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## Setting up a business in the UK

There are a number of issues to consider when a non-UK business plans to expand into the UK. This note provides a high-level overview of some of the key issues.

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For companies considering a move into the UK market, there are two broad options: establishing a subsidiary in the UK; or setting up a “permanent establishment” here (i.e. part of the non-UK parent established here in the UK).

A **Subsidiary** will, in most circumstances, take the form of a private company limited by shares. It is the most common form of commercial company in the UK. It will provide limited liability to the shareholders in respect of the activities carried on by it.

A **Permanent Establishment (PE)** is not a separate legal person from the foreign entity and so will not provide any separate limitation of liability.

Both a UK subsidiary and PE would require registration with the Registrar of Companies (i.e. Companies House) in the UK and, in each case, annual filings of certain company information either in respect of the UK subsidiary or the non-UK parent company.

### Company books and Companies House filings

If a subsidiary is incorporated, the subsidiary will need to prepare, hold and update (where required) certain statutory books and registers recording information about the subsidiary’s share capital and its parent company, its directors and secretary, and its People with Significant Control (i.e. its beneficial owners). The subsidiary will also need to retain copies of all decisions of the board and its shareholders, and maintain adequate accounting records so that it can prepare and approve its annual accounts and reports (which may need to be audited).

Companies are required to notify changes to their governance structures (e.g. changes to directors or new issues of shares) to Companies House, and to file, e.g., copies of their annual accounts and reports. Generally, such filings require the completion of statutory forms which are available on the Companies House website. The most common filings can be made electronically, and Companies House is increasingly frequently updating its capability to permit electronic filing of additional forms and documents. In all cases, the delivery of statutory forms must meet the requirements set out by the Registrar of Companies as to the format of the document and the way in which it is delivered and signed.

The UK government has announced proposed changes to Companies House filing procedures that will require any filings to be made by an authorised filing agent. While anyone can apply for such an authorisation, it is expected that this will increase the use of corporate service providers acting as company secretary and effecting any filings.

### Employment and staff recruitment

#### Hiring employees in the UK

English employment law is notably more employer-friendly than in most of Europe, but it is more restrictive than in most parts of the United States. Whilst Scotland and Northern Ireland are separate jurisdictions, their employment laws are generally aligned with those of England and Wales, save for a few notable

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exceptions in Northern Ireland – namely the shorter qualifying period for unfair dismissal (one year as opposed to two), and differences in discrimination law.

There is no concept of employment “at will” in the UK; all employees must be given at least the statutory minimum period of notice to terminate their employment and there must be a fair reason for dismissal (although most unfair dismissal claims can currently only be brought after an employee has two years’ continuous service).

Employers typically manage payroll using their accountant’s systems (or a specialist outsourced provider) and that system will cover all withholding taxes and social security payments (known as National Insurance). Employers as well as employees are required to pay National Insurance contributions (as to which, see the section on Tax below).

In the UK the employment relationship is governed primarily by the contract of employment (see ‘Contractual documentation’ section below) which sits within a statutory framework – the majority of employment law in the UK is based on statute. Staff Handbooks are also generally introduced to complement the contract of employment and set out the employer’s policies on matters such as taking holiday, sickness absence, handling grievance and disciplinary issues, family leave, health and safety etc. (again, see ‘Contractual documentation’ section below).

## Employment status

The employment relationship is regulated by various pieces of legislation typically aimed at protecting the rights of individuals. For employment law purposes, there are three types of persons that provide personal services: employees, workers and independent contractors. Employees are persons employed under an employment contract. Workers are persons who provide personal services, other than under an employment contract, for another party who is not a client/customer of any profession or business undertaking carried on by that person, either directly or through a personal service company (**PSCs**). Independent contractors are self-employed persons engaged in business on their own account.

Certain legal protections apply to ‘workers’ (for example, the right to paid holiday, to receive the national minimum wage, and to protection against unlawful discrimination) but workers have significantly fewer employment protection rights than employees.

In order for the UK tax authority (**HMRC**) to prevent the avoidance of tax and national insurance contributions when individuals provide services through PSCs, new rules for private companies were introduced in April 2021 (the Off Payroll Working Rules, often referred to as ‘IR35’). If the individual would be an employee for tax purposes had they been engaged directly by the end-client then the end-client will be responsible for ensuring the appropriate tax and National Insurance deductions are made from the fees paid to the PSC. The ‘IR35’ rules do not apply to end-clients who fall below certain size and financial thresholds.

## Statutory benefits

There is no statutory right to private health or long-term disability insurance in the UK as people have typically relied on the National Health Service. However, it is becoming increasingly common for employers to provide such health benefits, particularly to senior employees. There is no concept of ‘personal days’ and permitted absences are limited to sick leave, annual leave (holiday) and family-related leave.

- **Sick Pay** – most employees are entitled to statutory sick pay (currently £109.40 a week) from the fourth consecutive day of sickness absence and for up to 28 weeks at a time, but most employers provide some level of enhanced pay (often paying the employee’s full salary for a limited period).
- **Pension** – every employer in the UK must enrol their qualifying employees into a pension scheme and ensure at least the minimum statutory level of contributions are made. This is called ‘automatic

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enrolment'. Employers and employees have a certain level of discretion as to the level of pension contributions, but, by law, the total employer and employee contributions must equate to at least 8% of an employee's 'qualifying earnings', at least 3% of which must be made by the employer.

- **Annual leave** – full time employees and workers are entitled to at least 5.6 weeks' paid annual leave (28 days for those working five days a week), which can include public and bank holidays – of which there are usually eight in England and Wales, nine in Scotland and ten in Northern Ireland. A pro-rata entitlement applies to part-time employees.
- **Family leave and rights** – qualifying employees are entitled to paid maternity, paternity, shared parental and adoption leave, unpaid parental leave and unpaid time off to deal with an emergency involving a dependant. Many employers have enhanced family leave policies which mean employees receive more than the statutory minimum level of pay.

Maternity leave is currently capped at 52 weeks, 39 of which are paid (the statutory minimum rate of maternity pay being 90% of the employee's earnings for the first six weeks of leave, then £172.48 a week or 90% of the employee's average weekly earnings (whichever is lower) for the next 33 weeks). The paternity leave entitlement is two weeks, for which the employee must be paid at least the lower of £172.48 a week or 90% of the employee's average weekly earnings.

Shared parental leave allows eligible partners to share up to 50 weeks of leave and up to 37 weeks of pay between them. In order for the second partner to be eligible for shared parental leave and pay, the birth parent or primary adopter (as applicable) must curtail their maternity or adoption leave.

All employed parents have the right to two weeks' paid leave if their child aged under 18 dies, or if they have a stillbirth at 24 weeks or later. All employees (including parents and carers) also have the right to request flexible working (e.g. a change in hours, work times and/or work location).

## Contractual documentation

Whilst strictly there is no requirement for the employment contract to be in writing, the law requires that certain terms and conditions are set out in writing, including for example, commencement date of employment, job title or description, hours of work etc. Typically, this information is incorporated into a comprehensive written contract of employment which includes various additional provisions, including those concerning confidentiality, intellectual property (**IP**) and post-termination restrictions. In the absence of contractual provisions, the UK's statutory IP framework means that the vast majority of IP rights created in the course of an employee's employment will automatically belong to their employer.

## Terms of employment and employment policies

Whilst the parties are generally free to agree contractual terms of employment (including the law which governs the contract), certain statutory rights cannot be contracted out of, such as the right to a minimum notice period, the right to receive the national minimum wage and the right to take certain types of leave. Additionally, there are implied terms which govern all employment relationships in the UK, such as the duty of mutual trust and confidence, the employee's duty of confidentiality, and the employer's duty to provide a suitable working environment.

Save for a health and safety policy (once an employer has five or more employees) and written disciplinary and grievance procedures, there is no legal obligation for employers to have internal policies. However, it is both common and advisable to do so. In particular, employers should have written disciplinary and grievance procedures that are compliant with the ACAS Code of Practice on disciplinary and grievance procedures. We also recommend introducing policies concerning equal opportunities, anti-harassment and bullying, anti-bribery and corruption, anti-facilitation of tax evasion, data protection (see further detail in 'Data protection – compliance' section below), whistleblowing and flexible working.

Employees do not have to approve policies for them to be effective and it is common for employment contracts to contain a provision that the employee will comply with all the employer's policies in force at the time. It is also advisable to inform employees before implementing or amending a policy and give them an opportunity to ask questions or raise concerns in order to maintain a relationship of trust and confidence.

If a policy forms part of an employee's terms and conditions of employment, the employee's consent will be required to make a change to that policy. Therefore, we would generally advise that all policies (or the staff handbook in which they are contained) are stated to be non-contractual. Policies do not have to be filed with, or approved by, government authorities.

## Discrimination

Discrimination (both direct and indirect) by reason of a protected characteristic, being age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation, is unlawful in the UK. Additionally, an employer cannot discriminate against fixed-term workers or part-time employees.

Employees, workers, contractors, agency workers, secondees and job applicants are all able to bring discrimination claims regardless of their length of service. Compensatory awards for successful claims are uncapped, and a tribunal may also make an 'injury to feelings' award to successful claimants of between £1,100 and £56,200 depending on the severity of the employer's conduct, with exceptionally serious cases having the potential to exceed the £56,200 cap.

## Whistleblowing

In the UK there is a statutory regime that aims to protect workers who expose wrongdoing in their organisation. Workers who have been dismissed or subjected to detriment as a result of making a 'qualifying disclosure' may bring a claim in the employment tribunal regardless of their length of service.

## Immigration

UK Visas and Immigration (**UKVI**) is the division of the UK Home Office responsible for the UK's immigration system and determining applications for permission to stay and work in the UK. The main immigration categories for individuals coming to work in the UK are the Skilled Worker route and the Global Business Mobility routes which require an individual to be sponsored by a UK employer who is licensed by UKVI to sponsor migrant workers. There are strict requirements for sponsorship which vary depending on the relevant route. Once the individual has a certificate of sponsorship from a licensed sponsor, provided all the mandatory criteria are met, they can secure a visa permitting them to work for their sponsor. The immigration rules are complex and change frequently. Employers should always seek specialist advice prior to submitting an application for a sponsor licence or sponsoring an individual since the consequences of an error and/or non-compliance with the relevant rules can have serious implications both for the employer and any individuals it sponsors.

To avoid potential civil and criminal liabilities, employers must ensure that all its employees have the right to work in the UK and comply with UKVI's prescribed right to work checks prior to any individual commencing employment.

## Health and safety

Employers are responsible for the health and safety of their staff whilst they are working. In addition to providing a safe system of work and having a written health and safety policy (as mentioned above), the employer must provide staff with such information, instruction, training and supervision as necessary to ensure their health and safety at work.

Health and safety legislation requires that all employers have employers' liability insurance with a minimum cover level of £5 million from an authorised insurer and that a copy of the policy certificate is

displayed in a place where staff have reasonable access to it. This insurance covers employers for claims for injury or illness suffered by staff as a result of their employment.

## Pre-employment background checks

It is sensible to make an offer of employment conditional upon satisfactory references, proof of right to work in the UK and in some cases, evidence of qualifications.

It is possible to carry out background checks to find out whether a candidate has any criminal convictions if it can be justified in terms of the role offered, but the results of such a check will be sensitive personal data and therefore subject to enhanced protection under data protection law. Therefore, advice should be sought before carrying out such a criminal record check.

## Dismissing employees

### Giving notice

Employees must give or be given a certain period of notice to terminate their contract of employment. This notice period will typically be set out in an employee's contract but this is always subject to the statutory minimum. The statutory minimum notice period applicable to employers serving notice on an employee is one week until the employee has two years' continuous service, after which it is one week per year of continuous service (subject to a 12-week cap). Employers and employees generally agree mutual notice periods in excess of the statutory minimum; it is advisable for most technical, sales, professional and senior employees to have a minimum notice period of at least three months.

Failure to serve proper notice is grounds for the employee to bring a wrongful dismissal claim. Where there has been some form of gross misconduct an employer will have the right to dismiss an employee without notice ('summary dismissal') so employers often include the grounds upon which it may summarily dismiss an employee in the employment contract.

### Fair dismissals

There must be a fair reason for dismissal and the dismissal must be carried out in accordance with a fair process to avoid an employee bringing a successful claim for unfair dismissal. Most unfair dismissal claims require the employee to have at least two years' continuous service and must be brought at the employment tribunal within three months of the effective date of termination. Some unfair dismissal claims are automatically unfair and do not require the employee to meet the continuous service requirement, for example, health and safety-related dismissals, dismissals relating to trade union membership or activity and dismissals relating to a transfer to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 (**TUPE**) applies.

There are five fair reasons for dismissal: redundancy, capability (i.e. poor performance), conduct, illegality, and 'some other substantial reason'. It is no longer possible to mandate that employees retire at a set age unless there is an objective justification for doing so (which in most cases will be difficult to show). As a result, most employers no longer enforce a compulsory retirement age.

As mentioned above, the dismissal process followed must be in accordance with the ACAS Code of Practice on disciplinary and grievance procedures. For most dismissals a fair procedure will involve informing the employee of the relevant issues and potential outcomes throughout the process, carrying out thorough investigations where necessary and giving the employee an opportunity to provide their views and comments. Employees should also be given the opportunity to appeal the employer's final decision.

If the dismissal is by reason of redundancy, the employee must receive at least a statutory redundancy payment (based on age and length of service) provided they have been employed continuously for two

years' prior to the dismissal (in addition to working or being paid in lieu of their notice period). This is currently capped at £19,290.

If the dismissal is found to be unfair, an employment tribunal may award compensation of up to £105,707 and a basic award (calculated in a similar way to a statutory redundancy payment). The limits on such tribunal awards usually increase annually in April broadly in line with inflation.

Note that prior to an employment claim proceeding, the claimant is obliged to contact ACAS (the Advisory, Conciliation and Arbitration Service), a non-departmental public body of the Department for Business and Trade, who will offer 'early conciliation' in an attempt to facilitate settlement before the claim proceeds to an employment tribunal.

### **Post-termination protections for employers**

Employers often include post-termination restrictions (also referred to as 'restrictive covenants') in the employment contract, in particular for senior, sales or technical employees. No additional consideration needs to be paid in exchange for the employee entering these covenants if they are included in the employee's first contract of employment with the employer. These restrictions typically prevent an employee from working for a competitor or poaching clients or other employees for a limited period of time following termination of their employment. Restraint of trade principles apply in the UK such that in order to be enforceable, the restrictive covenants can go no further than is necessary to protect the employer's legitimate business interests, i.e. its confidential information and trade secrets, relationships with its business contacts and the stability of the workforce.

Placing an employee on 'garden leave' during their notice period is another way for employers to protect their business interests. This might involve prohibiting the employee's access to the employer's premises, changing or limiting their duties or preventing them from communicating with clients, suppliers, employees etc.

### **Data protection – compliance**

In the UK, the collection and use of personal data is principally governed by the United Kingdom General Data Protection Regulation, Retained Regulation (EU) 2016/679 (**UK GDPR**) regime and the Data Protection Act 2018 (**DPA 2018**). The Information Commissioner is responsible for enforcing and overseeing the UK GDPR and DPA 2018 in the UK. The UK GDPR is heavily derived from the General Data Protection Regulation, Regulation (EU) 2016/679 (EU GDPR) regime (which was applicable under UK law until the end of the Brexit implementation period and remains applicable in the EEA). Generally the terms and core concepts used in the UK GDPR have the same meaning as they do in the EU GDPR, although there are a number of key differences between the two regimes, and it is recommended that local legal advice is obtained on the application of UK and EU data protection laws, as both (in certain circumstances) can have extra-territorial effect. The EU has adopted adequacy decisions for the UK's data protection regime, so personal data can flow freely between the UK and the EU.

The UK GDPR and DPA 2018 apply to the processing of personal data. Personal data can be almost any information that relates to an individual. For example, information on employees such as names, ages and social security numbers will be considered to be personal data. Processing personal data covers any activity involving the use of personal data including obtaining, recording, holding, using, disclosing or erasing data. Personal data can only be processed on the basis of one of a number of specified legal bases (for example, with the informed consent of the data subject), and data subjects have various rights to understand the use of their data, access it and require its deletion.

Virtually every business that operates in the UK (whether through a subsidiary company or a branch office) will be affected by the UK GDPR and the DPA 2018 in some way. When a company outsources the payment of its employees to a payroll provider, it must consider its obligations to ensure the safety of that information under the legislation. There are also restrictions on the ability of an entity holding personal

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data to export that data outside the UK. Contraventions of data protection laws can result in both criminal and civil liability, as well as negative publicity as rulings of the Information Commissioner are a matter of public record and often reported in the press. Under the UK GDPR fines can reach the higher of £17.5 million or 4% of worldwide turnover.

Before processing personal data, controllers of the data are required to register with the Information Commissioner's Office (**ICO**). The forms that are required to complete a notification are available from the ICO website. A fee is required to be paid when making the initial application, and further annual fees are payable to maintain a registration. It is not possible for a parent company to complete a registration on behalf of all companies within its group that are using personal data – each data controller within a corporate group must separately register with the ICO. It is a criminal offence to fail to update register entries within 28 days of any changes occurring to the notified details.

### **Website policies – compliance**

In addition to a UK version of a company's terms and conditions of business, a company will typically require a privacy policy and in certain cases a separate cookie policy to comply with UK legislation and good practice. Additionally, certain information about the Company must be displayed on the website by law.

It is also worth noting that where a website will be used to sell products / services to consumers, there are additional regulatory requirements to be aware of, in particular regarding consumers' cancellation rights. The regulations are complex in this area – if this is of relevance, we would be more than happy to discuss this in more detail.

### **Real estate considerations – office premises or commercial premises**

The London property market is vibrant and an excellent place to do business. In most cases there are lots of flexible options for new companies requiring space ranging from an empty shell of a building to be adapted to your specific requirements, to serviced offices which come ready equipped with the furniture and technology required to move in immediately. We can provide introductions to specialist consultancies which can advise on the best solution for your business and assist with your property search if required.

Typically the landlord proposes its standard terms and the tenant then negotiates key points. For start-up companies or companies being established by overseas parents, the landlord is likely to require guarantees from a bank or parent company or security in the form of a rental deposit.

### **Intellectual property**

Business names need more than the protection afforded by registering at UK Companies House. Company and brand names should be registered as trade marks. At the moment, this can be done on a Europe-wide basis through the Community trade mark scheme. Designs and artistic creations can also be protected through design registration in the UK or on an EU-wide basis.

Patents can be applied for through an EU-wide single process although the European Patents (or **EPs**) granted are national and are not centrally enforceable. The launch of Europe's new unitary patent and Unified Patent Court completed on 1 June 2023, when the Unified Patent Court (**UPC**) Agreement came into force. Unitary patents are streamlined in both application and revocation, so some key considerations in this market are whether to choose a unitary patent or an EP, and whether to take an existing EP out of the UPC. Opting out permanently removes a patent or patent application from the UPC's jurisdiction. Once an EP is removed from the UPC, each national court will have exclusive jurisdiction for its respective national tranche of the EP. The sunrise period for opting-out of the UPC will continue during a seven year transitional period that began on 1 June 2023.

## Anti-bribery

Under the Bribery Act 2010, a person is guilty of an offence if:

- they offer, promise or give a financial advantage to another person with the intention of causing that other person to improperly perform, or rewarding that other person for improperly performing, a public or commercial function in any jurisdiction; and
- there is an expectation that the relevant function is carried out in good faith or where the person performing it is in a position of trust

It does not matter whether the recipient of the bribe is the same as the person who is to perform, or has performed, the relevant function. It is an offence for a person to request, agree to receive or accept (either directly or through any other party) a financial or other advantage in connection with the improper performance of a relevant function.

The legislation is sufficiently wide so as to apply to acts of bribery carried out anywhere in the world by any entity or person within a group with a connection to the UK. The establishment of a UK subsidiary company or branch office will be sufficient for the relevant group to be deemed to have a connection to the UK for these purposes.

A company or partnership incorporated or operating in the UK may be guilty of any of these offences if a person associated with that organisation (for example an employee or agent) takes the offending action. It will be a defence if the commercial organisation can show that it had adequate procedures in place designed to prevent such offences being committed. Senior officers of the organisation may also have personal liability if an offence is committed.



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# Setting up in the UK – Tax considerations

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## Corporation tax

UK resident companies (which includes those companies that are incorporated in the UK) are subject to corporation tax in the UK on their worldwide profits, regardless of the source. An election can be made in certain circumstances to exempt profits arising from a branch outside the UK under the branch exemption rules. At the time of writing, the rate of corporation tax is 25% for all companies or corporate groups with profits over £250,000.

An overseas company trading in the UK through a branch or 'permanent establishment' is subject to UK corporation tax, but principally only on profits relating to UK activities. An overseas company has a UK permanent establishment (**PE**) in the UK if either:

1. the overseas company has a fixed place of business in the UK through which the business of the company is wholly or partly carried on (a 'fixed place of business' PE); or
2. an agent acting on behalf of the company habitually carries on business activities which bind the overseas company (a 'dependent agent' PE).

Typically, therefore, the opening of a UK-based office or appointment of UK-based sales employees with contracting authority may give rise to a UK PE.

## Funding a UK subsidiary

In deciding whether to fund a subsidiary by way of debt or equity, consideration needs to be given to issues such as interest deductibility, transfer pricing and withholding taxes.

The UK has corporate interest restriction rules in place that may operate to cap the amount of any deductible interest expenditure.

The UK also has an extensive transfer pricing regime and this can have a significant impact on cross border funding arrangements and the ability to claim a tax deduction for interest paid to a related company.

Withholding tax is imposed (at 20%) on payments of UK source interest. However this is often reduced or eliminated under the provisions of an applicable double tax treaty (in which case a claim would need to be made) or certain domestic exemptions. The UK does not levy withholding taxes on dividends paid to shareholders, wherever they are resident.

## Employing people in the UK

Income tax payable by an individual on income earned from a UK employment is normally dealt with under what is called the 'Pay as You Earn' (**PAYE**) system. This is a system whereby tax and social security contributions (called 'National Insurance' in the UK) are deducted from an employee's salary by the employer. The employer then pays the deducted amount to HMRC. The employer is also liable, in addition, to pay employer's National Insurance contributions at the same time. The PAYE system is not set up automatically – the company will need to contact HMRC to arrange this.

National Insurance is levied on employees at a rate of 12% up to a salary of around £50,000, then at 2% above that level. Employers' National Insurance contributions are at a rate of 13.8% on all earnings paid to employees above a low threshold amount.

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Income tax is levied at three rates relating to the taxpayer's level of income. The first £12,570 of taxable income is exempt from tax, although this figure is reduced for those earning income over £100,000. The remaining taxable income is then taxed as follows:

- £12,571 - £50,270 at 20% (the basic rate);
- £50,271 - £125,140 at 40% (the higher rate); and
- over £125,140 at 45% (the additional rate).

Equity based awards are subject to the employment related securities (**ERS**) tax rules in the UK. To the extent that a UK tax paying employee or director is awarded shares at a discount to their market value, the discount element will be subject to employment tax. There are certain HMRC 'approved' share option plans which mitigate these employment tax liabilities and are a very popular and tax efficient way for growing companies to incentivise their UK workforce, the most prevalent being Enterprise Management Incentive (**EMI**) share options. There are a number of statutory criteria that a company and the relevant employees or executive directors must satisfy before a qualifying EMI option can be granted but it is possible for a UK based employee of a UK subsidiary (or UK permanent establishment) to be granted an EMI option in an overseas parent company.

### Acquiring and occupying property in the UK

Buying or renting a property in the UK can give rise to a charge to Stamp Duty Land Tax, which is a tax on transactions in land.

Occupying a property for business purposes will normally give rise to a liability to a business occupancy tax known as 'Business Rates'.

### Value Added Tax (VAT)

A UK established business must notify the UK tax authorities and register for VAT once it has made supplies (sales) above the UK VAT registration threshold (currently £85,000). Once registered, it must then charge and account for VAT on the supply of all goods and services made in the UK, subject to the classification of the relevant supplies for VAT purposes and therefore the particular VAT rate that applies. The standard rate of UK VAT is 20%. It is possible to register for VAT on a voluntary basis before reaching that threshold. Once registered, a business that incurs UK VAT on the purchase of its goods or services in the UK is generally (again, subject to the precise nature of the supplies the business makes) able to recover this VAT from HMRC.

Where an overseas company, not having a permanent establishment in the UK, is supplying **goods** to a UK customer, it does not have to register for and charge VAT, provided the UK customer is importing the goods into the UK. If the customer is expecting to take ownership of the goods **after** they have been imported into the UK, the overseas company may have to pay VAT at the point of importation and then register in the UK in order to recover that VAT. It will then have to charge VAT on its sales, as the goods will now be deemed to have been physically supplied in the UK. When goods are imported into the UK, customs duties will also need to be considered.

Where an overseas company without an establishment in the UK is supplying **services** to UK business customers, it does not (subject to certain exceptions for specific types of supplies) have to register for or charge VAT as long as it is making those supplies from outside the UK. The VAT is accounted for by the customer under what is known as the reverse charge procedure.

We would recommend that the directors discuss the company's tax filings, payroll set-up and other registration requirements with the company's accountants who will be in the best position to advise on next steps.

**This guide is not legal advice and should not be relied upon in any circumstances. You should seek specialist legal advice relating to your specific circumstances before embarking on any transaction.**