

*Lovewell Blake* LLP  
CHARTERED ACCOUNTANTS

IN PARTNERSHIP  
WITH YOUR BUSINESS

Kevin Bunting  
Tax Partner  
Lovewell Blake LLP

Tel: +44 1943 335100

Email: [k.bunting@lovewell-blake.co.uk](mailto:k.bunting@lovewell-blake.co.uk)

# Operating thorough the UK

## Things to know and use

## Content of talk

Introduction to the UK tax system

The basic tax rates

UK “open for business”

Things you can tell your client about creating a UK company

UK company as hub for international activity

Tax issues for employees/directors/shareholders sent to the UK

## Introduction to the UK tax system

- UK sets it's own tax policy via annual budget (March)
- Annual autumn statement can amend tax policy or outline changes for following April
- European Union (EU) not the same as the European Economic Area (EAA)
- Local VAT rules can be overruled by European Directive
- European Directive can recommend changes to anti competitive 'direct' tax legislation
- Individual tax year runs from 6 April to following 5 April
- Company tax year runs from 1 April to following 31 March
- Aggressive tax avoidance developed in UK over past 10 years and retrospective legislation introduced to combat artificial tax arrangements
- General Anti Abuse Rule introduced in July 2013
- Stealth taxation increased

## Basic UK tax rates (all current):

### Corporation Tax rates

- 20% Small company rate (profit up to £300k)
- 23% Large company rate (profit exceeding £1.5m)
- 23.75% Marginal rate (profit between £300k to £1.5m)
- 10% Patent box

### Value Added Tax (VAT) rates

- 20% Standard rate (majority of sales)
- 5% Reduced rate (covers rates and certain property sales)
- 0% Zero rate (New build housing / essential supplies)
- Exempt Exempt (property conversions)

## Basic UK tax rates (all current) cont....:

### Stamp Duty Land Tax (property purchases):

#### Residential

0% £0 - £125k

1% £125k - £250k

3% £250k - £500k

4% £500k - £1m

5% £1m - £2m

7% £2m +

15% £2m + (property purchased in company)

#### Non residential

0% £0 - £150k

1% £150k - £250k

3% £250k - £500k

4% £500k +

## Basic UK tax rates (all current) cont....:

### Non Natural Person (NNP) owning UK residential property

- Structures have been used to overcome SDLT
- NNP = include company and partnership with one company member
- Applies to UK residential property valued at over £2m each 1 April
- Annual Tax on Enveloped Dwellings (ATED) introduced from April 2013
- Annual charges:
  - £2m - £5m            £15,000
  - £5m - £10m        £35,000
  - £10m - £20m      £70,000
  - £20m +             £140,000
- Property developers must file return to elect for relief
- Only limited automatic exemption



## Basic UK tax rates (all current) cont....:

### Personal income tax rates on earnings:

#### Income tax:

0%	£0 - £9,440
20%	£9,441 - £41,450
40%	£41,451 - £100,000
60%	£100,001 - £118,880
40%	£118,881 - £150,000
45%	£150,001 +

#### National Insurance:

0%	£0 - £7,755
12%	£7,756 - £41,450
2%	£41,451 +

Dividend tax rates (10%, 32.5%, 37.5%)

## UK “open for business”

- A conservative lead coalition Government has pushed the UK treasury to develop concepts which attract international business
- Some policy has come under fire from European neighbours
- Examples of recent policy:
  - Cutting of large company corporation tax from 28% to 20% (2015)
  - Statutory Residence Test for individuals (offers certainty)
  - Relaxing of income tax rules for non domiciled investment in UK enterprise
  - UK management and control not dictated by server location for IT based technology
  - Increased R&D tax relief for technology and science investment (up to 225%)
- Whilst unlikely, recent concept looked at abolishing Corporation Tax

## Things you can tell your client about creating a UK company

- Company can be formed overnight, but generally expect 3 days
- Accountants, lawyers and client can form NewCo
- Formation agent will charge around £100 to form NewCo
- Cost around £650 to complete all NewCo registrations
- UK bank account can take 4 weeks to open (money laundering)
- Invoicing can commence on day of incorporation
- Year end can be determined on incorporation and be changed
- No need for local director / shareholder
- Dormant accounts possible

## Things you can tell your client about creating a UK company

### UK company compliance

- Taxable Co = UK incorporated or company centrally managed & controlled from UK
- Form CT41G must be filed with HMRC
- VAT registration required where turnover to exceed £79,000
- Payroll scheme must be created where there are employees
- Payroll details submitted online (known as RTI)
- Accounts must be filed in sterling
- Accounts filed with companies house within 9 months of year end
- Corporation tax due 9 months and 1 day after YE
- Large companies pay CT by 1/4ly instalments
- Audit required for companies which meet two of three conditions

## UK company as a hub for international operations

- The most Double Taxation Agreements of any nation (over 120)
- Flexible group relief / EEA trading losses can be surrendered
- Substantial shareholdings exemption
- Patent income

## UK company as a hub for international operations (cont...)

### Group relief

- Available to 75% subsidiaries
- Members can be non resident, but restrictions apply on relief
- Benefits of group relief include the sharing of:
  - Trading losses
  - Capital allowances
  - Rental losses
  - Capital gains automatically treated as no gain / no loss
- Watch de-grouping charge
- Stamp Duty Land Tax exemption

## UK company as a hub for international operations (cont...)

### Substantial Shareholdings Exemption (SSE)

- Available where UK Co owns at least 10% of share capital
- UK company does not need to be owned by another company
- Shares must be in a trading company / owned for 12 months +
- Gain on sale of shares exempt from UK tax
- De-grouping charge can be washed out through SSE
- Sale proceeds can be distributed to parent or shareholder (US tax only)

## UK company as a hub for international operations (cont...)

### Patent income

- 10% tax rate (whether on profit from royalties or product sales)
- Election must be made to claim tax rate
- Covers IP rights / exclusive licence to exploit IP
- IP must be registered in UK or European Patent Convention
- Losses can be offset against other IP profits



## UK resident employees / directors / shareholders

- Since 6 April UK has a Statutory Residence Test (SRT)
- Non Domicile status – benefits?
- Income and incentives
- Capital Taxes relief
- Don't forget to have a UK Will

## UK resident employees / directors / shareholders (cont...)

### Statutory Residence Test (SRT)

- Statutory rules to govern individual UK tax residence
- SRT overruled by DTA
- Creates three scenarios:
  - Automatically non UK tax resident
  - Automatically UK tax resident
  - Neither of above; restrict UK resident days based on ties
- Day in UK if present at midnight
- Special rules cover full time employment – should this be claimed?

## UK resident employees / directors / shareholders (cont...)

### Non domiciles (non doms)

- Father / taxpayer born outside UK = non domiciled
- Automatically taxed on arising basis for income and gains
- Non dom can benefit from remittance basis of taxation (income and capital gains)
- Remittance basis = UK income/gains and any foreign income/gains remitted to UK
- After seven continuous years of UK residence there is an annual charge to benefit from remittance basis = £30k
- After nine years of continuous UK residence annual remittance basis charge increases = £50k
- No remittance tax charge for capital brought to UK to fund business activity

## UK resident employees / directors / shareholders (cont...)

### Income and incentives

- DTA dictates worker taxed in country of employment
- UK PAYE system will apply to earnings
- UK tax relief permitted on qualifying contributions to US pension scheme
- First 5 years of employment special social security rules apply
- Offer equity incentive to grow business – sell at 10% tax rate
- Use non dom status to shelter income from UK tax?
- Rebasing permitted for capital assets owned outside UK?

## UK resident employees / directors / shareholders (cont...)

### Capital taxes relief

- Consider UK relief for those who stay in the UK
- 10% capital gains tax on selling unquoted trading company shares
- 100% relief on death for shares held worldwide in unquoted trading company / uplift in capital cost
- Home exempt from UK tax on sale / after occupation ends
- Would need to ‘sever’ US citizenship to get full benefit

# Q & A

Kevin Bunting  
Tax Partner  
Lovewell Blake LLP



