

The background of the page features a world map in shades of blue and grey. Overlaid on the map is a data table with various numerical values. In the upper left corner, the MGI logo is displayed in a bold, blue, lowercase sans-serif font. To the right of the logo, three curved lines in a lighter blue shade arc upwards and to the right, each ending in a solid blue dot.

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PREFACE

This booklet has been prepared by Midgley Snelling, a United Kingdom member of MGI for the information of clients and fellow member firms in MGI.

Whilst every care has been taken in the preparation of this booklet, no responsibility can be accepted for inaccuracies. Clients are also advised that the law and practice may change from time to time.

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1 INTRODUCTION

- 1.1 This booklet is intended as a brief summary of information about the United Kingdom for individuals or companies wishing to do business with or invest in the United Kingdom. It also gives a summary of the general matters to be considered by new residents in the United Kingdom.
- 1.2 This booklet can serve only to draw attention to what are considered to be important matters and it is important that the businessman or potential investor in the United Kingdom obtain professional advice before proceeding.
- 1.3 Member firms of MGI publish a number of other booklets on matters of United Kingdom and international finance and commercial interest. Please contact any of the UK firms for further details.

2 THE COUNTRY AND ITS GOVERNMENT

- 2.1 The full and proper name of the United Kingdom is the United Kingdom of Great Britain and Northern Ireland. It comprises England, Scotland, Wales and Northern Ireland.
- 2.2 The United Kingdom lies off the north-western coast of mainland Europe. Its area is approximately 93,000 square miles with a population of nearly 62 million. London, the capital city, lies in the south-east corner of England and has a population of nearly 8 million, making it one of the most populous cities in the world.
- 2.3 The present monarch of the United Kingdom is Queen Elizabeth II whose power is exercised solely through Parliament.
- 2.4 Parliament consists of two chambers or houses. The lower house is the House of Commons which currently consists of 650 members elected for a maximum period of five years by direct vote. The upper house or House of Lords consists of life and elected hereditary peers and its function is considered to be more that of a reviewing body than the instigator of new legislation.
- 2.5 Both Houses are divided on party political lines. The two major parties within the United Kingdom are the Conservative Party and the Labour Party, who for many years now have exercised the role of either Government or Opposition. Of the other national parties represented in Parliament, the main one is the Liberal Democratic Party. The present Government is a coalition made up of members of both the Conservative and Liberal Democratic Parties.

3 THE LEGAL SYSTEM

- 3.1 The law in the United Kingdom is a mixture of common law and statute law. There is no written constitution. The common law of the United Kingdom has grown over several hundred years and is unwritten. Much of the law relating to contracts is common law and is based on business practice. Statute law consists of Acts of Parliament.
- 3.2 It is a principle of United Kingdom law that statute law always overrides common law where the two are in conflict. It is additionally necessary to look at the body of case law (the law embodied in various judgements given by the Courts) when considering any problem.
- 3.3 Acts of Parliament do not in general extend either to the Isle of Man or the Channel Islands except with the prior agreement of the legislature in those islands. However, the British Government retains the right to legislate for the foreign affairs and the defence of those islands and may also enter into certain international agreements which affect them, for example conventions on human rights and broadcasting frequencies.
- 3.4 It is important to be aware that the Isle of Man and the Channel Islands (which include Jersey, Guernsey, Alderney and Sark) are not part of the United Kingdom. All of them do however have considerable tax advantages which can be utilised for the benefit of non-residents dealing with the United Kingdom.
- 3.5 For historical reasons a number of Scottish and Northern Irish laws differ from their English and Welsh counterparts but for all practical purposes there are no major differences in the commercial

laws relating to the United Kingdom. It may, however, be desirable to refer also to a local professional adviser if it is intended to invest in or deal with Scotland or Northern Ireland.

4 EUROPEAN COMMUNITY

- 4.1 Since 1973 the United Kingdom has been a full member of the European Community. As a result, the United Kingdom is bound by the rules of the community and accorded the privileges of membership of the community.
- 4.2 The rules of the European Community provide, inter alia, for the gradual reduction of tariff barriers between member states and a programme establishing a completely integrated internal market came into effect on 1st January 1993. Closer political integration over the longer term is also aimed for by member states. There are certain overriding policies which affect all member countries, including a common agricultural policy and systems of subsidies intended to protect member countries in years of overproduction and years of shortage.
- 4.3 Another declared long-term objective is the harmonisation of the taxation of member countries. This does not necessarily mean that the rates of taxation in all member countries will be the same but it is expected that the taxation structures of member countries will become similar in time.
- 4.4 The Isle of Man and the Channel Islands were able to negotiate membership of the EC at the time of entry of the United Kingdom, on special terms which relate primarily to freedom of trade and the movement of goods between the Channel Islands, the Isle of Man and the remaining EC countries. The islands are not bound by the remaining provisions of the Treaty of Rome and have been permitted to retain the right to legislate for their own domestic affairs without interference as well as the right to continue their present policies of low taxation or, indeed, any other policies as regards internal taxation which they might wish to adopt.

5 FORMS OF BUSINESS ENTERPRISE IN THE UNITED KINGDOM

- 5.1 In the United Kingdom it is possible to operate most kinds of business enterprise under any of the following legal forms:
- (a) Sole proprietorship
 - (b) Partnership
 - (c) Limited partnership
 - (d) Limited liability partnership
 - (e) Branch office
 - (f) Limited company
- 5.2 There are certain other forms of business entity but these are outside the scope of this booklet. Further details can of course be provided on request, together with a note of the legislation which governs their activities.

Sole Proprietorship

- 5.3 A sole proprietorship involves the least number of formalities before a business can commence but it does carry with it the following disadvantages:
- (a) There is no limitation of personal liability for trading debts.
 - (b) There may be higher liability to United Kingdom taxation on trading profits than would be the case within a company.
 - (c) United Kingdom Capital Gains Tax may arise upon the sale of the business.
 - (d) There may be a liability to Inheritance Tax if any United Kingdom non-business assets are given away or bequeathed on death.

The principal advantage of a sole proprietorship is the ability to set off certain business expenses against trading profits for tax purposes that would not be allowable as expenses against the income of a salaried employee.

- 5.4 Sole proprietors are taxed as individuals (see Appendix 2). Whilst technically accounts are not required to be prepared for the business it is usual to do so in order to agree the trading profit for tax purposes and to assist negotiating for finance or trade credits. Such accounts do not need to

be audited and can presently be drawn up to any year end, although it is now generally desirable to draw accounts up to 31st March each year.

Partnerships

- 5.5 Some trading organisations and many professional bodies in the UK still carry on business through a partnership. A partnership is simply two or more persons trading under a common name with common objectives. The partners share profits and losses in accordance with a partnership agreement. Partnerships have unlimited liability and no tax advantages over sole proprietorships. Partners are jointly and severally liable for the debts of the partnership which means that creditors can if they wish recover partnership debts from any of the partners, leaving the partner to seek recovery from the other partners. Partnerships are normally regulated by specific agreements between the partners but in the absence of a specific agreement the Partnership Act 1890 makes provision for certain matters between the partners.
- 5.6 It is possible for non-residents to enter into partnerships with either residents or non-residents of the United Kingdom to do business in the United Kingdom but partnerships are not often used for this purpose due to the lack of limited liability.

Limited Partnership

- 5.7 The Limited Partnerships Act 1907 provides for the formation of limited partnerships which are analogous to the French Société Anonyme. The partners in such partnerships are divided into two categories; partners with unlimited liability who are generally responsible for managing the affairs of the partnership and other (normally non-executive) partners whose liability is limited to their contribution to the partnership.

Limited Liability Partnership

- 5.8 The Limited Liability Partnership Act 2000 provides for the incorporation of limited liability partnership with effect from 6 April 2001. It must be a commercial venture operating for profit and can be incorporated with individuals, a company or another limited liability partnership.
- 5.9 A limited liability partnership is a corporate entity with its own legal status and it must file annual accounts and an annual return. It is taxed in the same way as a Partnership, but there is limited liability for the individual partners or members.

Branches

- 5.10 It is possible for overseas companies to establish a branch in the United Kingdom and if the company is owned by non-residents the taxation payable in the United Kingdom will be limited to tax on the profits or gains attributable to the UK branch or establishment.
- 5.11 Overseas companies with a United Kingdom branch must file certain particulars at the Companies' Registry including the accounts of the whole company (not just the branch). These documents are available for inspection by the public on payment of a small fee.
- 5.12 Although branches of overseas companies are not often registered in the United Kingdom, it is on occasion advantageous to form companies in other countries and for them to carry on all their business activities in the United Kingdom. This course might be adopted for the following reasons:
- (a) To retain the ability to break links with the United Kingdom at short notice.
 - (b) To benefit from a lower cost of incorporation or lower rate of capital duty.
 - (c) To make use of a name not readily available in the United Kingdom.
- 5.13 An advantage of registering a branch of a foreign company in the United Kingdom is the potential ability to offset losses which may be incurred by such a branch against profits subject to tax in the country of incorporation or of tax residence. This advantage is usually lost if the activities are carried on through a local subsidiary company, unless it is possible for the foreign parent company to charge material (but commercially calculated) levels of management charges for services supplied to the local subsidiary.

Limited Companies

- 5.14 United Kingdom companies are divided into two types, namely public companies and private companies. The shares of public companies are freely transferable on the open market. Private companies may retain the right to refuse to register transfers of shares and therefore have some control over their membership. In limited circumstances, United Kingdom companies are permitted to buy or hold their own shares or finance the purchase of their own shares.
- 5.15 It is necessary to comply with a number of laws before offering shares in a public company to the public and it is not permitted to make public offers of shares in private companies. The offer document in relation to a public company is called a prospectus and this document requires the disclosure of much detailed information with regard to the company, its personnel, contracts it has entered into, the reason for the share issue, summaries of past results and projections of future results.
- 5.16 All companies are required to make up their accounts annually and such accounts may require to be audited by a Registered Auditor approved by the Department of Trade and Industry.
- 5.17 Details of limited companies have to be filed at the Companies' Registration Office. The main details include names and service addresses of directors, details of the shares in issue, names of shareholders, details of substantial shareholdings, details of charges on assets of the company, details of debentures, the regulations of the company (known as the Memorandum and Articles of Association) and the annual accounts of the company.
- 5.18 For accounting periods commencing on or after 6 April 2008, private companies not part of a group with an annual turnover of not more than £6.5 million (and subject to certain other tests) no longer require a statutory audit or an independent accountants report on their financial accounts. All other companies require an annual statutory audit.
- 5.19 Limited companies are subject to Corporation Tax at rates depending on the size of their profits (see Appendix 3).
- 5.20 As a general rule, it is probably best for an overseas investor in the United Kingdom to invest via a limited company. This ensures a clean cut-off between affairs in the United Kingdom and in other parts of the world. The use of a limited company also provides limited liability to the shareholders in the event of insolvency. The company may be incorporated in the United Kingdom or in another country, such as the Isle of Man, Channel Islands etc.
- 5.21 It is beyond the scope of this booklet to deal in detail with particular branches of industry or commerce but it should be noted that special laws and regulations apply to a number of industries such as financial services, including banking and insurance, merchant shipping etc.

6 OWNERSHIP

- 6.1 Sole proprietorships and partnerships are of course owned by the individuals concerned. The shares in limited companies may be registered in both the company's books and in the Companies Registry in the name of a nominee and the fact that a shareholder is a nominee need not be publicly disclosed.
- 6.2 In the case of sole proprietorships and partnerships, overseas individuals could consider the use of a trust to protect assets not used in the business from attack in the event that the business fails.
- 6.3 In the case of shares in a UK limited company, overseas individuals can use offshore trust arrangements to shelter and in some cases altogether avoid UK capital gains and inheritance tax liabilities.
- 6.4 The use of such trust arrangements requires specialist advice and is beyond the scope of this booklet. A separate booklet setting out the uses and benefits of trusts is available on request.

7 MISCELLANEOUS LAWS AFFECTING THE UNITED KINGDOM

- 7.1 Non-United Kingdom persons wishing to take up residence and employment in the United Kingdom are required to obtain residence and employment permits but there are specific residential and employment rights in respect of citizens of other countries within the European Community.
- 7.2 The Equality Act 2010 renders it illegal (with minor exceptions) to discriminate between men and women in a number of fields including employment and requires that men and women should receive equal pay for the same type of work.
- 7.3 Similarly the Equality Act 2010 also renders it illegal to discriminate in the employment of persons by reason of race, creed or religion.
- 7.4 The Employment Protection (Consolidation) Act 1978 and the Appeal Tribunal Rules 1993 contain many provisions relating to industrial relations and terms of employment . In this Act will be found many details about the rights of employees, which include entitlement to a written contract of employment.
- 7.5 A list of the principal laws relating to business, commerce and taxation is set out in Appendix 13 at the end of this booklet.

8 DIRECT TAXATION IN THE UNITED KINGDOM

- 8.1 The principal United Kingdom direct taxes are:

Income Tax on all income of individuals, partnerships, trusts and on United Kingdom property income of non-resident companies.

Corporation Tax on all other corporate profits including corporate capital gains.

Capital Gains Tax on capital gains of individuals and trusts.

Inheritance Tax on gifts of property prior to or on death.

Income Tax

- 8.2 Income tax in the United Kingdom is charged on taxable income on a rising scale. The basic or standard rate and any band chargeable at a lower or higher rate are fixed each year by Parliament. The standard rate of tax is also the rate of withholding tax deductible from certain types of income paid to foreign investors, for example, rents and interest. The standard rate of income tax is given in Appendix 2 and this rate of tax is, in general, also the final rate of tax on rents, interest, etc. paid to foreign corporate investors. No actual tax withholding is made from dividends paid to either individual or corporate shareholders. A notional tax credit is given to shareholders on their dividend income.
- 8.3 The overall income tax liability of an individual is calculated at the end of each income tax year by reference to his total income less deductions. The current rates of tax payable by United Kingdom resident individuals on earned and unearned income are set out in Appendix 2.
- 8.4 The United Kingdom tax year ends on 5th April. All income is generally taxed in the year of receipt, with business profits being taxed in the tax year in which the accounting period ends.
- 8.5 There are three concepts which have a fundamental bearing on the liability of non-residents or foreign domiciliaries to United Kingdom income tax. These concepts are:
- . Domicile
 - . Residence
 - . Ordinary residence

With effect from April 2008 the Government made a number of changes relating to the taxation of the foreign source income and gains of persons resident but not ordinarily resident or domiciled in the UK. These changes are complex and advice should be sought in individual circumstances.

- 8.6 Normally an individual born of United Kingdom parents existing and living in the U.K. will be treated as domiciled, resident and ordinarily resident in the United Kingdom with the result that he will be liable to all forms of United Kingdom taxation on worldwide income and capital gains. Non-residents and foreign domiciliaries may, however, be exempt from some British taxation on the grounds of foreign domicile, residence or ordinary residence.
- 8.7 Domicile has no statutory definition under UK law but is normally considered to be the country in which an individual has his roots. Under English law a person acquires his father's domicile at birth and can only divest himself of that domicile by permanently abandoning his domicile of origin and acquiring a domicile of choice elsewhere. Both these requirements must be fulfilled and upon permanently losing a domicile of choice an individual reverts automatically to his domicile of origin unless a new domicile of choice has clearly been acquired by the putting down of roots in another country.
- 8.8 This position applies equally to persons coming to the UK and if domiciled abroad under the above rules it is possible for an individual to retain their overseas domicile of origin for income tax purposes for many years (if not indefinitely) provided that the individual does not permanently put his roots down in the United Kingdom. The retention of foreign assets, family ties, and foreign citizenship, coupled with return visits to a homeland and the execution of an overseas will assists in the retention of a foreign domicile.
- 8.9 A United Kingdom resident who is either not ordinarily resident in the UK or who remains domiciled in another country still possesses considerable UK tax advantages in respect of foreign source income and gains, although the changes introduced in April 2008 have diluted these advantages and a charge has been introduced of £30,000 per annum for the right to elect to retain these benefits. The charge applies once an individual has been resident in the UK for more than seven out of the previous ten years. As mentioned earlier, the provisions are complex and specialist advice should be sought as to the effect on individual circumstances.
- 8.10 Apart from the country of domicile, the Inland Revenue is also concerned with the country of residence and ordinary residence of an individual. An individual who is not in the United Kingdom for any part of a tax year will automatically be regarded as not resident for that year. However, if his home for the time being is in the United Kingdom and he were to spend lengthy periods in the United Kingdom in the tax years both before and after a year of absence, he would be regarded as ordinarily resident in the United Kingdom even during a year of absence.
- 8.11 Conversely a person will be regarded as resident in the United Kingdom even if his family home is normally outside the United Kingdom, if he spends 183 days or more in the United Kingdom in a tax year. Such a person might be regarded as resident but not ordinarily resident in the United Kingdom.
- 8.12 There are eight possible permutations of domicile, residence and ordinary residence in the United Kingdom and specialist professional advice should be sought as to the United Kingdom taxation consequences of an individual investing in, moving to, or acquiring a residence in, the United Kingdom. Summaries of the possible liability to United Kingdom income tax and capital gains tax depending on domicile and residence status are attached as Appendices 9, 10, 11 and 12.

Capital Gains Tax

- 8.13 Capital gains realised by persons resident or ordinarily resident in the United Kingdom are liable to capital gains tax. Details of the current rates and reliefs are set out in Appendix 2. Non-residents are only liable to capital gains tax on the disposal of United Kingdom trading assets. It is possible for non-residents to dispose of companies formed for the purpose of investing in the United Kingdom without incurring a liability to capital gains tax on disposal as the shares in such companies are not normally regarded as trading assets.
- 8.14 Subject to how long they have been resident in the UK, or whether they have paid the £30,000 charge mentioned above, individuals who are resident or ordinarily resident in the United Kingdom

but who are domiciled overseas may only be liable to United Kingdom capital gains tax on foreign capital gains to the extent that such gains are remitted to or enjoyed in the United Kingdom.

Corporation Tax

- 8.15 Corporation tax in the United Kingdom is levied on corporate profits at a rate normally fixed annually. Small companies are taxed at a reduced rate and marginal relief applies. Details of current rates of tax are set out in Appendix 3.
- 8.16 Certain companies, which include, inter alia, companies under the control of five or fewer "participators" or companies under the control of "participators" who are directors, are regarded as "close" companies. "Participators" include shareholders and certain other persons and close members of their families.
- 8.17 Profits of "close" investment-holding companies are charged at the full rate of corporation tax (see Appendix 3).
- 8.18 Dividends paid by UK companies to a UK resident are not subject to deduction of UK income tax at source. A UK shareholder who receives a distribution from a UK company is entitled to a notional tax credit. The tax credit on dividends paid by UK companies to overseas resident shareholders depends on the terms of any double taxation treaty between the UK and their country of residence.
- 8.19 For the purposes of the calculation of the profits of a business for Income Tax purposes (individuals and partnerships) or Corporation Tax purposes (companies), depreciation provisions made in the accounts are ignored. Instead of depreciation, Capital Allowances are given which are annual writing down allowances given until the cost of an asset is written off. At the time of disposal if the proceeds of sale exceed the tax allowances given, the surplus allowances are added back to profits as a taxable source of income. Conversely any under allowances are deducted from profits as a balancing allowance. Details of current rates are given in Appendix 4.

Inheritance Tax

- 8.20 Inheritance Tax is a tax on gifts and bequests made on or prior to death. Details of current rates are given in Appendix 5.
- 8.21 Inheritance Tax does not apply to lifetime gifts or disposals on death of non-UK assets owned by persons domiciled outside the UK. Because of this exemption it may be tax efficient for a person domiciled outside the UK to channel investment into the United Kingdom through an offshore company, possibly owned by an offshore trust. It will then be the shares in the company (which are foreign assets) which will be deemed to pass on death, not the underlying UK assets. This, however, needs to be examined in conjunction with the new rules introduced in April 2008 regarding the taxation of foreign source income and gains.
- 8.22 Inheritance Tax applies to certain types of trust, normally described as discretionary in nature. Such trusts are required to pay Inheritance Tax at reduced rates on the total value of the trust assets at periodic intervals.
- 8.23 The non-UK assets held by trusts created by persons domiciled at the time of creation outside the UK are not subject to Inheritance Tax either on disposal or by way of periodic charge.
- 8.24 Whilst this booklet is intended mainly for potential investors in the United Kingdom, supplementary information is available in companion booklets relating to individuals coming to live in the UK.

9 OTHER FORMS OF TAX

Value Added Tax

- 9.1 The principal indirect tax in the United Kingdom is value added tax (VAT).
- 9.2 With certain exceptions, any business with an annual turnover in excess of a specified figure is required to register for VAT purposes. VAT is then required to be charged as an addition to the invoiced price of goods and services. The rate of tax applicable to exports of goods or services outside the EU is 0%, which means that non-EU exports are effectively VAT free. Registered

traders may offset the VAT they pay on purchases (inputs) against the VAT they collect on sales (outputs). The difference is then either paid to or recovered from HM Revenue & Customs, the body which administers VAT.

9.3 The current rate of VAT and registration limits are shown in Appendix 6.

Stamp Duty

9.4 Stamp Duty or Stamp Duty Land Tax is imposed in the United Kingdom on a number of transactions. In some cases the duty is purely nominal, but in others, such as the conveyance of property, transfer of shares and trust deeds, it is based on the value of the asset transferred. Details of current rates are given in Appendix 7.

9.5 Stamp Duty Land Tax replaced the previous stamp duty regime on land and buildings on 1 December 2003. The previous charge was document based but the new regime applies to all UK land transactions irrespective of how the transaction is documented and whether the deal is concluded in the UK or elsewhere.

Property Taxes

9.6 Local taxation in the United Kingdom is fairly limited and consists principally of Council Tax, levied on individuals or Business Rates, which are taxes levied by local authorities based on the value of the property occupied by a business. The proceeds of this tax are utilised to partly meet the cost of local services, including the fire services, highway maintenance, police, refuse collection and education.

9.7 Local authorities in addition receive a subsidy from Central Government for some of these services.

10 SOCIAL SECURITY

10.1 There is a comprehensive social security system in the United Kingdom, together with a National Health Service which provides medical treatment to United Kingdom residents free at point of supply.

10.2 Social security benefits are funded principally by National Insurance contributions paid by employers, employees and self-employed persons. Current contribution rates are shown in Appendix 8.

10.3 The principal benefits claimable, some of which are linked to contribution record, employment history or a means test are:-

- . Jobseeker's Allowance
- . Statutory Sick Pay
- . Maternity Benefit
- . Widow's Pension
- . Invalidity Pension
- . Retirement Pension
- . Statutory Maternity and Paternity Pay
- . Housing Benefits
- . Bereavement Benefits
- . Carer's Allowance
- . Incapacity Benefits

10.4 A benefit is currently payable to all UK residents for each child in their family. This benefit will be withdrawn by 2013 for UK residents who are higher rate taxpayers. Other additional family benefits are payable to families with low incomes. Certain families and individuals are eligible for payments under the Inland Revenue tax credits system. There are certain special benefits relating to injury or death from industrial accidents which may be partly or wholly payable by the employer and compensation can be awarded to employees for redundancy or unfair dismissal.

11 BUSINESS INCENTIVES

- 11.1 Grants are available in the United Kingdom towards the costs of environmental research and development and new industrial buildings and plant and machinery, particularly where an investment is made in certain specified areas of the country. The grants are assessed based on the capital cost of the project and on the number of jobs the project is expected to create or safeguard. All types of industries are eligible for assistance.
- 11.2 Where a significant investment is to be made in the UK, careful consideration therefore needs to be given to the choice of the location of the operation. Further details of Government assistance available can be provided on request (see Appendix 13).

12 QUALITY OF LIFE

Housing

- 12.1 House prices have risen steadily since the late 1960s and the cost of housing in the United Kingdom is relatively high in comparison to many other European countries. The price of property tends to be higher in the major urban areas and highest of all in London and the South East of England.
- 12.2 Finance for house purchase may be available from building societies, banks or insurance companies and there are a number of choices of ways of repayment of such loans, some of which can be more tax efficient than others.
- 12.3 As a general rule a non-refundable deposit of between 5% and 10% of the property price has to be paid to secure the purchase.
- 12.4 Some very limited tax relief was given for interest paid on a borrowing to purchase an individual's private residence but this was abolished some years ago. Interest on loans obtained to purchase property for investment purposes may be wholly deductible against the income from those properties.
- 12.5 There are various costs which will be incurred in buying or selling property which include property agents fees, Stamp Duty Land Tax (see Appendix 7), solicitors fees for dealing with the legal formalities, surveyors fees and removal costs. Generally speaking, an allowance of approximately 7-8% of the total cost of the property should be made to cover these charges.

Education

- 12.6 Attendance at school is compulsory for all children from the age of 5–16.
- 12.7 State education is available to the children of all UK residents free and such education would normally be available from the ages of 5–18.
- 12.8 There are a large number of universities in the United Kingdom, to which the normal entry age is 18 or 19 years. University tuition fees generally require a contribution to be made by the entrant. A grant may be available, subject to a means test of the parents, to assist with accommodation and other costs. Students may also borrow loans from the State to help finance the cost of their education. The loans are subject to an interest charge and are repayable when students earn income in excess of a minimum level.
- 12.9 In addition to the state system, a comprehensive private school system also exists. Nursery school and crèche facilities are generally available through the private system. To secure admission to the major public schools often requires early registration of the child, even as early as birth.

Communications

- 12.10 The United Kingdom has excellent air, road and rail communications, including the Channel Tunnel link to Europe. Telephone, fax and data communication links with most parts of the world are by direct dialling.



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APPENDIX 1

MGI PUBLICATIONS

Business guides to doing business in many other countries are available – please see the MGI Website.

An International Directory of all firms within MGI is published each year.

The UK members also publish newsletters, booklets and fact sheets on a number of topics – please see the UK Area Website.

If you would like to receive copies of any publication, please ask your local MGI member firm or write, fax or email the International Secretariat

APPENDIX 2

RATES OF TAX PAYABLE BY UNITED KINGDOM RESIDENT INDIVIDUALS

1.	<u>INCOME TAX</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
		£	£	£
	Starting rate on savings income <u>only</u>	2,440	2,440	2,440
	Basic rate on next	37,400	37,400	34,900
	Higher rate on taxable income over	37,400	37,400	34,900
	Additional rate over £150,000	-	150,000	150,000
	Tax rates differ for:	General	Savings	Dividend
	Starting	N/A	10%	N/A
	Basic	20%	20%	10%
	Higher	40%	40%	32.5%
	Additional rate over £150,000	50%	50%	42.5%

Husbands and wives are responsible for their own tax affairs and are assessed independently.

2.	<u>CAPITAL GAINS TAX</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
	Rate of Tax	18%	18%-28%	28%
	(from 23 June 2010 maximum rate increased to 28%)			
	Annual Exemption:	£	£	£
	Individuals	10,100	10,100	10,100
	Trusts	5,050	5,050	5,050

10% for gains qualifying for Entrepreneurs Relief

3.	<u>MAIN INCOME TAX RELIEFS</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>
		£	£	£
	Personal Allowance	6,475	6,475*	7,475*
	<u>Age Relief - 65-74</u>			
	Personal Allowance	9,490	9,490	TBA
	Married Couple's Allowance	6,965	6,965	TBA
	<u>Age Relief - 75+</u>			
	Personal Allowance	9,640	9,640	TBA
	Married Couple's Allowance	6,965	6,965	TBA
	Income Limit	22,900	22,900	TBA

* From 6 April 2010, when incomes exceed £100,000 per annum, the personal allowance will reduce by £1 for every £2 over the limit.

APPENDIX 3

CORPORATION TAX ON CORPORATE PROFITS

	<u>Year to 31.3.2010</u>	<u>Year to 31.3.2011</u>	<u>Year to 31.3.2012</u>
Main rate Profits above	28% £1.5m	28% £1.5m	27% £1.5m
Small companies rate Profits between	21% £300k	21% £300k	20% £300k
Small/large marginal band Fraction (effective rate)	£300k-£1.5m 7/400 (29.75%)	£300k-£1.5m 7/400 (29.75%)	£300k-£1.5m 11/400 (28.75%)

Small companies rate is restricted if a company has associated companies or its accounting period is restricted in size to less than a year.

APPENDIX 4

CAPITAL ALLOWANCES ON ASSETS USED IN BUSINESS

Main capital allowances	Allowances to 31.3.2011 (2010/11)	Proposed Allowances to 31.3.2012 (2011/12)
➤ Plant and machinery		
• first £100 qualifying expenditure per year	100%	First £25k - 100%
• first year allowance of 40%, ceased 31.3.2010	Nil	Nil
• certain energy efficient plant, including low emission cars	100%	100%
• new cars bought from 1 April 2009 (companies) or 6 April 2009 (unincorporated traders) onwards, the allowances on all cars will be related to the CO ² rating of the car. Very low rated cars will still enjoy the 100% allowance. Cars with a rating up to 160g/km will go into the general pool and receive 20% allowances. Cars with higher ratings will no longer have a £3,000 restriction, but they will go into the special rate pool and will only receive 10% allowances. There will no longer be a balancing allowance when an expensive car is sold.		20% allowance reduces to 18% 10% allowance reduces to 8%
➤ Agricultural buildings writing down allowances and industrial buildings writing down allowances are being phased out and no longer qualify for new relief	Nil	Nil
➤ Flat conversions – initial allowances	100%	100%
➤ Know-how and patent rights	25% writing down allowance	25%
➤ Research and development expenditure	100%	100%

APPENDIX 5

INHERITANCE TAX RATES

1. Rates Rate %

For gifts or deaths on or after 6 April 2009

0 - £325,000

Nil

Above £325,000

40%

Lifetime chargeable transfers at half the death rates – 20% if the donee pays the tax, 25% if paid by the donor.

2. Gifts within 7 years of death

Years between gifts and death

% of full charge at death rates

0 – 3

100

3 – 4

80

4 – 5

60

5 – 6

40

6 – 7

20

There are a number of exemptions and reliefs and professional advice should be obtained where necessary.

If one of a married couple/civil partnership did not use their full nil rate band on death, for deaths after 9 October 2007, any unused allowance can be added to the nil rate band of the other spouse/partner.

APPENDIX 6

VALUE ADDED TAX

	<u>From 2010 onwards</u>	<u>From 4 January 2011</u>
Standard Rate	17.5%	20%
Reduced Rate (including fuel and power)	5%	5%
VAT as a fraction of gross price	7/47	1/6
Current Annual Turnover Limits:		
Registration	£68,000	
De-registration	£66,000	

APPENDIX 7

STAMP DUTY AND STAMP DUTY LAND TAX 2008/2009

Rates on Sales	% of Total Consideration
Shares and marketable securities over £1,000	0.5%
Land	
0 – threshold	Nil
Threshold - £250,000	1%
£250,001 - £500,000	3%
£500,001 and over	4%

The threshold is £125,000 for residential property and £150,000 for commercial property. In 'disadvantaged areas', commercial property is exempt and the residential threshold is £150,000.

APPENDIX 8

SOCIAL SECURITY – NATIONAL INSURANCE CONTRIBUTIONS

Class 1

Employee National Insurance rates on salary:

To 5 April 2011	%	To 5 April 2012	%
Up to £5,715	0%	Up to £6,285	0%
£5,716-£43,875	11%	£6,286 - £ TBA	12%
Over £43,875 on excess	1%	Over £ TBA on excess	2%

Employer National Insurance rates on salary:

To 5 April 2011	%	To 5 April 2012	%
Up to £5,715	0%	Up to £6,285	0%
Over £5,715	12.8%	Over £6,285 *	13.8%

* Employers National Insurance threshold will rise by £21 per week above the rate of inflation, post 5 April 2012.

* The plans for National Insurance rates to increase by 1% from 6 April 2011 will be largely reversed in effect by the above rise to the Employer National Insurance threshold.

Outside the greater south east region of the UK, new businesses will be exempted from up to £5,000 of employer NICs for each of their first 10 employees hired.

In targeted areas of the UK, for a three year qualifying period, new businesses which start up in these areas will obtain a substantial reduction in their employer (NICs).

Class 2 (Self-Employed)

To 5 April 2011	£2.40 per week	To 5 April 2012	£ TBA
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Small Earnings Exception – Profits per Annum

To 5 April 2011	£5,075	To 5 April 2012	£ TBA
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Appendix 8 (Cont)**Class 3 (Voluntary)**

Flat Rate

To 5 April 2011	£5,075	To 5 April 2012	£ TBA
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Class 4 (Levy on Self-Employed)

To 5 April 2011	%	To 5 April 2012	%
On profits to £5,715	0%	On profits to £6,285	...
On profits £5,716-£43,875	8%	On profits £6,285- £ TBA	9%
On profits over £43,875	1%	On profits over £ TBA	2%

APPENDIX 9

DOMICILED IN UNITED KINGDOM NON-EMPLOYMENT INCOME & GAINS FROM UNITED KINGDOM AND FOREIGN SOURCES

	Resident & Ordinarily Resident	Resident but NOT Ordinarily Resident	NOT Resident but Ordinarily Resident	NOT Resident NOT Ordinarily Resident
UNITED KINGDOM INCOME SOURCE				
Investment Income	Liable	Liable	Liable	Liable
Exempt Stocks	Liable	Not liable	Liable	Not liable
Capital Gains	Liable	Liable	Liable	Not liable
FOREIGN SOURCE				
Foreign Pension	90% Liable 10% not liable	Remittances liable*	Not liable	Not liable
Investment Income	Liable	Remittances liable*	Not liable	Not liable
Capital Gains	Liable	Remittances liable*	Liable	Not liable

Note: The above chart may be affected by double tax treaty relief

* Subject to length of time resident in the UK or payment of £30,000 pa charge

APPENDIX 10

DOMICILED IN UNITED KINGDOM EMPLOYMENT INCOME FROM UNITED KINGDOM AND FOREIGN SOURCES

EMPLOYMENT INCOME SOURCE/LIABILITY

	Resident & Ordinarily Resident	Resident but NOT Ordinarily Resident	NOT Resident but Ordinarily Resident	NOT Resident NOT Ordinarily Resident
UNITED KINGDOM EMPLOYER				
Wholly UK Duties	Liable	Liable	Liable	Liable
Wholly Overseas Duties	Liable Note 1	Remittances liable*	Not liable	Not liable
UK & Overseas Duties	As above on time basis	As above on time basis	As above on time basis	As above on time basis
FOREIGN EMPLOYER				
Wholly UK Duties	Liable	Liable	Liable	Liable
Wholly Overseas Duties	Liable Note 1	Remittances liable*	Not liable	Not liable
UK & Overseas Duties	As above on time basis	As above on time basis	As above on time basis	As above on time basis

Note 1: Not liable if absent from UK for a period of 365 days or more

Note 2: The above chart may be affected by double tax treaty relief

* Subject to length of time resident in the UK or payment of £30,000 pa charge.

APPENDIX 11

DOMICILED OUTSIDE THE UNITED KINGDOM NON-EMPLOYMENT INCOME FROM UNITED KINGDOM AND FOREIGN SOURCES

INCOME SOURCE/LIABILITY

	Resident & Ordinarily Resident	Resident but NOT Ordinarily Resident	NOT Resident but Ordinarily Resident	NOT Resident NOT Ordinarily Resident
UNITED KINGDOM SOURCE				
Investment Income	Liabile	Liabile	Liabile	Liabile
Exempt Stocks	Liabile	Not liable	Liabile	Not liable
Capital Gains	Liabile	Liabile	Liabile	Not liable
FOREIGN SOURCE				
Foreign Pension	Remittances liable*	Remittances liable*	Not liable	Not liable
Investment Income	Remittances liable*	Remittances liable*	Not liable	Not liable
Capital Gains	Remittances liable*	Remittances liable*	Remittances liable*	Not liable

Note: The above chart may be affected by double tax treaty relief

* Subject to length of time resident in the UK or payment of £30,000 pa charge.

APPENDIX 12

DOMICILED OUTSIDE UNITED KINGDOM EMPLOYMENT INCOME FROM UNITED KINGDOM AND FOREIGN SOURCES

EMPLOYMENT INCOME SOURCE/LIABILITY

	Resident & Ordinarily Resident	Resident but NOT Ordinarily Resident	NOT Resident but Ordinarily Resident	NOT Resident NOT Ordinarily Resident
UNITED KINGDOM EMPLOYER				
Wholly UK Duties	Liable	Liable	Liable	Liable
Wholly Overseas Duties	Liable Note 1	Remittances liable* - Note 1	Not liable	Not liable
UK & Overseas Duties	As above on time basis	As above on time basis	As above on time basis	As above on time basis
FOREIGN EMPLOYER				
Wholly UK Duties	Liable	Liable	Liable	Liable
Wholly Overseas	Liable	Remittances liable*	Not liable	Not liable
UK & Overseas Duties	Liable	As above on time basis	As above on time basis	As above on time basis

Note 1: Not liable if absent from UK for a period of 365 days or more

Note 2: The above chart may be affected by double tax treaty relief

* Subject to length of time resident in the UK or payment of £30,000 pa charge.

APPENDIX 13

LIST OF PRINCIPAL LAWS RELATING TO BUSINESS, COMMERCE AND TAXATION

BUSINESS

Anti-Terrorism, Crime & Security Act 2001
Banking Act 1987, 1994
Companies Acts 1985, 1989, 2006
Employment Acts 1980, 1982, 1988, 1989, 1990, 1998, 2002, 2008
Employment Protection (Consolidation) Act 1978
Employment Rights Act 1996
Equality Act 2010
European Communities Act 1972
European Communities (Amendment) Acts 1986, 1993
Health and Safety at Work Act 1974, 1992, 1999
Industry Acts 1975, 1979, 1980, 1981
Limited Liability Partnership Act 2000
Limited Partnerships Act 1907
Money Laundering Regulations 2003, 2007
Partnership Act 1890
Proceeds of Crime Act 2002
Race Relations Act 2000
Serious Organised Crime and Police Act 2005
Sex Discrimination Act and Amendments 2003
Terrorism Act 2000
Trustee Investments Act 1961
The Trustee Act 2000

TAXATION

Capital Allowances Act 2001
Corporation Tax Act 2009-2010
Finance Acts 1988-2007
Fiscal Responsibility Act 2010
Income & Corporation Taxes Act 1988
Income Tax (Earnings & Pensions) Act 2003
Income Tax (Trading & Other Income) Act 2005
Income Tax Act 2007
Inheritance Tax Act 1984
National Insurance Contributions Act 2002 & 2008
National Insurance Contributions & Statutory Payments Act 2004
Social Security Administration Act 1992
Social Security Contributions & Benefits Act 1992
Social Security (Contributions) Act 1994
Social Security Act 1998
Social Security Contributions (Transfer of Function etc) Act 1999
Social Security Contributions (Share Option) Act 2001
Stamp Duty & Stamp Duty Land Tax – Legislation from 1891 to 2008
Taxation (International and Other Provisions) Act 2010
Taxation of Chargeable Gains Act 1992
Taxes Management Act 1970
Value Added Tax Act 1994



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COMMERCE

Bribery Act 2010
Business Names Act 1985
Consumer Credit Act 1974, 2006
Consumer Protection Act 1987
Copyright Act 1911
Copyright, Designs and Patents Act 1988
Data Protection Act 1984, 1998
Deregulation & Contracting Out Act 1994
Factories Act 1961, 1974
Financial Services Act 1986, 2000
Industry and Exports (Financial Support) Act 2009
Insolvency Act 1986 and 1994 (Nos 1 & 2)
Offices, Shops and Railway Premises Act 1963
Patents Act 1977
Patents, Designs and Marks Act 1986, 1988, 1998
Pensions Act 1995, 2004, 2008
Resale Prices Act 1976
Restrictive Trade Practices Acts 1976, 1977
Sale of Goods Act 1979, 1994
Sale and Supply of Goods Act 1994
Sale of Goods (Amendment) Acts 1994, 1995
Shops Acts 1950, 1965
Sunday Trading Act 1994
Supply of Goods and Services Act 1982, 1984, 1994
Trade Descriptions Acts 1968, 1972
Trade Marks Act 1994, 1996
Trade Union and Labour Relations (Consolidation) Act 1992
Trade Union Reform and Employment Rights Act 1993
Unfair Contract Terms Act 1977

USEFUL LINKS

<http://www.enterprisezone.org.uk>

Run jointly by the Department of Trade & Industry and Microsoft – a gateway to useful information

<http://www.tax.org.uk>

The website of the Chartered Institute of Taxation

<http://www.icaew.co.uk>

The website of The Institute of Chartered Accountants

<http://www.open.gov.uk>

Access to UK Government related information

<http://www.mgi-uk.com>

The website of the MGI UK member firms

<http://www.hmrc.gov.uk>

The website of HM Revenue & Customs

<http://www.grants.gov>

The website detailing government grants and assistance

<http://www.opsi.gov.uk/acts>

The website that lists all the Acts of UK Parliament

<http://companieshouse.gov.uk>

The website of the Registrar of Companies