

# Setting up in the UK

## Top 10 FAQs

At DRG Chartered Accountants, we work with many overseas businesses. Some are already established in the UK whilst others might be in the process of considering opening a UK establishment. Our clients are based throughout the world including many from Europe, the USA, the Middle East and Asia Pacific and who operate across a wide variety of sectors. If you are thinking of setting up in the UK or are already established here but looking for ongoing guidance and support please do get in touch.

### **1. What corporate structure options are available or required when setting up in the UK?**

Broadly, there are two main options available when doing business in the UK either a form of limited company (subsidiary) or a branch. A subsidiary is an incorporated body (i.e. a company) and has a separate legal entity from the overseas parent. A branch, which is an extension of the parent company, requires you to register the overseas entity as having a UK establishment with Companies House.

### **2. Under what circumstances am I required to register an overseas company and how do I do this?**

An overseas company with a UK establishment is required to register when there is a physical presence in the UK (typically a place of business such as an office, factory etc.). Registration is not required for independent agents, distributors or employees visiting occasionally. To register you will need to submit an OS IN01 form to Companies House together with the registration fee. This registration of a UK establishment replaces the different registration regimes for places of business and branches.

### **3. What is the difference between a branch and a subsidiary?**

A branch is an extension of the parent company operating under the laws of another jurisdiction. It is not a separate legal entity. A subsidiary (most typically a limited company) is a separate legal entity with separate legal liability albeit typically owned and run by the parent company.



**4. Should we set up as a branch or a subsidiary (limited company)?**

There is no right or wrong answer to this question and the route chosen will depend on practical factors (separate legal entity, visas, bank accounts etc.) and commercial factors (general ease of interaction with other UK limited companies, scale of planned operations etc.). From a tax and filing requirement perspective, there are certain nuances between the two structures but often these do not outweigh the other considerations.

**5. What are the ongoing compliance requirements for a UK branch?**

Once registered, you are required to notify Companies House of any changes to the information contained in the OS IN01 form. Typically, as an overseas company, you will also be required to file your year-end financial statements with Companies House together with an OS AA01 form.

**6. What are the ongoing compliance requirements for a UK subsidiary (Limited company)?**

A UK Limited company must file annual financial statements and an annual confirmation statement with Companies House. You must also file a Corporation tax return with UK HMRC.

**7. Under each structure what are my broad corporate tax requirements?**

Broadly profits arising in the UK, whether generated by a UK company or the profits of a trade carried on by a non-UK entity through an establishment in the UK, are liable to UK corporation tax. Because of UK tax law and double taxation treaties it is normally not possible to charge artificial prices, management charges or excessive interest rates between a UK branch and its overseas parent in order to reduce UK corporation tax.



**8. Is VAT a consideration when choosing which structure to adopt?**

Both a subsidiary and a branch will need to register for VAT based on the same criteria i.e. either when certain revenue levels are breached or dependant on the type and geographical nature of sales. We often see start-ups setting up in the UK being in a VAT reclaim position, particularly if they are importing goods into the UK. From a practical point of view, it is much easier to reclaim the VAT owed via a UK bank account. VAT and import duty is a wide-ranging topic and one that can impact the decision on where to set up and the logistics of certain companies. Please do get in contact if you would like to discuss this further.

**9. Do I require a UK bank account and can I open one as a branch of an overseas entity?**

A UK bank account is not required but is usually deemed necessary from a practical point of view when an entity reaches a certain size. Setting up a UK bank account is typically easier as a UK limited company but even then, the process can be lengthy because of the UK banks' "know your client" requirements.

**10. What are the payroll options if I am employed by a branch of an overseas entity?**

A branch can operate a UK PAYE scheme and this is typically what is set up for employees based in the UK for a material amount of time. The type of scheme i.e. a standard UK scheme or a direct scheme can depend on where the overseas company is based. Please do get in contact with our payroll team should you wish to discuss the options further.

**If you would like to find out more about setting up a UK operation, please do get in touch by calling 01628 760000**