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## Doing business in the UK

The UK is one of the largest economies in the world, and attractive to foreign businesses due to the market size, access to skilled talent & low corporation tax rates. Whilst you may be able to trade into the UK from overseas, it's good to have an understanding as to when you may trigger a taxable presence, to avoid any surprises when it comes to taxation.

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# What this guide will cover



“It’s important to understand when you legally need to register a presence in the UK, at which point you become liable to pay corporation tax. Many clients will start trading from their overseas entity, before deciding to set something up formally in the UK once they have gained some traction in the market.”

- Kevin Rutter, CEO -



The aim of this guide is to discuss the following key points:



What you are allowed to do without a taxable presence



When activities may trigger a taxable presence



An overview of the next steps should a taxable presence be triggered

# Registering your business

In practical terms an overseas company must register at Companies House if it regularly carries out business in the UK.

Registration of an overseas company is only required when it has some degree of physical presence in the UK (such as a place of business or branch) through which it carries on business.

The term “established” relates to not only setting up of a business at a specific location but to a degree of permanence or recognisability.

It’s important to bear in mind that as a foreign owned business, you are able in many cases allowed to employ in the UK, and sell in the UK directly from your overseas entity, but the roles these individuals undertake may be limited.



You will have to register in the UK when you carry out activities such as the ones stated below:

- > Opening of a store, an office or place of management
- > Appointing a sales manager with the authority to conclude contracts
- > Storage of goods with an external advertising sign to attract customers

HMRC’s approach is to ask the question whether the overseas company is carrying out any of its income-producing activities in the UK. This would be regarded to as “trading” in the UK. An example would be an overseas company that has an employee in the UK who is actively involved in sales activities. This would normally be regarded as trading in the UK.

# Registration characteristics for a UK business

A place of business, which triggers registration requirements in the UK, has the following characteristics:

- the appearance of permanency, such as the extension of the parent body;
- has a management and is materially equipped to negotiate business;
- can deal directly with third parties (although knowing there will be a legal link with the parent body, the head office of which is abroad) and may transact business at the place of business;
- Occupies premises from which its representatives (including officers, employees or agents) carry on activities for the overseas company on its behalf and for which the overseas company exists.

However, merely having an employee based at a residential address in the UK would not normally require registration. Clearly HMRC will be on notice through setting up of a PAYE scheme (i.e. payroll scheme) that a company has an employee in the UK. This does not automatically mean that the company has a place of business in the UK which would trigger a tax exposure for the overseas company in the UK.



# Registration characteristics for a UK business

## What are the requirements?

The UK establishment may register for value added tax (VAT) if the business' VAT taxable turnover exceeds certain thresholds.

The UK establishment will normally be seen as a "permanent establishment" in the UK, making overseas company liable for UK corporation tax on the UK profits dependent upon the activities in the UK.

The UK establishment has to meet certain disclosure requirements, such as stating where the establishment has its registered office, its registered number and other basic details on business letters, order forms, invoices and websites.

Overseas companies sometimes start up their UK operations through a UK establishment whilst it is making losses and then incorporate the entity once it becomes profitable, particularly if the UK corporate tax rate is lower than the rate in the home country.

## Which overseas companies do not have to register?

Registration is not required if there is no physical presence in the UK.

For example, an independent agent who conducts business on behalf of the company is not a UK establishment of an overseas company; neither is an occasional location such as a hotel where a director may conduct business during periodic visits to this country or a technician who gets sent to the UK to conduct repair work on the client's premises.



## What are the benefits of registering in the UK?

Whilst many businesses will have no choice but to register a taxable presence due to the activities they will be undertaking, some choose to voluntarily register. The decision to register can bring with it a number of benefits including

- More attractive to talent, and access to a wider range of company benefits
- Easier to transact with suppliers for mobile phones etc.
- Demonstrates a commitment to the market to customers
- Increased brand awareness in the local market
- Potentially improved customer service & after sales support

## What if the overseas company does not register?

If an overseas company fails to register a UK establishment within one month of setting it up, an offence is committed by the company itself and by every director or agent of the company who “knowingly and wilfully authorises or permits the default”.

In some cases the place of business issue is a “grey area”, and the overseas company has to take a view as to whether or not it has a requirement to register its business activities in the UK.



## What next?

If you are unsure on whether you legally need to register in the UK, we would recommend contacting HMRC for specific advice on your scenario to avoid future problems. If it is deemed that you do need to register here, most of our clients would choose to register a branch of their overseas company, or a subsidiary owned subsidiary company. It's important that you understand the tax implications both in the UK, but overseas on any corporate structure you decide to establish. For more information and to understand the difference between the two most common structures, download our guide, Branch V Subsidiary.



# How can we help

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Although the UK is one of the best places to do business in the world, complying with all the legal requirements can be a considerable burden to many businesses. Therefore, it is highly advisable to seek expert advice.

This is what we do here at Goodwille. We work closely with companies from around the world helping them enter and expand into the UK. Our expert team are here to assist and take care of all the set up process of your business in the UK from Corporate Governance, Accounting, Human Resources to Payroll and we will ensure all your compliance and reporting obligations are met.

To find out more visit: [goodwille.com](https://goodwille.com)

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