DOING BUSINESS IN UNITED KINGDOM

TABLE OF CONTENTS

BACKGROUND OF UK ECONOMY

CHAPTER 1

1. Economic Structure:

- The United Kingdom has one of the world's largest and most advanced economies, with a diverse range of industries and services.
- The services sector, including finance, insurance, and business services, plays a significant role in the UK economy.

2. Financial Center:

- London is a global financial hub, home to many international banks, financial institutions, and the London Stock Exchange.
- The financial services sector contributes significantly to the UK's GDP.

3. Manufacturing:

Historically, the UK has been known for its manufacturing sector. While it has declined in relative importance, manufacturing still plays a vital role in the economy, particularly in sectors like aerospace, automotive, and pharmaceuticals.

4. Trade:

The UK has been an active participant in international trade. Historically, it was a member of the European Union (EU), but it officially exited the EU on January 31, 2020, following a referendum in 2016.

After leaving the EU, the UK has been working to establish new trade relationships worldwide.

5. Currency:

The currency of the UK is the British Pound Sterling (GBP), and the Bank of England is the central bank.

6. Economic Challenges:

The UK, like many other economies, faces various economic challenges, including addressing income inequality, managing public debt, and adapting to technological changes.

7. Impact of Brexit:

Brexit, the UK's decision to leave the EU, has had significant economic implications. It has led to changes in trade relationships, customs procedures, and regulatory frameworks.

8. Government Policies:

Government policies play a crucial role in shaping the economic landscape. Fiscal and monetary policies are employed to manage economic stability, growth, and inflation.

9. Employment and Labor Market:

The UK has a diverse labor market with a mix of skilled and unskilled workers. Employment trends are influenced by changes in technology, globalization, and industry shifts.

10. Innovation and Technology:

The UK is known for its innovation and technology sector, with investments in research and development. Tech hubs, particularly in London, contribute to the country's global competitiveness.

Legal system and landscape

CHAPTER 2

The legal system of the United Kingdom, specifically England and Wales, is rooted in a common law tradition. This system is characterized by the development of legal principles through judicial decisions (caselaw), statutes passed by Parliament, retained European Union law, and international law. Here is an overview of the legal landscape in the United Kingdom:

1. Common Law Tradition

Caselaw: Precedents set by previous judicial decisions play a crucial role in the UK legal system. Courts consider and interpret these precedents when deciding current cases. Decisions from higher courts are generally binding on lower courts.

2. Statutory Law

Acts of Parliament: The UK Parliament, consisting of the House of Commons and the House of Lords, is the supreme legislative authority. It passes laws known as Acts of Parliament, which cover a wide range of legal matters, from criminal offenses to constitutional issues.

3. Retained European Union Law

Impact of Brexit: Before the UK's departure from the European Union (EU), EU law had a significant influence on the legal system. However, with Brexit, the UK has undergone a process of disentangling itself from EU laws. The UK has retained certain EU laws through the European Union (Withdrawal) Act 2018.

4. International Law

Treaties and Conventions: The UK is a signatory to various international treaties and conventions. While international law does not automatically become part of domestic law, certain principles may be incorporated through legislation or judicial decisions.

5. The Judiciary

Independence: The UK has a separate and independent judiciary. Judges are appointed based on merit and are expected to be impartial in interpreting and applying the law.

Hierarchy: The judicial system is hierarchical, with lower courts bound by decisions of higher courts. The Supreme Court is the highest court in the UK and has the authority to make decisions on constitutional matters.

6. Legal Professions:

Barristers and Solicitors: The legal profession is divided into barristers and solicitors. Barristers specialize in courtroom advocacy and legal opinions, while solicitors handle legal matters outside of court, such as advising clients and drafting legal documents.

7. Legal Education

Law Schools: Legal education in the UK is typically pursued at law schools or universities. Graduates may undertake further training, such as the Bar Professional Training Course for aspiring barristers or the Legal Practice Course for prospective solicitors.

8. Legal Reforms:

Continuous Evolution: The legal system in the UK undergoes continuous reforms and adaptations to address societal changes, technological advancements, and global developments.

9. Devolved Legal Systems

Scotland and Northern Ireland: Scotland and Northern Ireland have distinct legal systems from that of England and Wales. While they share common features, each jurisdiction has its own unique legal traditions and institutions.

Overall, the legal system of England and Wales is a dynamic framework shaped by a combination of common law principles, parliamentary statutes, retained EU law, and international legal obligations. This multifaceted approach contributes to the adaptability and responsiveness of the UK legal system to the evolving needs of society.

Entity Establishment in the United Kingdom

CHAPTER 3

Entity Establishment in the United Kingdom: Types of Business Structures

Establishing a business in the United Kingdom involves choosing an appropriate legal structure that suits the nature and scale of the enterprise. There are three primary types of business structures in the UK:

1. Partnership:

- **Definition:** A partnership is a business structure where two or more individuals share the profits, responsibilities, debts, and liabilities of the business as partners.
- **Characteristics:**
    - Partnerships can be general partnerships or limited partnerships.
    - In a general partnership, all partners share equal responsibility and liability.
    - In a limited partnership, there are general partners with unlimited liability and limited partners with liability restricted to their investment.
- **Flexibility:** Partnerships offer flexibility in management and decision-making, making them suitable for small to medium-sized enterprises (SMEs).

2. Limited Liability Partnership (LLP):

- **Definition:** An LLP is a business structure that combines features of both a partnership and a limited company. The partners' liability is limited to the amount they invest in the LLP.
- **Characteristics:**
    - LLPs provide limited liability protection to partners, shielding personal assets from business debts.
    - They are often favored by professional service firms, such as law or accounting practices.
- **Flexibility:** LLPs offer flexibility in management, akin to partnerships, and are regulated by the Companies Act.

3. Limited Company:

- **Definition:** A limited company is a separate legal entity from its owners, providing limited liability protection to shareholders.

- **Characteristics:**

  - Most commonly formed as a private company limited by shares (Ltd.) or a public company (Plc.).

  - Private companies are restricted in the transfer of shares, and their financial information is not publicly disclosed.

  - Public companies can offer shares to the public but face more stringent regulatory requirements.

- **Limited Liability:** Shareholders' liability is limited to the amount unpaid on their shares, providing a level of protection for personal assets.

- **Corporate Governance:** Governed by company law, limited companies have a distinct corporate structure with directors, shareholders, and a company secretary.

Key Considerations for Entity Establishment in the UK:

1. **Legal Requirements:** Each business structure has specific legal requirements for registration and ongoing compliance.

2. **Liability Protection:** Consider the level of personal liability protection needed for the business and its owners.

3. **Tax Implications:** Different structures have varying tax implications for profits, dividends, and other financial aspects.

4. **Management and Control:** Evaluate the desired level of control and decision-making flexibility within the business.

Conclusion: Selecting the appropriate business structure in the UK is a crucial decision that influences legal, financial, and operational aspects of the entity. Entrepreneurs should carefully assess the nature of their business, future growth plans, and the level of personal liability protection required before choosing the most suitable structure for their enterprise.

Business Operations of Non-Domestic Entities in the United Kingdom:

CHAPTER 4

Business Operations of Non-Domestic Entities in the United Kingdom: Registration Requirements

In the United Kingdom, non-domestic entities, specifically overseas companies, have the ability to conduct business directly in the jurisdiction. However, there are certain legal requirements that such entities must adhere to, particularly the obligation to register with Companies House if they maintain a degree of physical presence within the UK. Below are key considerations regarding the ability of non-domestic entities to carry on business in the UK:

1. Direct Business Operations:

- Non-domestic entities, including overseas companies, have the option to engage in business activities directly within the United Kingdom.

2. Registration Requirement:

- If an overseas company establishes a physical presence in the UK, such as having a place of business or branch where it conducts business, it is obligated to register with Companies House.

3. Companies House Registration:

- Companies House is the UK government's official register of companies. Overseas companies must submit the necessary documentation and information to Companies House for registration.

- The registration process involves providing details about the company's structure, directors, and principal place of business in the UK.

4. Physical Presence Criteria:

- The requirement to register is triggered when an overseas company has a certain degree of physical presence. This may include maintaining an office, branch, or other facilities where business activities are conducted.

5. Exclusions:

- Certain types of entities are excluded from registering as overseas companies. These include partnerships, limited partnerships, unincorporated bodies, and government agencies. These entities are subject to different regulatory frameworks.

6. Compliance and Transparency:

- Registration with Companies House ensures compliance with UK regulations and enhances transparency. It provides stakeholders, including clients, suppliers, and the public, with access to information about the overseas company's activities within the UK.

7. Legal Consequences of Non-Registration:

- Failing to register with Companies House when required can have legal consequences. It may result in penalties, restrictions on business operations, or other regulatory actions.

8. Ongoing Reporting Requirements:

- Once registered, overseas companies are subject to ongoing reporting requirements. This includes submitting annual financial statements and updates to Companies House regarding any changes in company details.

Conclusion: While non-domestic entities, particularly overseas companies, have the opportunity to carry on business directly in the United Kingdom, it is crucial for them to be aware of the registration requirements imposed by Companies House. Establishing a physical presence triggers the obligation to register, and compliance with this requirement ensures legal transparency and adherence to UK regulations. Additionally, entities excluded from registration, such as partnerships and government agencies, must follow the specific regulatory frameworks applicable to them.

Capital Requirements for Establishing Different Entities

CHAPTER 5

When establishing a business, the choice of legal structure comes with varying capital requirements. Understanding these requirements is essential for compliance and successful business operations. Here's an overview of capital considerations for different entity types:

1. Public Limited Company (PLC):

- **Minimum Capital Requirement:** A PLC in the UK is subject to a minimum capital requirement. As of the current regulation, this minimum is set at £50,000.
- **Implications:** Those incorporating a PLC must contribute assets with a value equal to or exceeding the specified minimum into the corporate asset pool.

2. Private Limited Company (Ltd.):

- **Minimum Capital Requirement:** Unlike PLCs, private limited companies in the UK are not subject to a minimum capital requirement.
- **Implications:** Private limited companies have more flexibility as there is no mandated minimum capital, allowing founders to structure the company with the capital that suits their business needs.

3. Limited Liability Partnership (LLP):

- **Concept of Share Capital:** LLPs do not have a concept of share capital as seen in companies.
- **Partner's Capital:** Instead of share capital, LLPs require a contribution from each partner, known as the partner's capital.
- **Minimum Capital Requirement:** There is no stipulated minimum capital requirement for registering an LLP.
- **Implications:** Partners in an LLP contribute capital, and the absence of a minimum requirement provides flexibility for partners to determine the appropriate capital structure.

4. Partnership:

- **Minimum Capital Requirement:** Partnerships do not have a minimum capital requirement for establishment.

- **Nature of Capital Contribution:** Partners contribute capital based on their agreement, and there are no specific regulations dictating a minimum amount.

- **Implications:** Partnerships are highly flexible regarding capital contributions, and the structure is based on the agreement among partners.

5. Considerations for Entrepreneurs:

- **Flexibility:** The choice of entity should align with the level of flexibility desired for capital contributions.

- **Liability and Risk:** Consider the relationship between capital structure and liability. For example, limited liability entities offer protection of personal assets.

- **Business Goals:** The business's scale and goals will influence the capital needed, impacting the choice of entity.

6. Comply with Immigration Laws:

Non-residents should also be aware of any immigration requirements that might apply to them when engaging in business activities in the UK.

Conclusion: Understanding the capital requirements for different entity types is crucial when establishing a business. Entrepreneurs should carefully assess their business goals, risk tolerance, and desired level of flexibility to make an informed decision on the most suitable legal structure. Consulting with legal and financial professionals can provide valuable insights tailored to the specific needs of the business.

Advantages of Business Structures

CHAPTER 6

In the United Kingdom, investors can choose from various business structures, each with its own characteristics and regulatory requirements. The most common entities utilized by investors are partnerships, limited liability partnerships (LLPs), private companies limited by shares, and public companies limited by shares. Here's an overview of each:

1. **Partnership:**

    - Description: A partnership is a business structure formed by two or more individuals with the goal of making a profit. It does not have a separate legal personality from its partners.
    - Registration: There is no formal registration requirement for a partnership, but partners must register with HMRC. The partnership itself does not register separately.
    - Taxation: Each partner registers as self-employed and submits a separate tax return.
    - Governance: Partnerships may create their own partnership agreement to govern the relationship and operations.

2. **Limited Liability Partnership (LLP):**

    - Description: An LLP is a legal entity separate from its members, providing limited liability protection to its partners.
    - Registration: An LLP must register with Companies House, providing details about its name, designated members, registered address, and may have an LLP agreement.
    - Taxation: Taxation is typically based on individual partners' share of profits.
    - Governance: Governance is typically outlined in an LLP agreement.

3. **Private Company Limited by Shares:**

- **Description:** A private limited company is a legal entity separate from its shareholders, providing limited liability protection.
- **Registration:** Registration with Companies House is required, including details about the company name, registered address, at least one director, at least one shareholder, share capital details, and articles of association (unless using model articles).
- **Taxation:** Profits are subject to corporate tax, and dividends may be distributed to shareholders.
- **Governance:** Governance is outlined in the articles of association.

4. **Private Company Limited by Shares:**

- **Description:** A public limited company is similar to a private limited company but has additional requirements and the ability to offer shares to the public.
- **Registration:** In addition to private company requirements, a public company must have two directors, a secretary, and a minimum nominal value of allotted share capital (£50,000).
- **Taxation:** Similar to private companies, profits are subject to corporate tax, and dividends may be distributed to shareholders.
- **Governance:** Governance is outlined in the articles of association.

Common Entity for Investors:

Private Company Limited by Shares: This is often the most common entity for investors due to its flexibility, limited liability protection, and ease of governance. It is suitable for various business sizes and can be adapted to specific investor needs.

Investors should carefully consider the nature of their business, scale, governance preferences, and liability protection requirements when choosing the most suitable entity.

Entity Management and Decision-Making in Private and Public Companies

CHAPTER 7

The management and decision-making structure of entities, particularly private and public companies, are governed by legal regulations, the company's articles of association, and the Companies Act 2006 in the United Kingdom. Here is an overview of how these entities are operated, managed, and make decisions:

1. Entity Management:

- **Private Companies:**
  - Managed by directors who are appointed by shareholders.
  - The day-to-day operations are overseen by these directors, who are responsible for making strategic decisions.
  - Officers, such as a company secretary, may be appointed to handle administrative duties.
- **Public Companies:**
  - Also managed by directors appointed by shareholders.
  - The structure may include a more formalized board with specific committees, such as audit or remuneration committees.
  - Compliance with regulatory requirements is often more stringent for public companies.

2. Decision-Making Process:

- **Private Companies:**
    - Decisions are typically made by the board of directors during board meetings or by written resolutions.
    - Certain decisions may require shareholder approval at a general meeting or through a written resolution.
    - Shareholder decisions may be passed by ordinary resolution (over 50% approval) or special resolution (over 75% approval), depending on the nature of the decision.
- **Public Companies:**
    - Similar to private companies, decisions are made by the board or, in certain cases, require shareholder approval.
    - Public companies often have more complex governance structures, including committees and additional regulatory obligations.
    - Important decisions may require approval by shareholders at a general meeting.

3. Shareholder Decision-Making:

Decision Making: In the United Kingdom, companies make decisions through resolutions passed at general meetings or, in certain cases, through written resolutions. The type of resolution required depends on the nature of the decision to be made. The two main types of resolutions are ordinary resolutions and special resolutions, each with its own voting requirements.

- **Ordinary Resolution:**
    - Approved by a simple majority of shareholders (over 50%).
    - Typically used for routine matters.
- **Special Resolution:**
    - Requires approval by a higher majority (over 75%).
    - Used for significant matters, such as amending the company's articles of association.

- **General Meetings:**

    - Decisions that cannot be made by directors alone or through written resolutions may be brought to a general meeting of shareholders.

    - Shareholders vote on various matters, and resolutions are passed by the required majority.

- **Public Companies' Restrictions:**

    - Public companies are restricted from making decisions by way of written resolution. Resolutions must be passed at a meeting of the members.

    - This is to ensure a higher level of transparency and engagement with shareholders.

4. Compliance:

- **Private Companies:**

    - While compliance requirements are present, private companies may have less stringent obligations compared to public companies.

- **Public Companies:**

    - Subject to more extensive regulatory requirements and reporting obligations to ensure transparency and protection of shareholders.

5. Directorship and Shareholding in UK Companies:

Directorship: An individual can become a company director in the UK, subject to certain conditions. Here are the key points:

- **Eligibility:**

    - An individual may become a director unless they are disqualified, an undischarged bankrupt (unless allowed by the court), under the age of 16, or instructed otherwise by the courts.

- **Requirements:**

    - All private limited companies must have at least one director, and it is possible for a company to act as a director.

- At least one director must be a real person; there is no requirement for specific qualifications.
- Private companies may also decide to appoint a company secretary, although this is optional. Public companies, however, must have a qualified company secretary.

- Responsibilities:

- Directors should be aware of their responsibilities before taking on the role. Public company directors may have additional regulatory obligations.

- Location and Nationality:

- There is no requirement for a director to be based in the UK or be a UK national.

Shareholding: For private limited companies, specific requirements exist regarding shareholders:

- Minimum Shareholders:

- Companies House requires at least one shareholder to incorporate a private company limited by shares.

- Maximum Number of Shareholders:

- There is no maximum limit to the number of shareholders a company can have.

- Transfer and Issuing of Shares:

- New members can join a company after incorporation by transferring existing shares or by issuing new shares.
- There is no statutory limit on the number of new members, and new shares can be issued as long as the articles of association do not specify an authorised share capital amount.

- Residency and Nationality:

- There are no local residency or nationality requirements for shareholders from a UK company law perspective.

6. **Corporate Governance:** There are certain reporting requirements for a specific category of privately owned companies, known as 'Very Large Private Companies,' as outlined in the Companies (Miscellaneous Reporting) Act 2018. Very Large Private Companies are companies that meet at least two of the following criteria:

- More than 2,000 employees.
- A turnover of more than £200 million.
- A balance sheet total (assets) of more than £2 billion

These Large Private Companies are required to report on their corporate governance arrangements as part of the annual directors' report.

7. **Funding:** When a company needs working capital, there are various options available to obtain the necessary funds. Some common methods are : Equity Financing , Loans from Shareholders, Intercompany Loans, Bank Facilities, Tax Bill and VAT Funding etc It's crucial for companies to carefully evaluate their financial needs, consider the cost of capital, and choose the option that aligns with their business strategy.

Conclusion: The structure and decision-making processes for private and public companies in the UK are influenced by legal frameworks, the Companies Act 2006, and the company's articles of association. Private companies enjoy more flexibility, while public companies adhere to additional regulatory standards to ensure transparency, accountability, and protection of shareholder interests. Understanding these structures is crucial for effective governance and compliance.

Return on Investment

CHAPTER 8

Private limited companies have various options for returning value to their shareholders, subject to legal and regulatory requirements. The common methods are

- **Dividends:** Final Dividend: Once a year, calculated after the annual accounts. Interim Dividend: At any time throughout the year, calculated before the annual earnings are determined.
- **Share Buybacks :** Shares must be repurchased off-market or on-market.Shareholder approval is required, Shares being repurchased must be fully paid and Consideration for the buyback must be paid in cash.
- **Capital Reductions :** it can be through Reducing the number or nominal value of shares, Reducing the amount paid up on shares or by Reducing share premium, capital redemption reserve, or redenomination reserve.
- **Bonus Issue :** Can be used to return value by subsequently redeeming or repurchasing bonus shares.
- **Loans :** Company can loan cash to its shareholders subject to certain conditions

Employment Laws

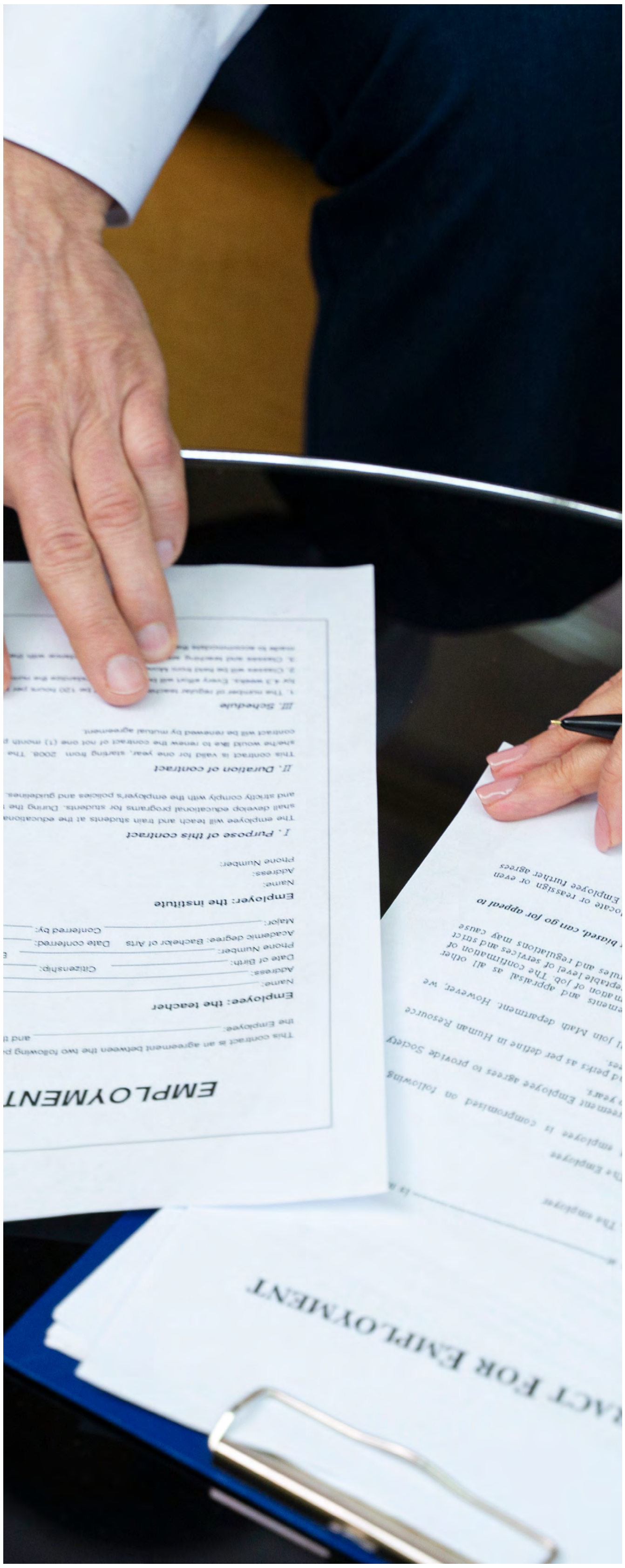
CHAPTER 9

Employees under a UK contract are covered by UK employment law, benefiting from various rights and protections. Key details include:

- **National Minimum Wage:**
    - £9.50 for employees aged 25 or more.
    - £9.18 (21 – 24 years), £6.83 (18 – 20 years), £4.81 (16 – 17 years).
    - Apprentice rate: £4.81.
- **Holiday:**
    - 5.6 weeks' paid holiday per year (28 days for full-time employees).
- **Working Hours:**
    - Average hours not exceeding 48 per week unless employees opt out.
- **Rest Periods:**
    - 11 hours' uninterrupted rest per day, 24 hours' per week (or 48 hours' per fortnight), and a 20-minute rest break for more than six hours of work.
- **Pension Rights:**
    - Employers must auto-enrol eligible jobholders, with a mandatory 3% minimum contribution to a defined contribution scheme.
- **Discrimination:**
    - Protection against discrimination based on various characteristics, including age, disability, gender, race, and sexual orientation.
- **Maternity Leave / Pay:**
    - Up to 52 weeks' maternity leave with 39 weeks' maternity pay (90% of normal weekly earnings for the first six weeks, then £151.97 or 90% thereafter).
- **Paternity Leave / Pay:**
    - Up to two weeks' paternity leave with statutory paternity pay of £151.97 or 90% of normal weekly earnings.
- **Shared Parental Leave:**
    - Eligible employees can take up to 50 weeks' leave less any weeks spent by the child's mother on maternity leave.
- **Statutory Sick Pay:**
    - Entitles qualifying employees to a minimum weekly payment (up to £96.35) for up to 28 weeks.

- **Statutory Notice Periods:**
  - Vary based on continuous employment, with a minimum of one week's notice for employees employed more than one month but less than two years.
- **Unfair Dismissal:**
  - Generally, employees with two years' service have protection against unfair dismissal. Dismissal must be for a fair reason, and the employer must act reasonably.
- **Statutory Redundancy Payment:**
  - Employees with two years' continuous employment are entitled to a statutory redundancy payment based on age, length of service, and pay, with a current maximum of £16,320.
- **Statement of Particulars:**
  - Since April 2020, employers must provide written statements of certain employment terms on the first day of employment, with potential penalties for non-compliance.
- **Associated Costs (Dismissal):**
  - Include notice pay and redundancy pay.
- **Collective Dismissals:**
  - If an employer proposes 20 or more redundancies in a 90-day period, it must engage in collective consultation for a minimum of 30 or 45 days, depending on the number of redundancies.

This summary provides a concise overview, and employers should ensure compliance with current figures.



Accounts, Audit, and Secretarial Compliance for Companies

CHAPTER 10

Annual Financial Statements:

- All companies, regardless of size, must prepare and file annual financial statements at Companies House.

- Companies are categorized into micro-entity, small, medium, large, and very large based on size, determining disclosure requirements.

- The Companies Act 2006 allows for two financial reporting frameworks: IFRS and UK GAAP, ensuring a true and fair view in annual financial statements.

- Public and state-owned companies must undergo financial statement audits. Private companies may be exempt, with micro entities, small companies, and dormant companies eligible for audit exemption. Subsidiary companies can apply for audit exemption.

- Approval of annual financial statements is required by the board of directors, and a director must sign on behalf of the board. Filing deadlines at Companies House are 9 months for private companies and 6 months for public companies from the accounting reference date.

Corporate/Company Secretarial Annual Compliance:

- Companies must file a confirmation statement within 14 days after the end of each review period, confirming the delivery of all required information to the Registrar.
- Private companies, as a general rule, are not obligated to hold an annual general meeting (AGM), though requirements may exist in the company's articles of association.
- Public limited companies must hold an AGM within six months following their accounting reference date.
- Matters approved at AGMs, as per the articles of association, typically include re-election of directors, remuneration policy, appointment and remuneration of auditors, and consideration of annual accounts, directors' report, and auditors' report.

Tax

CHAPTER 11

1. Corporation Tax:

- Main rate: 25% from April 2023.
- Applies to worldwide profits for UK incorporated and/or tax-resident companies.
- Diverted Profits Tax of 25% targets artificial profit diversion by multinational companies.
- Controlled Foreign Companies rules apply to bring foreign companies within UK corporation tax.

2. Participation Exemption:

- Most dividends, including foreign dividends, are tax-exempt.
- Capital gains on substantial shareholdings disposal are not subject to corporation tax.

3. Capital Allowances:

- No deduction for depreciation or amortization of tangible fixed assets.
- Relief for qualifying capital expenditure on plant and machinery with varying rates.
- Enhanced tax deduction of 230% for certain R&D expenditure
- Patent Box regime allows a 10% corporation tax rate for profits from qualifying patents.

4. **Industry-Specific Incentives:**

- Various industry-specific tax incentives are available.
- Freeport tax and customs sites offer additional tax reliefs.
- A new beneficial funds regime applies to Qualified Asset Holding Companies from April 2022.

5. **International Transactions and Reporting:**

- No foreign exchange or capital controls in the UK.
- Requirement to notify HM Revenue and Customs for international transactions exceeding £100m.

6. **Withholding Taxes:**

- Dividends: Generally 0% withholding tax.
- Interest: Typically 0% or 20% withholding tax, subject to conditions and exemptions.
- Royalties: Usually 0% or 20% withholding tax, with exemptions and treaty provisions.
- No withholding tax on fees for technical services.

7. **Comprehensive Treaty Network:**

- The UK has an extensive network of tax treaties.

8. **Stamp Duty:**

- 0.5% stamp duty on the transfer of UK shares.
- Stamp Duty Land Tax (SDLT) on property transfers with rates based on property type and value.

9. **Value Added Tax (VAT):**

- in the UK is a consumption tax imposed on the value added at each stage of the production and distribution chain. Currently set at 20%, with reduced rates of 5% and 0% for specific goods and services, VAT is applicable to most goods and services. Businesses registered for VAT collect this tax on sales and reclaim it on purchases, acting as intermediaries for the government. Certain exemptions and schemes exist for small businesses. Non-compliance can result in penalties, making proper VAT accounting crucial for businesses operating in the UK market.

Foreign Direct Investment (FDI) Restrictions and Controls in the UK

CHAPTER 12

1. **National Security and Investment Act 2021:**

    - Enforced in the UK since January 4, 2022.
    - The UK's first standalone national security law.
    - Requires notification of certain proposed transactions in 17 specified sectors.
    - Sectors include artificial intelligence, dual-use goods, transport, and data infrastructure.
    - Notifiable transactions need approval from the Secretary of State.
    - Completion without consent renders the transaction void.
    - Parties could face criminal liability, and fines may apply to the acquirer/investor based on turnover.

2. **Notifiable Sectors:**

    - Transactions involving entities in specified sectors require notification.
    - Sectors subject to national security scrutiny include critical technologies, advanced manufacturing, and critical suppliers to government and emergency services.

3. **FDI Screening Mechanism:**

    - Aims to safeguard national security interests.
    - Scrutinizes foreign investments in critical sectors.
    - Interventions can be made at any stage of the investment.

4. **Exchange Control Requirements:**

    - The UK does not have exchange control requirements.
    - No restrictions on the movement of capital in and out of the country.
    - Freedom for foreign investors to repatriate profits and capital.

5. **Consequences of Non-compliance:**

    - Transactions proceeding without consent are void.
    - Criminal liability for involved parties.
    - Potential turnover-based fines on the proposed acquirer/investor.
    - Fines aim to deter non-compliance with national security regulations.

Exit Mechanisms for Dissolving an Entity in the UK:

CHAPTER 13

1. Members' Voluntary Liquidation (MVL):

- **Nature: Common method for dissolving a solvent entity.**
- **Procedure:**
  - Directors swear a declaration of solvency.
  - Shareholders pass a special resolution.
  - Licensed Insolvency Practitioner appointed as liquidator.
- **Liquidation Process:**
  - Realization of assets.
  - Payment of creditor claims.
  - Surplus assets returned to shareholders.
- Protection: Directors protected from creditors/claimants during the process.
- Cost Implications: Liquidator fees, advertising, and associated fees apply.

2. Strike-Off:

- Eligibility: Applicable to dormant companies with no trading or activity in the past three months.
- **Procedure:**
  - Directors initiate the strike-off process.
  - Application to the Registrar of Companies for removal from the register.
- **Notification:** Certain interested parties must be notified.
- **Advertisement:** Registrar advertises the intention to strike the company in the Gazette.
- **Dissolution:** Company dissolved after a minimum of 2 months following the second advertisement.
- **Speed:** Typically faster than MVL.
- **Risk:** Claimants can apply to restore the company for up to 6 years after dissolution, potentially pursuing directors personally.

ABOUT STRATRICH

At Stratrich, we bring unrivalled expertise in providing top-notch Doing Business in UK Services. As a leading business consulting firm, we understand the intricacies of your corporate needs and offer tailored solutions to optimize your business strategy.

WE OFFER FOLLOWING SERVICES:

- UK Market Entry
- Entity formation
- Corporate Services
- Recruitment Services
- Infrastructure Support
- PEO Services