

## Doing Business in the UK

### Employment Law

There is no “at will” employment in the UK. Each employee must be given written employment particulars within 8 weeks of commencing work. After 24 months’ employment, a UK employee has the right not to be “unfairly dismissed” and the employer must act reasonably. Every UK employer must undertake Employer’s Liability Insurance for a “usual” office based employee. Premiums for full cover are unlikely to exceed £500 per annum.

### Statutory Sick Pay (SSP)

SSP is initiated on the 4th day the employee is ill, including weekends and Public Holidays and lasts for 28 weeks. The current level of SSP is £88.45 per week.

### Annual Leave

Full time employees are entitled to a minimum of 28 days leave per annum (Public Holidays can be included within the minimum). This must be detailed in the employment contract. There are 8 observed Public Holidays in 2016.

### Statutory Maternity Leave

Statutory Maternity Leave can be up to 52 weeks. The employee may be entitled to receive Statutory Maternity Pay (SMP) for up to 39 weeks of their leave (90% of average weekly wage for the first 6 weeks and then the statutory amount of £139.58 per week for the remaining 33 weeks).

### Statutory Paternity Leave

As long as certain conditions are met, an employee can take up to 2 weeks’ paternity leave. Statutory Paternity Pay (SPP) is paid for 1 or 2 consecutive weeks at £139.58 or 90% of the employee’s average weekly earnings if this is less.

Parental Leave was also introduced in the UK in 2016.

### Employee Benefits

In many industries, employees expect benefit packages and a company will be at a disadvantage when hiring qualified employees if these are not provided.

Summary of a typical UK Employee Benefits Programme:

- Group Personal Pension Plan (*nearest equivalent to 401k*)  
*Workplace Pensions are now compulsory in the UK*
- Death in Service (*Life Assurance equivalent*)
- Long Term Disability
- Private Medical Insurance
- Dental

Other Benefits provided in the UK include:

- Vision (*typically self-insured for groups smaller than 50 employees*)
- Critical Illness
- Key Person Protection
- Employee Assistance Programmes
- Salary Sacrifice Programmes
- Stock Options

### Payroll

The National Minimum Wage across the UK is currently £7.20 per hour for workers aged 21+ and £5.55 per hour for workers aged 18 to 20.

It is typical for UK employees to be paid every calendar month, often on the last working day of the month.

The 2016/17 annual tax rates are approximately:

- 20% on earnings between £0 and £32k
- 40% on earnings between £32k and £150k
- 45% on earnings over £150k

Employer Social Security (called National Insurance Contributions/NIC in the UK) tax is 13.8%.

### Value Added Tax (VAT)

The current rate is 20%. In the UK, there is only one level of VAT (federal), as opposed to state and federal levies.

VAT is the nearest equivalent to US Sales Tax; however, the two are not directly comparable.

It is compulsory to register for VAT if a resident UK business makes taxable sales over £83k in a 12-month period; however, the UK business can register for VAT before reaching this threshold. Input VAT can only be reclaimed if the business is registered for VAT. Some trades are specifically exempt from VAT. These trades may not reclaim input VAT.

A business may be able to choose to file VAT submissions monthly, quarterly or annually; however, quarterly is the most common.

An overseas company making taxable sales into the UK may need to register for VAT immediately and would not benefit from the above threshold.

### Expatriate Tax

Employees seconded to the UK for less than 2 years can - under certain circumstances - claim a deduction for various assignment costs (such as accommodation and cost of living differentials).

Individuals born outside the UK, with plans to return permanently to their home country (or any country outside the UK), can enjoy certain tax advantages during their UK stay:

- Foreign income and capital gains are not taxed (provided they are not remitted)
- Trips home, paid by the employer, are not taxed in the UK
- Most pension contributions made by the employee will obtain tax relief
- Most Pension contributions made by the employer will not be treated as a taxable benefit on the employee

### Visa / Secondment

The UK operates a points based system for all types of business visas with the exception of the sole representative visa. Tier 1 allows individuals to come and work in the UK without ties to a company. Tier 2 allows individuals to come to work in the UK, but their employment is linked to their employer.

### Banking

Opening a bank account in the UK, whilst not made deliberately difficult by the banks, can be an arduous process. Often, the myriad of identification and other “Know Your Client” (“KYC”) requirements will delay the account opening, which can only inconvenience UK operations.

F&L have strong relationships with major UK high street banks and - whilst we cannot change the “KYC” requirements for your company - we can identify solutions and uniquely expedite the process; hopefully relieving some of the pressures on a start-up business.

### Corporate Tax

Corporation Tax is charged on a company’s taxable profits. The rate applied for most companies will be 20%, depending on various factors, such as level of profits and the size of the group worldwide. From April 2017 onwards, the rate will drop to 19%.

In certain circumstances, companies may obtain a deduction for tax purposes above and beyond any expenses paying, through the financial statements. Companies with employee stock option plans or companies engaged in Research & Development (R&D) may benefit from such “additional” deductions.

### Corporate Structure

There are various structures available, each affording its own commercial and tax benefits. Such structures include:

- Limited Companies
- UK Establishment
- Limited Liability Partnerships (LLPs)

### Setting up a UK Entity: Expected Timeframes

The following offers estimated timeframes you should anticipate when commencing trade in the UK.

Action	Time	Notes
Register a UK Establishment	2 – 4 wks	Nothing can proceed without registration of UK Establishment / Limited Company
Incorporate a Limited Company	1 – 2 days	
VAT registration	Within 1 mth	Can claim VAT paid 6 months prior to registration
Bank account application	2 mth +	F&L can set up a ‘trust’ account in the interim
Register for Payroll	1 wk +	Salaries / deductions can be calculated and paid in the interim
Employment Contracts	1-8 wks	This deadline is a legal requirement
Employer’s Liability Insurance	1 wk	UK entities are required to have Employer’s Liability Insurance. F&L can make an introduction
Corporation Tax Registration	1-3 mths	Within 3 months of starting first accounting period, i.e. when trading starts

Our expert global mobility, HR and tax advisors are on hand to offer you further guidance.

*Updated January 2017. The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.*

**For more information, contact:**

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