

Oury Clark Quick Guides:



Expanding Your Business to the UK



When choosing to expand a business to the UK there are a few options available, each with their associated advantages and disadvantages.



These options are:

- UK trading entity (Limited Company, Limited Liability Partnership, Sole Trader or Partnership).
- UK establishment (commonly referred to as a branch).
- Trading directly from overseas.

UK Trading Entity

A UK trading entity is the most common choice for foreign companies who are looking to create a serious offering within the UK/European marketplace.

Out of the trading entities available (Limited Company, Limited Liability Partnership, or a Sole Trader/Partnership), the limited company corporate vehicle is the most popular. Please see our ['OC Quick Guide Setting up a Business – Choice of Vehicle'](#) for more details on the differing corporate vehicle options.

The limited company route is a readily recognised and trusted means of doing business in the UK. It is easy to set up (typically within 24 hours) without the need for any resident director or shareholder, and signifies a commitment to the market which potential customers and employees often want to see.

A UK limited company offers protection to the expanding parent company as the financial risk is limited to the value of shares that are issued (which can be as little as £0.01), together with the value of any loans from the parent company which the UK entity is unable to repay.

Only the accounts for the UK trading entity need to be filed at Companies House, which can be contrasted with a UK establishment, for which the parent company's accounts will also need to go on public record in the UK.

Notwithstanding the advantages set out above, please note that the requirement to carry out an audit in the UK is based upon groupwide turnover and gross assets, therefore, a small UK entity may still need to be audited as a consequence of the size of its broader group.

UK Establishment

A UK establishment is an official representative of the parent company in the UK and is registered with both the UK tax authorities and at Companies House. It does not have limited status and is considered to be a part of the parent company, thereby exposing the whole global business.

Unlike a UK trading entity launch, the registration process for a UK establishment is fairly cumbersome, with the need to submit certified/notarised documents relating to the parent company, its business (including financial data) and its officers, all of which are published and available publicly.

Financial reports of the parent company need to be filed in the UK on an annual basis (even if they do not need to be published in the overseas territory), albeit the UK accounting results are reported separately for tax.

The liability to corporation tax is based on the parent company's performance and therefore it will only be able to take advantage of the small profits rate of corporation tax if the parent company's results are themselves below the thresholds. Losses may be offset within the parent company, providing the opportunity to more readily relieve opening losses.

There is no audit requirement in the UK for the UK establishment.

From a commercial perspective, there is often a perception that a UK establishment is temporary which can prove restrictive when seeking to obtain new customers or recruit the right team.

It is not possible to simply transfer a UK establishment to be a Limited Company, totally new registrations have to be done.

Trade Direct

In limited cases where there are a handful of large customers, trading directly from the home country may be suitable. Thus, there will be no liability to UK corporate taxes provided no UK establishment is created.

However, where sales are being made in the UK, the foreign company may need to register for Value Added Tax. Registration will depend on several factors, such as whether the company is selling goods or services, and where they are based.

Anyone employed by a foreign entity, but based in the UK must be paid through a UK payroll. If there is no physical presence, it may be possible to avoid employers National Insurance contributions which are calculated at 13.8% of the gross salaries of your employees.

**For More
Information
Contact One
of Our Partners
Today →**

Email: contact@ouryclark.com

Oury Clark London:

10 John Street, London WC1N 2EB

Tel: +44 (0) 20 7067 4300

Oury Clark Slough:

Herschel House, 58 Herschel Street
Slough SL1 1PG

Tel: +44 (0) 1753 551111

