

Doing Business Guide

The UK

1st Edition

MHA

www.mha-uk.com



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Morison International

About This Booklet

This booklet has been produced by MHA for the benefit of its clients and associate offices worldwide who are interested in doing business in the UK.

Its main purpose is to provide a broad overview of the various things that should be considered by organisations considering setting-up business in the UK.

The information provided cannot be exhaustive and – as underlying legislation and regulations are subject to frequent changes – we recommend anyone considering doing business in the UK or looking to the area as an opportunity for expansion should seek professional advice before making any business or investment decision.

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MHA is a UK association of independent accountants and business advisers.

While every effort has been made to ensure the accuracy of the information contained in this booklet, no responsibility is accepted for its accuracy or completeness.

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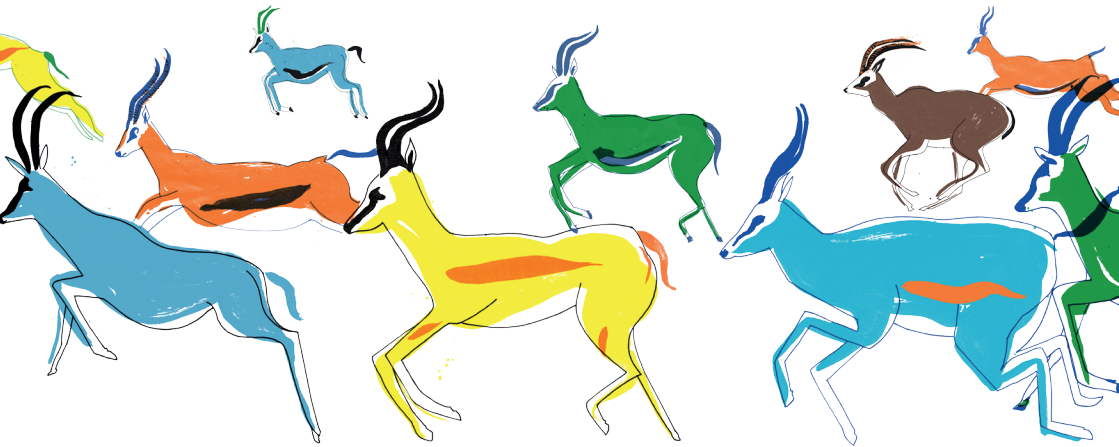
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Overview

- Population of 62.3 million (Oct 2012 – UK Office for National Statistics)
- Working age population projected to rise from 38.4 million in 2010 to 41.6 million in 2020 (www.parliament.co.uk)
- Sixth largest economy in the world with a GDP in 2011 of US\$ 2,431 billion (UK Office for National Statistics)
- Received highest number of foreign direct investment projects in Europe in 2010
- Member of the European Union (EU), the world's largest trading entity, with nearly 500 million consumers and a GDP of approximately US\$ 17,400 billion.



Economy

Economic Growth

Over the last 10 years, GDP growth in the UK has regularly outpaced or matched growth in the European Union. As with other major countries globally, the UK economy contracted in 2009 before returning to growth in 2010.

Exchange Rates

The UK Government has policies that encourage a stable and competitive pound, consistent with the objective of price stability. For detailed information on the latest exchange rates please visit <https://www.uktradeinfo.com/Pages/Home.aspx>.

Interest Rates

The official Bank Rate in the UK is set independently by the Bank of England and is subject to review on a monthly basis. For the latest rate, please visit the Bank of England website: <http://www.bankofengland.co.uk>.

Inflation

The Bank of England has full operational independence in setting interest rates to meet the Government's inflation target of 2% for the annual increase in the Consumer Price Index CPI. The CPI is based on the internationally comparable "Harmonised Index of Consumer Prices". For further information, please visit the Bank of England website: <http://www.bankofengland.co.uk>.

A Proven Investment Location

The UK has a very strong track record in attracting foreign investment. The Financial Times, through its fDi Intelligence Report 2012, ranks the UK as the primary foreign direct investment (FDI) location in Europe. UNCTAD (United Nations Conference on Trade and Development) reported 7% growth in the UK's FDI inflows to reach US\$ 53.9 billion in 2011. It also confirmed the UK as the largest recipient of FDI stock in Europe, and second in the world behind the US, ahead of Hong Kong and France. The level of FDI stock in the UK rose 3% to reach US\$ 1,198 billion. (Source: World Investment Report 2012, UNCTAD & UK Trade & Investment).

Foreign direct investment in the UK created or safeguarded 112,659 jobs from 1,406 projects over the 2011/12 period. (Source: UK Trade & Investment).

In addition, the UK is the second largest single destination globally for US investment and in 2009 accounted for 24% of all US investment stock in the European Union. Indeed, the UK has attracted more US investment than the combined totals of Germany, France, Spain, Italy and Ireland (Source: US Department of Commerce, 2010).

More overseas companies have their headquarters in the UK than in France and Germany put together. (Source: Foreign & Commonwealth Office, 2012).

The UK as an Export Base

The UK is one of the leading trading nations in the world. It is the second largest exporter and fourth largest importer of commercial services, and the tenth largest exporter and sixth largest importer of merchandise. (Source: World Trade Organization, 2011)

Leading destinations for UK products and services include the US 17.3% of all exports, Germany 9% and France 6.6%. Exports of goods and services to the EU as a whole accounted for 48.7% of all UK exports.

Global Financial Centre

London's global financial centre was ranked 1st in the 2011 Global Financial Centres Index. Across the UK, there are over 1 million people employed in the financial services sector.

Taxation Landscape

The UK has a relatively lightly taxed economy, with the overall tax burden well below the average for the EU and, in particular, countries such as Germany, France, the Netherlands, Belgium, Sweden, Denmark and Italy. (Source: Eurostat, 2010).

Corporate Tax Rates

The "standard" or "main" rate of corporation tax in the UK is 24% (April 2012) and is planned to reduce to 21% from April 2014. The UK has the largest network of treaties for the avoidance of double taxation globally and the majority of UK-based companies also benefit from an exemption from corporation tax on any foreign dividends that they receive. The UK also has an extensive range of capital allowances that allow the costs of capital assets to be written off against taxable profits.

Employer Social Security

UK companies pay National Insurance Contributions (NIC) on the earnings of each individual employee earning over a threshold weekly salary. Employers pay less social security contributions in the UK than in most other European countries.

Indirect Taxation

Value added tax (VAT) is due on goods and services supplied in the UK and on the importation and acquisition of goods and some services. A company has to charge VAT when their taxable turnover is above, or expected to be above, the registration threshold.

ICT (Information and Communication Technology) Infrastructure Landscape

The overall quality and reliability of the ICT infrastructure is a critical factor for businesses across all sectors. The UK has one of the strongest ICT infrastructures in the world. Privatisation of major ICT service providers has led to greater competition and lower prices with the result that ICT costs in the UK are highly competitive and companies are able to select from a range of providers and tariffs to suit their specific requirements.

Commercial Property and Planning

Property in the UK has a designated use defined in local planning laws. These rules are designed to separate residential, industrial, commercial and agricultural activities in a predictable and transparent structure. Commercial and industrial premises are available in most regions of the UK on rental or outright purchase terms.

Some business activities require specific planning approval or are restricted to designated areas for reasons such as risk of pollution or heavy use of transport links.

Finance, Grants and Incentives in the UK

Businesses based in the UK have access to the one of the biggest financial services sectors in Europe. Options range from simple, low cost and accessible business banking services in every town through to specialist corporate funding products or full listing on the London Stock Exchange. In addition businesses can access a wide range of grants, incentives and tax allowances, providing financial support and assistance for R&D (research and development), investment in business and networking.

UK Government Support for Business

Businesses based in the UK are able to access a wide range of discretionary grants and incentives from the devolved government agencies, local development agencies and local business support organisations.

ENGLAND - The Regional Growth Fund (RGF) is a £2.4billion fund operating across England from 2011 to 2015. It supports projects and programmes that lever private sector investment to create economic growth and sustainable employment. It aims particularly to help those areas and communities which were dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity. For further information, please see www.bis.gov.uk/rgf.

Enterprise Zones also provide a range of incentives for businesses and are a powerful expression of the Government's pro-growth agenda. The core offer for businesses in a Zone is around simplified planning and business rates discounts, with Zones having the potential to develop innovative solutions to support local business needs.

The first Enterprise Zones in England, Wales and Scotland have been operational since April 2012.

For more information on Enterprise Zones, in England, visit <http://enterprisezones.communities.gov.uk>.

For more information on Enterprise Zones in Wales, visit <http://www.enterprisezones.wales.gov.uk>.

For more information on Enterprise Areas in Scotland, visit <http://www.sdi.co.uk/invest-in-scotland/enterprise-areas.aspx>.

SCOTLAND - There are several grants and incentives available to help businesses in Scotland. These range from local schemes offering small sums to national funds such as Regional Selective Assistance that offer subsidies to support business investment projects. In addition, there are particular arrangements for financial assistance in the Highlands and Islands area of Scotland. For more information on Enterprise Areas in Scotland, visit <http://www.sdi.co.uk/invest-in-scotland/enterprise-areas.aspx>.

WALES - In Wales, grants and incentives are available from the Welsh Government and include grants for capital expenditure, job creation and safeguarding, research and development and training. In addition smaller grants are available from the local authorities.

Wales also has a number of Enterprise Zones which are designated areas where specific incentives are offered to attract new businesses and industry to that prime location. For more information on Enterprise Zones in Wales, visit <http://www.enterprisezones.wales.gov.uk>.

NORTHERN IRELAND - Grants and incentives are available to companies located in Northern Ireland that have completed the free-of-charge "Business Health Check" undertaken by Invest Northern Ireland. To be eligible for support, companies must be either a manufacturing business or a business offering internationally tradable services.

Grants and Incentives for Research and Development (R&D)

R&D tax credits are available for large corporations and SMEs (small and medium enterprises) investing in R&D. Specific definitions exist for corporation size and qualifying R&D.

Companies can claim R&D Tax Credits for revenue spent carrying out R&D for the following:

- Employing staff directly or paying a staff provider for staff who are actively engaged in carrying out R&D
- Consumable or transformable materials used directly in carrying out R&D
- Power, water, fuel and computer software used directly in carrying out R&D.

In addition to the normal 100% deduction, large companies are entitled to a further deduction from their taxable income of 30% of their current spending on qualifying R&D.

In addition to the normal 100% deduction, SMEs are entitled to a further deduction from their taxable income of 125% of their current spending on qualifying R&D.

Grants are also available to support R&D through each phase of the R&D process including proof of market, proof of concept and experimental development.

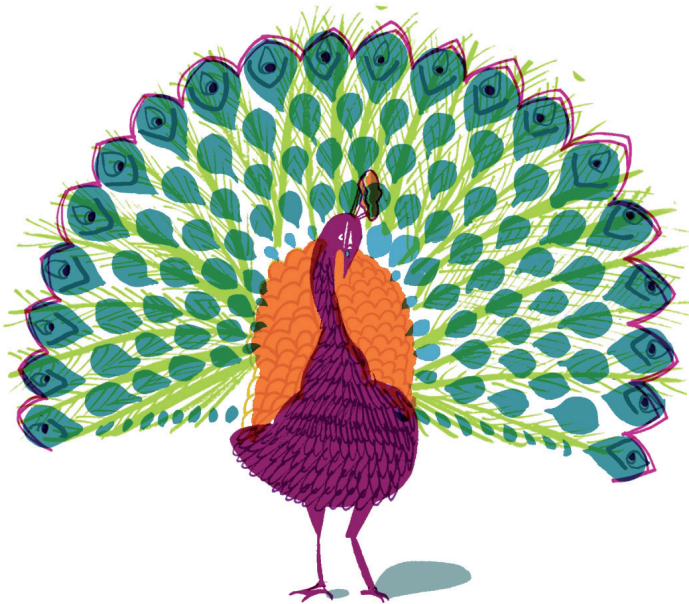
Supporting Intellectual Property in the UK

The UK has implemented a "Patent Box" to encourage companies to locate the high-value jobs and activity associated with the development, manufacture and exploitation of patents in the UK. It will also enhance the competitiveness of the UK tax system for high-tech companies that obtain profits from patents.

- From April 2013 companies will be able to elect into the regime and enjoy a 10% tax rate on profits relating to qualifying patent rights.
- This compares with the normal corporate tax rate of 24%.
- If a patent is pending relief can be claimed once the patent is granted in respect of up to the previous 6 years.
- The regime is being phased in over 5 years with 60% of the benefit available from 1 April 2013 increasing steadily to 100% by 1 April 2017.

- It is intended to be of wide application and allows the relief to extend to products which include a patented part even though the majority of the product is not patented, e.g. a patented printer cartridge in a non patented printer will bring all the profit on sale of the printer into the regime.

The key organisation responsible for overseeing intellectual property rights (IPR) in the UK is the UK Intellectual Property Office (<http://www.ipo.gov.uk>) which is also responsible for ensuring compliance with International IPR agreements and represents the UK at the World Intellectual Property Organization, the European Union and the World Trade Organisation.



Legal Structures of UK Businesses

Legal and Regulatory Environment

The UK's legal system is one of the world's most supportive for businesses. The World Bank recently ranked the UK 2nd in the EU and 7th in the world for 'ease of doing business' – with key factors including a regulatory environment conducive to starting a business, the ability to enforce contracts, general legal protection for business and a pragmatic and transparent approach to upholding intellectual property rights.

Form a Company Fast in the UK

The UK has a fast, open, transparent and business-friendly system to encourage the formation of new businesses. No permission is required to establish a business presence in the UK and your business can be registered within 24 hours.

There are four different types of UK registered company:

- **Private Company Limited by Shares** ("Ltd") – the members' liability is limited to the amount unpaid on shares they hold
- **Private Company Limited by Guarantee** – the members' liability is limited to the amount they have agreed to contribute to the company's assets if it is wound up
- **Private Unlimited Company** – there is no limit to the members' liability
- **Public Company Limited by Shares** ("plc") – the minimum issued share capital is £50,000 and the company's shares can be offered for sale to the general public through a stock exchange and the members' liability is limited to the amount unpaid on shares held by them.

Most foreign companies set up a private limited company that is a subsidiary of the overseas company.

Alternative Business Structures for Foreign Investors

A UK Establishment (Branch) – Part of an overseas limited company organised to conduct business in the UK.

Partnerships – The partners have "joint and several" liability for all debts. If a partner cannot pay their share of any debts, then the other partners become liable in addition to their own share of debt.

Limited Partnerships – One or more "general partners" who are liable for all debts and obligations of the firm, and one or more "limited partners" who contribute sums of money as capital, or property valued at a stated amount. Limited partners are not liable for the debts and obligations of the firm beyond the amount contributed.

Limited Liability Partnerships (LLP) – An LLP provides the benefits of limited liability but allows its members the flexibility of organising their internal structure and tax arrangements as a traditional partnership.

Joint Ventures - An overseas company can form a base in the UK by joining with a UK company.

European Public Limited Company – (also known as a *Societas Europaea* or “SE”) An SE can be registered in any country within the European Economic Area although the registered office and head office must be in the same country. An SE must have share capital and shareholders whose liability is limited in a similar manner to that of a plc. The major benefit of an SE is that the registered office can be transferred to another European country without a loss of legal status.

MHA member firms give advice and assistance on forming a company in the UK. For further information, please speak to your Morison International contact who will put you in touch with the most relevant MHA firm.

Immigration

Immigration for Investors

Setting up in a new country brings the opportunity for you and your staff to work and perhaps live overseas as your new venture comes to life. The UK has recognised this and put in place helpful immigration measures to encourage investment through the Visa for Entrepreneurs programme and transparent and clearly accessible visa processes for other staff. Once based in the UK you will have access to the UK education system, many areas of outstanding natural beauty and world renowned cultural and sporting activities.

Immigration to the UK

Investors, entrepreneurs, exceptionally talented people and recent graduates from UK universities can apply to enter or stay in the UK without needing a job offer but will need to pass the UK points-based assessment.

For more details and to find out about visas visit the UK Border Agency website:
<http://www.ukba.homeoffice.gov.uk>.

Visas for Entrepreneurs and Investors - fast and flexible

The UK Government's new rules fast-track settlement for high-value investors and entrepreneurs who come to the country and invest large sums of money. Major investors will also enjoy more residency flexibility before they lose their right to settlement. More information is available on the UK Border Agency website: <http://www.ukba.homeoffice.gov.uk>.

The UK Legal System

In the UK there are three distinct legal jurisdictions, each having its own court system, legal profession and central body responsible for regulation of its legal system. These are:

- England and Wales - www.lawsociety.org.uk
- Scotland - www.lawscot.org.uk
- Northern Ireland - www.lawsoc-ni.org

It is essential that businesses take appropriate legal advice when operating in the UK.

Useful Organisations

Development Agencies

Scottish Development International Enquiry desk

Scottish Development International
Atlantic Quay
150 Broomielaw
Glasgow G2 8LU

Tel: +44 (0)141 917 9534

Email: see website

Web: www.scottishdevelopmentinternational.com

Finance Wales

Oakleigh House
Park Place
Cardiff CF10 3DQ

Tel: +44 (0)29 2033 8100

Email: see website

Web: www.financewales.co.uk

Government Bodies

Home Office

Direct Communications Unit
2 Marsham Street
London SW1P 4DF

Tel: +44 (0)20 7035 4848

Email: public.enquiries@homeoffice.gsi.gov.uk

Web: www.homeoffice.gov.uk

Department for Work and Pensions

Caxton House
Tothill Street
London SW1H 9DA

Tel: +44 (0)207 7962 8000

Email: see website

Web: www.dwp.gov.uk

UK Border Agency

PO Box 3468
Sheffield S3 8WA

Tel: +44 (0)114 202 2867

Email: sponsor.management@ind.homeoffice.gsi.gov.uk

Web: www.ukba.homeoffice.gov.uk

Wales

Welsh Government

Cathays Park
Cardiff CF10 3NQ

Tel: +44 (0)3000 603000

Email: see website

Web: www.wales.com

Regulatory and Supervisory Bodies

British Standards Institute (BSI)

Group Headquarters
389 Chiswick High Road
London W4 4AL

Tel: +44 (0)20 8996 9001

Email: cservice@bsigroup.com

Web: www.bsigroup.co.uk/en/

Department for Business, Innovation and Skills

Ministerial Correspondence Unit
1 Victoria Street
London SW1H 0ET

Tel: +44 (0)20 7215 5000

Email: enquiries@berr.gsi.gov.uk

Web: www.bis.gov.uk

Financial Services Authority (FSA)

25 The North Colonnade
Canary Wharf
London E14 5HS

Tel: +44 (0)20 7066 1000
Email: see website
Web: www.fsa.gov.uk

Health and Safety Executive (HSE)

Redgrave Court
Merton Road
Bootle
Merseyside L20 7HS

Web: www.hse.gov.uk

Institute of Directors (IoD)

116 Pall Mall
London SW1Y 5ED

Tel: +44 (0)20 7839 1233
Email: enquires@iod.com
Web: www.iod.co.uk

Office of Fair Trading

Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

Tel: +44 (0)20 7211 8000
Email: enquiries@oft.gsi.gov.uk
Web: www.oft.gov.uk

Intellectual Property Office

Concept House
Cardiff Road
Newport NP10 8QQ

Tel: +44 (0)1633 814 000
Email: enquiries@ipo.gov.uk
Web: www.ipo.gov.uk

Registrar of Companies (Companies House)

Companies House
International Advisory Services

Crown Way
Maindy
Cardiff CF14 3UZ

Tel: +44 (0)303 1234 500
Email: enquiries@companies-house.gov.uk
Web: www.companieshouse.gov.uk

Taxation

Chartered Institute of Taxation (CIOT)

First floor
11-19 Artillery Row
London SW1P 1RT

Tel: +44 (0)20 7340 0550
Email: post@tax.org.uk
Web: www.tax.org.uk

HM Revenue & Customs

Depends on location of business/individual

Tel: see website
Email: see website
Web: www.hmrc.gov.uk

Trade Association and Advisory Services

UK Trade & Investment

UK Trade & Investment Enquiry Service
BIS Enquiry Unit
1 Victoria Street
London, SW1H 0ET

Tel: +44 (0)20 7215 5000
Email: See website
Web: www.ukti.gov.uk

British Exporters Association (BEA)

Broadway House
Tothill Street
London SW1H 9NQ

Tel: +44 (0)20 7222 5419
Email: hughbailey@bexa.co.uk
Web: www.bexa.co.uk

British Retail Consortium

21 Dartmouth Street
London SW1H 9BP

Tel: +44 (0)20 7854 8900

Email: info@brc.org.uk

Web: www.brc.org.uk

Confederation of British Industry (CBI)

Centre Point
103 New Oxford Street
London WC1A 1DU

Tel: +44 (0)20 7379 7400

Email: see website

Web: www.cbi.org.uk

Export Credits Guarantee Department (ECGD)

2 Exchange Tower
Harbour Exchange Square
London E14 9GS

Tel: +44 (0)20 7512 7000

Email: help@ecgd.gsi.gov.uk

Web: www.ecgd.gov.uk

Federation of Small Businesses (FSB)

Sir Frank Whittle Way
Blackpool Business Park
Blackpool FY4 2FE

Tel: +44 (0)1253 336 000

Email: membership@fsb.org.uk

Web: www.fsb.org.uk

Institute of Export (IOE)

Export House
Minerva Business Park
Lynch Wood
Peterborough PE2 6FT

Tel: +44 (0)1733 404 400

Email: institute@export.org.uk

Web: www.export.org.uk

Organisation for Economic Co-operation and Development (OECD)

2 rue André Pascal
75775 Paris Cedex 16
France

Tel: +33 1 45 24 82 00

Email: webmaster@oecd.org

Web: www.oecd.org

Sources

The majority of the information in this guide is sourced from UKTI (www.ukti.gov.uk) unless otherwise stated.

The Next Step

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