 2015. From 1 January 2016
the rate will reduce to £200,000.

VALUE ADDED TAX

Standard rate (1/6 of VAT-inclusive price)	20%
Registration level from 1 April 2015	GBP 82,000 per annum
Deregistration level from 1 April 2015	GBP 80,000 per annum

STAMP DUTY

Land and buildings in England, Wales and Northern Ireland:

Rate %	Residential* (£)	Non-residential** (£)	Rate (%)
0	0 -125,000	0 – 150,000	0
2	125,001 – 250,000	150,001 – 250,000	1
5	250,001 – 925,000	250,001 – 500,000	3
10	925,001 – 1,500,000	Over 500,000	4
12	1,500,001 and over		

*Payable on consideration which falls in each bracket.

** Payable on total consideration once limit is breached.

SDLT is charged at 15% on interests in residential dwellings costing more than £500,000 purchased by certain non-natural persons for acquisitions with an effective date on or after 20 March 2014.

LAND AND BUILDINGS TRANSACTION TAX

Land and buildings in Scotland:

Rate %	Residential (£)	Non-residential (£)	Rate (%)
0	0 - 145,000	Up to £150,000	0
2	145,001 – 250,000	150,001 – 350,000	1
5	250,001 – 325,000	Over 350,001	3
10	325,001 – 750,000		4
12	750,001 and over		

The rates apply to the proportion of the total value which falls within each band in respect of transactions with an effective date on or after 1 April 2015.

Rates are for guidance only. No responsibility for loss occasioned by any person acting/refraining from action as a result of this information can be accepted by the authors or firm.

APPENDIX III – ACCOUNTING THRESHOLDS

QUALIFYING FOR REDUCED OBLIGATIONS AS A SMALL OR MEDIUM-SIZED COMPANY

Certain disclosures and statutory exemptions are available to small and medium-sized companies. There are however a number of qualifying conditions that have to be met before a company can be classified as small or medium-sized, not just relating to size.

The size criteria are shown in the table below. At least two out of three of these conditions must be met in the year in question for a company to qualify as small or medium-sized, as the case may be. After a company's size has been established (by reference to these criteria) the company does not qualify for any smaller category unless it meets the more stringent criteria for two consecutive years. Similarly a company does not move up to a new category until it has exceeded two or more of the thresholds for two consecutive years.

SIZE CRITERIA FOR SMALL AND MEDIUM-SIZED COMPANIES:

	Condition	Small company	Medium-sized company
1	Turnover	GBP 6,500,000	GBP 25,900,000
2	Balance sheet total	GBP 3,260,000	GBP 12,900,000
3	Average number of employees	50	250

In addition, there are no exemptions available to a company which:

- is a public company;
- is an authorised insurance or banking company;
- carries out an insurance market activity or one of several other regulated financial businesses; or
- is, or was in the year concerned, a member of an ineligible group.

A group is ineligible if any of its members is a public company or a body corporate not registered under the Companies Act whose shares are traded on a regulated market (stock exchange) in the EU (for a small company) or anywhere (for a medium-sized company), or which carries out one of the regulated financial activities specified in the legislation.

AUDITING EXEMPTIONS

A small company as defined is not required to be audited; where the company is part of a group, the group as a whole must be “small” for the audit exemption to apply. Members with 10% or greater shareholdings may insist that an audit is carried out.

In certain circumstances a subsidiary is not required to be audited if it is consolidated into the accounts of a parent that gives a public and binding guarantee of the subsidiary's liabilities. As above, members can insist on an audit being carried out. The subsidiary must nevertheless prepare and file “true and fair accounts” and the auditors of the parent company may well require that some or even extensive audit procedures are undertaken in order to complete their audit of the group accounts.

APPENDIX IV – NATIONAL MINIMUM WAGE RATES

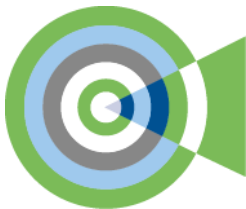
The National Minimum Wage is the minimum pay per hour almost all workers are entitled to by law. It depends on a worker's age and if they're an apprentice. Workers must be school leaving age or over to get the minimum wage.

NATIONAL MINIMUM WAGE RATES PER HOUR FROM 1 OCTOBER EACH YEAR

	2015 (from 1 October)	2014 (current rate)
Adult (21 and over)	GBP 6.70	GBP 6.50
18 to 20	GBP 5.30	GBP 5.13
Under 18 (16 and 17)	GBP 3.87	GBP 3.79
Apprentice*	GBP 3.30	GBP 2.73

The offset rate for accommodation charges is currently £5.08 a day or £35.56 a week.

*This rate is for apprentices aged 16 to 18 and those aged 19 or over who are in their first year. All other apprentices are entitled to the National Minimum Wage for their age.



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