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International Tax and Business Guide

International Taxation Practice Group

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Preface

It is my pleasure to present you the second edition of this useful guide. The first edition, published in 2010 and covering 42 countries, has been a great success worldwide.

It's only a source for GGI members who are doing business abroad or intending to do so. It mainly serves as a quick reference regarding tax and accounting matters in many countries. The reader can easily compare information in various countries and receives a first introduction into their importance and investment climate. In order to display many countries and attract also non-tax professionals, we have concentrated on key information, omitting details and trying to keep the language not too technical.

All authors are professional advisors in the country they present, the vast majority being tax consultants, chartered accountants or lawyers. They all work for firms that are independent members of Geneva Group International (GGI). Many of them actively cooperate in the Practice Group International Taxation, which has grown impressively to now 384 tax experts from 71 countries.

The authors will be happy to advise you with further questions or to help you to register companies/branches or rep. offices in their jurisdictions and to comply with local rules there. Contact data of all authors can be found at the beginning of each country profile or in the authors' profiles before part 1 of this guide.

Part 1 provides you with several transnational tax aspects in cross border business. In part 2 country profiles for 54 countries provide you with basic and insider knowledge for doing business in these countries, always using the same schedule. In the appendices you can find matrixes and tables to detect differences or links between the various countries at a glance.

I would like to thank all authors who have contributed to this Business Guide. Special thanks to Barbara Reiss, Armina Bannwart and Natalia Bednarczyk from GGI Geneva Group International AG in Zurich for their tireless efforts to push all authors and coordinate all experts involved and to Claudio G. Cocca and Michael Reiss von Filski for their support and proofreading. Many thanks also to all members of the task force ITPG Guide (Graham Busch, Ionut Zeche, Ashish Bairagra and Artur Plutowski) for all their valuable input and support. Last but not least I would like to thank the sponsors Cornèr Bank, Bank Alpinum and Lombard Assurance which supported financing this guide with their ads.

With local presence of independent GGI members in more than 100 countries, the authors and all independent members of GGI can at any time contact other experts to obtain information from their jurisdictions and are thus able to help their clients all over the world. Moreover, our committed tax experts provide a good alternative to employing your own top-class international tax department or to working with the much more anonymous very large law or audit firms.

Frankfurt am Main/Germany
October 2013

Oliver Biernat,
Global Chairman of the
Practice Group International Taxation
by Geneva Group International (GGI)

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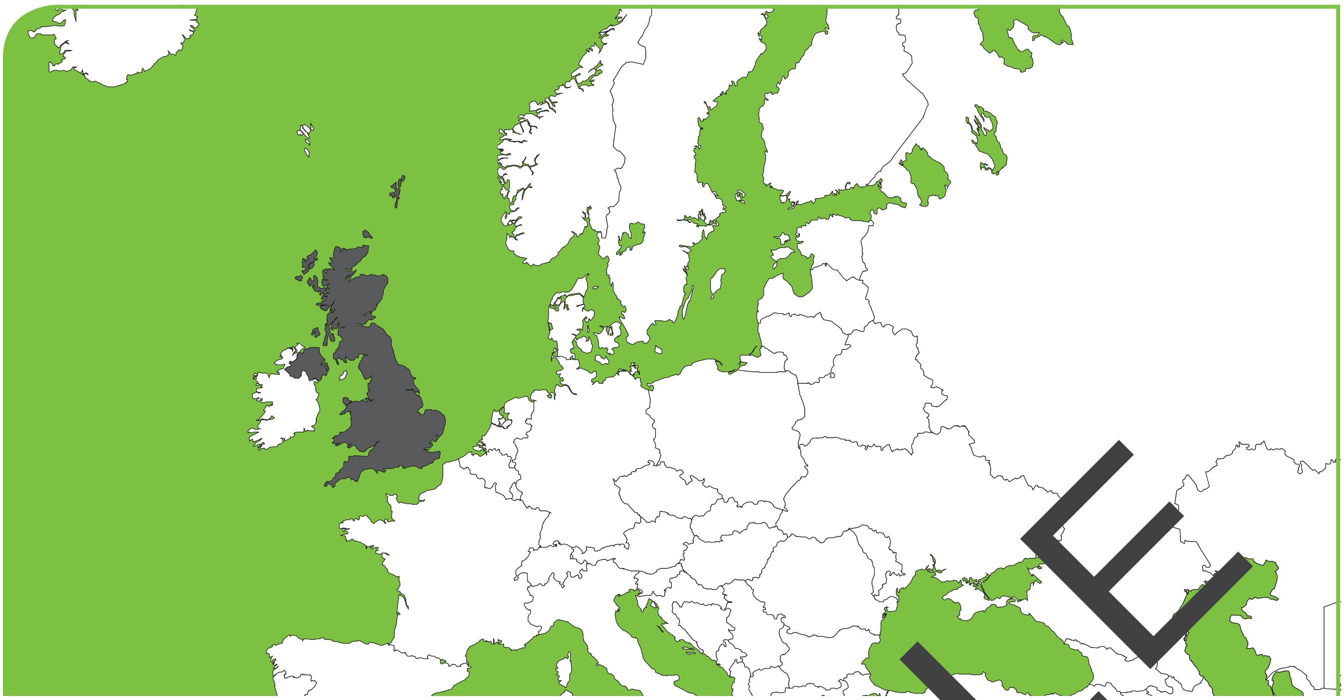
Index

Index

Part 2: Doing business in...

Index

Annex



United Kingdom

Facts

Area: 245,000 km^2
Population: 63,000,000
Currency: Pound sterling (GBP)
Business Hours: 9:00 am - 5:30 pm
Official Language: English

Public/National Holidays: 1 January: New Year's Day • Variable date: Good Friday • Variable date: Easter Monday • First Monday in May: Early May Bank Holiday • Last Monday in May: Spring Bank Holiday • Last Monday in August: Summer Bank Holiday • 25 December: Christmas Day • 26 December: Boxing Day

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1 Why United Kingdom?

The World Bank has ranked the UK as one of the top European countries in which to operate a business. It takes only 13 days to set up a business in the UK. There are already more than three million registered companies in the UK and over 450,000 new companies are registered each year. There is relatively minimal red tape involved in forming and running a UK company. The UK offers ease of access to many overseas markets. In particular, as the business gateway to the European Union, the UK is a very attractive place to set up and conduct business and serves as a global springboard for worldwide growth.

2 Legal Framework

The UK has three legal systems. English law and Northern Irish law are based on common law principles. Scotland has a pluralistic system based on civil law principles with common law elements. The UK has implemented all major EU legislation.

3 Banking

UK banking is regulated by the Bank of England. Nearly all the world's banks have branches or subsidiaries in London, which is one of the reasons why the capital city is recognised as a world-leading financial centre. The UK is not part of the euro, but business is often conducted in non-sterling currencies.

4 Financial Regulatory Authority

The financial regulatory authority in the UK consists of various bodies. The Bank of England operates independently of the British government and its chief responsibility is to maintain the stability of the financial system as a whole by overseeing the operation of the UK's financial infrastructure. The Prudential Regulation Authority (PRA) is part of the Bank of England and is responsible for the regulation of banks, building societies, credit unions, insurers and major investment firms. The PRA works alongside the Financial Conduct Authority (FCA) creating a twin-peaks regulatory structure in the UK. The FCA is a separate institution and is responsible for ensuring that the financial markets function effectively and for the regulation of all financial services firms. The Treasury's responsibility is to direct the overall institutional structure of financial regulation and legislation.

5 Taxation

5.a Corporate Tax

UK resident companies and UK branches of overseas companies are liable to corporation tax (CT) on profits including capital gains. An overseas company may be resident in the UK if its central management and control takes place in the UK. A company which is not resident in the UK will generally not be subject to CT unless it has a permanent establishment in the UK. A UK resident company can elect for the profits of overseas branches to be exempt from CT; in this case any branch losses will also not be available to set against UK profits. The standard rate of CT is 23% once annual taxable profits are GBP 1.5 million, or 20% if the profits are not more than GBP 300,000. For profits between GBP 300,000 and GBP 1.5 million, the rate is 23.75%. The standard rate will reduce to 21% in April 2014 and to 20% in April 2015. The profit thresholds are divided by the number of associated companies. Non-UK companies are liable to income tax on UK property income at a rate of 20%. There are transfer pricing provisions, rules on the deductibility of interest and controlled foreign company legislation. Subject to treaty provisions and EU law, withholding taxes may apply to interest and royalty payments.

5.b Personal Tax Rates

UK resident domiciled individuals are subject to UK tax on their worldwide income and gains. The UK tax year is 6 April to the following 5 April. For the tax year ending 5 April 2014, the first GBP 9,440 of income is typically tax free (this will increase to GBP 10,000 from 6 April 2014). Income tax is then levied at 20% until income reaches the low GBP 30,000s, then 40% up to GBP 150,000 when a 45% rate applies. Capital gains tax is generally 28% but 10% on certain business assets up to GBP 10 million of lifetime gains. Non-residents are liable to UK taxes on certain UK source income and gains including UK property income where 20% withholding may apply. Subject to a threshold of GBP 325,000 inheritance tax is levied at 40% at death on the value of worldwide assets (but see "Special Notes" section regarding non-domiciles), or 20% on certain lifetime asset transfers.

5.c Social Security

Generally employees, employers and the self-employed in the UK are required to make national insurance contributions. These entitle an individual to certain state benefits, including the state pension. The first GBP 8,000 (approximately) is exempt, thereafter rates between 5.85% and 12% and 9% apply for employees and the self-employed respectively until earnings are in the low GBP 40,000s, then 2% on all further earnings. The employer's rate is 13.8% on all earnings of an employee over GBP 8,000. Individuals above the state retirement age generally do not need to make national insurance contributions. The position of an individual coming to the UK is complex and can be subject to agreements between countries, so advice should always be sought accordingly.

5.d Customs and Excise Duties

As an EU member state, the UK normally follows EU customs procedures. In general, goods from other EU member states are subject to VAT on acquisition, while goods from outside the EU are subject to VAT and excise duty on importation.

5.e VAT

VAT must be charged by a taxable person (including individuals, companies and partnerships) on the consideration for taxable supplies of goods or services made in the UK in the course or furtherance of any business carried on by the taxable person. The registration limit from 1 April 2013 is GBP 79,000 (the value of taxable supplies), but voluntary registration is possible if taxable supplies are less. From 1 December 2012 the registration limit does not apply to those who do not live in the UK or whose place of business is not in the UK; in this case, registration is required if any supplies are made to the UK. The standard rate of UK VAT is 20%, but certain supplies may be zero rated, subject to a reduced rate or exempt from VAT.

VAT is applied to imports and intra-EU acquisitions of goods. As a rule, supplies of services to businesses in other EU countries and to businesses and non-businesses outside the EU are not liable to UK VAT, but there are exceptions, notably if the supply relates to UK land. Likewise, generally the reverse charge mechanism has to be applied to services received in the UK from businesses outside the UK.

5.f Tax Incentives

For business income purposes, depreciation is disallowed and instead capital allowances apply. For two years from 1 January 2013, the rate is 100% on the first GBP 250,000 per group of annual expenditure on plant or machinery, which is due to fall to GBP 25,000 on 1 January 2015. There is also a 100% rate on the acquisition of certain environmentally friendly assets with no monetary limit. Otherwise, the capital allowances rate is 18% per annum on a reducing balance basis with the exception of certain long-life and integral building features assets where the rate is 8%. There are tax incentives for investing in certain relatively small trading companies. A new patent box regime was introduced in 2013 which allows for certain profits relating to registered patents to be taxed at a CT rate of 10%, subject to some transitional provisions. A 225% deduction for research and development expenditure is available to small and medium sized enterprises (130% for large companies).

5.g Permanent Establishments

The UK domestic definition of a permanent establishment is similar to and has the same broad effect as the definition in the OECD model tax treaty.

6 Main types of Corporate Forms

These are limited liability companies (Limited or Ltd), public limited companies (PLCs) and limited liability partnerships (LLPs). For a Ltd company, the liability of the shareholders is limited to the amount, if any, unpaid on their shares. A PLC must have a minimum share capital of GBP 50,000, of which a quarter is required to be paid up. A PLC is perceived to have more substance to it and has greater statutory obligations than a Ltd. All UK companies traded on an exchange in the UK will be PLCs. Directors of PLCs (a minimum of two are required compared with one for a Ltd) have increased statutory responsibilities. Members of an LLP have their liability limited to a fixed amount and should be registered at Companies House. Unlike companies, an LLP is generally treated as transparent for tax purposes and the members are subject to personal taxes on their share of the LLP's profits and capital gains. Businesses may also be operated by sole traders or partnerships. Both have unlimited liability and in the case of a partnership, each partner has liability for all the liabilities and debts of the partnership.

7 Company Incorporation

Companies are incorporated at Companies House. Shelf companies are permitted. A UK company can be incorporated within just one day. This means that the business of the company can commence almost immediately. Certain statutory registers must be maintained. A Ltd need only have a minimum of one share, which can be of any currency. A PLC must have at least two in issue. Shareholders and directors may be of any nationality or country of residence. LLPs are governed by the Limited Liability Partnership Act 2000 and by the terms of any LLP members' agreement.

8 Reporting & Auditing

The UK Companies Act requires UK companies to prepare financial statements according to UK Generally Accepted Accounting Practice (UK GAAP). These should include a balance sheet as at the last day of the financial year and a profit and loss account for the financial year. Non-listed companies may, if they wish, and listed companies must prepare financial statements in accordance with EU adopted International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). Ltds and LLPs have nine months and public companies have six months from the end of their accounting reference period to file their accounts with Companies House.

Generally an audit is required if any two of the following company or group limits are exceeded:

- Annual turnover GBP 6.5 million
- Gross assets GBP 3.26 million
- Number of employees 50

Certain categories of regulated finance companies automatically require an audit irrespective of level of turnover. Once a year, a company must file an Annual Return with Companies House. The accounts, together with a CT return, must be filed with Her Majesty's Revenue & Customs (HMRC) within 12 months of the company's year-end. CT has to be paid within nine months of the year-end. Larger companies (taxable profits greater than GBP 1.5 million divided by one plus number of associated companies) pay by quarterly instalments. HMRC has one year from the filing date to enquire into the return, although this can be later if a "discovery" is made. LLP and partnership returns must be submitted to HMRC for each tax year ended 5 April by the following 31 January. Partners disclose their profit share on their individual tax returns or on the CT return if a member is a company and pay tax directly to HMRC.

9 Special Notes / Country Update

Holding companies. With certain exceptions, UK and foreign dividends are exempt from CT. The substantial shareholding exemption means there is no CT on gains arising from the disposal of certain shareholdings in trading companies – a minimum holding of 10% is required and the shares must have been owned for at least 12 months. There is no withholding tax on dividends paid to shareholders. Interest deductions are available for loans used to acquire overseas companies. All in all, the UK is an attractive location for setting up a holding company to own foreign trading subsidiaries.

Domicile. In the UK, domicile, which differs from residence, refers in basic terms to the country which an individual regards as a permanent home. Under the remittance basis of taxation, non-domiciles are not subject to UK tax on foreign income and gains until the income/proceeds are remitted to the UK. Once a UK resident for seven out of the nine years prior to the year in question, this generally comes at an annual cost of GBP 30,000, or GBP 50,000 if resident for 12 out of the previous 14 years. Non-domiciles are also not liable to Inheritance Tax on their non-UK situs assets and for this purpose an individual is deemed UK domiciled once resident in the UK for 17 out of 20 years.

Sundry. Stamp Duty Land Tax (SDLT) is levied on the purchase of UK property with a rate varying between 0% and 7%. The latter applies where the purchase price of a residential property by a natural person exceeds GBP 2 million. A special rate of 15% applies to residential property valued at more than GBP 2 million acquired by a company, collective investment scheme or partnership having at least one corporate member. However, the 7% rate will apply if there is a business of letting, trading or redevelopment so long as there is no intention of occupation by connected persons. Where the 15% rate applies, an Annual Tax on Enveloped Dwellings (ATED) is payable at rates between currently 0.3% and 0.75% on the value of the property.