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4 BUSINESS



DOING BUSINESS IN THE UK



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A SOLUTION FOR EVERY SIDE OF YOUR BUSINESS



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## BRITISH BUSINESS SERVICES OVERVIEW

4 Business offers cost effective business solutions for companies and entrepreneurs wishing to establish a presence in the world's fifth biggest economy and in London, the world's leading international financial centre.

The United Kingdom has an open economy in which international trade and investment plays a significant role. The export of goods and services accounts for approximately 27 percent of Gross Domestic Product (GDP).

Economic prosperity is further enhanced by overseas businesses that make the United Kingdom their base for European and International business. More than 35 percent of all foreign investment in Europe is made in the United Kingdom which offers the best regulated market place, the best communication systems and the lowest rates of taxation.

The 4 Business team based in Hanover Square in the Mayfair district of the West End of London, has particular expertise in the utilisation of United Kingdom business entities for British and European Market entry, International Trade and Investment and offers a comprehensive range of business support services for clients wishing to establish a base in London.

For further information about Doing Business in Britain, please refer to Page 15 of this brochure for our office contact details.

## ABOUT BRITAIN

### Overview

The UK is a nation of cultural and ethnic diversity consisting of four countries each with a clear identity: England, Scotland, Wales and Northern Ireland. A thoroughly multicultural society, the UK continues to blend its rich cultural heritage with a modern and innovative outlook. Knowledge and an appreciation of the basic cultural, ethical and business values of the UK is crucial to any organisation wanting to conduct business in such a varied yet traditional country.

The UK is considered by many to be Europe's leading business centre, while the City of London has long been the European Union's financial centre. Political, economic and social stability in the UK has fostered the skills and productivity of the private sector to ensure continued growth and low inflation since the global recession of 1990 – 1992.

Economic prosperity is greatly assisted by overseas businesses that make the UK their base in Europe. The UK wins some 25 percent of inward investment in Europe and more than 40 per cent from Japan, the USA and Asian countries. There are good reasons for this. Within the EU, the UK has the least restricted business environment, the least restricted regulated marketplace and workforce, the largest international transport system, best communications, most widely spoken language, lowest top rate of personal taxation, one of the lowest rates of corporation tax and the most cosmopolitan and culturally diverse capital.

While the UK is an attractive, low-cost centre for European business it is also a knowledge centre offering world-class skills, research and development in cutting-edge technologies, telecoms, e-business, software and semiconductor development, biotechnology, industrial design, life and physical sciences. This is the place for international business/academic partnership, expertise and innovation.

## The Economy

The UK is a leading trading power and financial centre, and deploys an essentially capitalistic economy. It is one of the quartets of trillion dollar economies of Western Europe.

Over the past two decades the government has greatly reduced public ownership and contained the growth of social security programmes. Agriculture is intensive, highly mechanised, and efficient by European standards, producing about 60% of food needs with only 1% of the labour force. The UK has large coal, natural gas and oil reserves, primary energy production accounts for 10% of GDP, one of the highest shares of any industrial nation.

Services, particularly banking, insurance, and business services, account by far for the largest proportion of GDP while industry continues to decline in importance.

The Economy has grown steadily, at just above 3% for the last several years but is expected to fall to approximately 2.3% in 2008. The Government has so far opted not to take part in European economic union. The Chancellor of the Exchequer has identified some key economic tests to determine whether the UK should join the common currency system, but it will largely be a political decision.

A wide range of incentives are available to companies, joint ventures, partnerships and other commercial entities investing in the UK. Like most countries, the UK imposes detailed regulatory requirements on banks (these are administered by the Bank of England) and insurance companies (administered by the Department of Trade and Industry).

There is no legislation restricting foreign investors in the UK. Foreign investment in manufacturing and internationally traded services is encouraged. Foreign companies and individuals may in general establish or acquire businesses in the UK and buy securities, land or mortgages without a special license. However, in certain strategic sectors such as defence, foreign investments may be regarded as against the UK's national interest.

## The Government

The UK's Parliament is one of the oldest in the world, having its origins in the mid-13th Century. Its principles of free elections, freedom of speech and open and equal treatment before the law continue to be fervently upheld.

Parliament consists of three parts, the House of Commons, House of Lords and the Crown and is responsible for making laws, examining the work of Government, controlling finance, protecting the individual, examining European proposals, and debating.

At the end of the 20th Century, legislation was passed by the UK Parliament to create devolved Parliaments/Assemblies in Scotland, Wales and Northern Ireland.

As a Member State of the European Union, the UK is bound by the various types of European community (EC) legislation and wider policies that are based on a series of treaties since the 1950s. Almost all UK government departments are involved in EU-wide activities. The UK has 78 members of the European Parliament and there are elections every 5 years, the next election is due in 2009. The UK also has an active civil society with thousands of non-government organisations (NGOs) that represent the multitude of cultural, ethnic, religious, environmental, and other interests of individual citizens.

For the last 150 years, Britain has had a predominantly two-party system. Since 1945, either the Conservative Party or the Labour Party has held power. The Liberal Democrats were formed in 1988 when the Liberal Party merged with the Social Democratic Party, which was founded in 1981.

Other parties include two nationalist parties, Plaid Cymru, The Party of Wales and the Scottish National Party. Northern Ireland has a number of parties. They include the Ulster Unionists, the Democratic Unionists, founded by a group that broke away from the Ulster Unionists, the Social Democratic and Labour Party and Sinn Fein.

The party that wins most seats at a General Election, or which has the support of a majority of members in the House of Commons, usually becomes the Government. The largest minority party becomes the official Opposition, with its own leader and 'shadow cabinet'.

Leaders of the Government and Opposition sit opposite one another on the front benches in the debating chamber of the House of Commons. Their supporters, called the 'backbenchers', sit behind them. There are similar seating arrangements for the parties in the House of Lords but those peers who do not wish to be associated with any political party choose to sit on the 'crossbenches'.

### **Laws, Regulations and Standards**

The UK has an unwritten constitution. Law consists of statutes, common law and case law.

The legal system is characterised by common law tradition with early Roman and modern continental influences. There is no judicial review of Acts of Parliament and the UK accepts compulsory ICJ jurisdiction, with reservations. British courts and legislation are increasingly subject to review by European Union courts.

All businesses operating in the UK are subject to the laws of the country in which they operate. The UK has long had a policy of minimising bureaucracy and deregulating marketplaces in order to generate competition improve customer services and allow companies with good business models to develop and expand.

There are nevertheless strict laws governing employment, industrial emissions, pollution monitoring and control, and waste disposal. A number of industry sectors require membership of self-regulatory authorities, such as the Financial Services Authority (FSA) which monitors and enforces standards within the finance and insurance industries.

Financial transparency is a requirement of limited companies which must submit independently audited annual reports to the Registry in Britain called 'Companies House'. To protect shareholder interests, there are stringent annual reporting guidelines for publicly limited companies (PLCs).

Further detailed information is offered by UK Trade & Investment, the Department for Trade and Industry (DTI), the Department for Education and Skills (DfES), Government Direct for Business in Northern Ireland, the Scottish Executive, the National Assembly of Wales, and the Confederation of British Industry (CBI). The 12 regional development agencies also provide guidance about regional laws, regulations and standards.

## Facts and Figures

<b>Official name</b>	United Kingdom of Great Britain and Northern Ireland.
<b>Capital Cities</b>	England – London Wales – Cardiff Scotland – Edinburgh Northern Ireland – Belfast
<b>Population</b>	60,777,238
<b>Working Population</b>	28,000,000
<b>Official Language</b>	English, Welsh (approximately 26% of the population of Wales), Scottish Gaelic (approximately 1% of the population of Scotland).
<b>Currency</b>	Pound Sterling (GBP)
<b>ExchangeRate GBP</b>	US\$ 1.9875
<b>GDP</b>	US\$1.563 trillion
<b>GDP per head</b>	US\$27,500
<b>GDP growth</b>	2.7%
<b>Inflation</b>	1.2%
<b>Exports</b>	27% of GDP
<b>Top import sources</b>	Germany USA France Netherlands Japan
<b>Top export markets</b>	USA Germany France Netherlands Japan
<b>Religions</b>	Anglican – 27m Roman Catholic – 9m Muslim – 1m Presbyterian – 800,000 Methodist – 760,000 Sikh – 400,000 Hindu – 350,000 Jewish – 300,000
<b>Area Size</b>	244,820 sq. kilometres

## The People

The British, in particular the English, are renowned for their politeness and courtesy. This is a key element of British culture and is a fundamental aspect of British communication style. When doing business in the UK you generally find that direct questions often receive evasive responses and conversations may be ambiguous and full of subtleties. Consequently, it is important to pay attention to tone of voice and facial expression, as this may be an indication of what is really meant.

The term 'Stiff Upper Lip' is often used to describe the traditionally British portrayal of reserve and restraint when faced with difficult situations. In British culture open displays of emotion, positive or negative are rare and should be avoided. During meetings, this means your British colleagues will approach business with an air of formality and detachment.

Humour – a vital element in all aspects of British life and culture is the renowned British sense of humour. The importance of humour in all situations, including business contexts, cannot be overestimated. Humour is frequently used as a defence mechanism, often in the form of self-deprecation or irony. It can be highly implicit and in this sense is related to the British indirect communication style.

The United Kingdom is renowned for its colourful history and strong sense of tradition that has been shaped by colonial empire, both civil and European wars and a constitutional monarchy, supported by a long-established system of government and economic stability.

## Business Practice and Etiquette

- The average working week is 9.00am to 5.30pm. However, many executives work longer hours.
- British business protocol and tradition demands punctuality when attending meetings. It is also best practice to arrange appointments several days in advance.
- UK businesses now deploy 'Flat Hierarchical Structures' where the only divide is between managers and other ranks.
- It is now common for British businesses to employ younger than anticipated members who are deal makers.
- British businessmen generally favour the establishment of pool working relationships with their subordinates.
- Business entertaining can be conducted during any meal and generally whoever initiates is expected to pay.
- It is customary to always shake hands. When being introduced or when meeting someone, as well as when leaving.
- Business cards are welcomed in business culture and are generally exchanged at the end of business meetings.
- During initial meetings British business people will be generally cool, calm and give little away as to their intentions. It is not uncommon for the quietest member of a meeting to carry the most influence.
- Once business relations have been established the British will not hesitate to speak their minds, or disagree, and generally British businessmen like to establish long lasting business relationships.
- In Britain it is customary to use first names almost immediately when conducting business with colleagues and business associates.
- British businessmen do not appreciate hard sell or aggressive sales techniques and deplore any pressure that may be applied in the decision making process.
- Misplaced or exaggerated praise is not appreciated in British business culture.
- It is considered to be impolite and rude to maintain eye contact (unless a point is being emphasised), to stand too close when speaking or to talk loudly. British businessmen do respect personal space and therefore keeping an acceptable distance is recommended.
- It is considered rude to ask direct personal questions about occupation, income and background.

- British business dress code is generally conservative and the norm for both men and women is to wear smart, well tailored attire using darker colours. Many British companies have now introduced more 'dressed down' attire but this generally relates to the high tech and core industries.

## SETTING UP A BUSINESS IN BRITAIN

### Our Services

The United Kingdom is made up of four nation states including England, Wales, Scotland and Northern Ireland. Each of which facilitate the incorporation of business entities and the establishment of partnerships through their own registries. The United Kingdom is currently establishing over 200,000 new businesses per annum for residents and overseas citizens.

The 4 Business team is fully conversant and experienced in the procedures for establishing United Kingdom business entities and last year set up over 7,500 companies for businessmen and entrepreneurs.

From inception we will examine and evaluate your business activities and advise you on the most suitable business structure to adopt, which could be either the establishment of a private limited company or public limited company, partnership limited liability partnership or branch registration of a foreign corporation.

We can also provide the following business support services:

- Registered office address facilities
- Professional directors and nominee shareholders
- Company secretarial services
- Company administration services
- Assistance in the day to day management of the company
- A turnkey administrative service for client companies
- Assistance in opening and operation bank accounts
- Trading and letter of credit services
- Accounting, financial reporting and consolidation
- Virtual office services
- The preparation of management and statutory accounts
- Arranging audits
- Arranging for the provision of legal and taxation advice and opinions
- Intellectual property, trade mark, patent and royalty work
- Issues relating to work permits and immigration
- Property

### United Kingdom Companies

Companies in United Kingdom are incorporated (registered) under the Corporations Act, 1985. The Act is overseen and administered by Companies House in Cardiff, Wales.

A United Kingdom company is usually incorporated as either a Private or Public Company. (There are also specialist companies such as companies limited by guarantee for clubs, associations and charities.)

4 Business is able to provide all such companies.

### **Private Companies**

The majority of companies are those limited by shares, with members or shareholders who hold one or more shares issued to them by the company in return for payment. Although most shares are fully paid and the shareholder has no liability for the company's debts, a shareholder's liability to the company's creditors is normally limited to the amount of any shares that have been issued to them and which they have not fully paid for.

### **Public Companies**

Prior to the 1985 Companies Act, the only way that a company could offer its shares to the public to raise capital was by admission to one of the official stock markets.

This was limited to a relatively small number of substantial companies and excluded the small to medium-sized enterprise in need of capital. The 1985 Act created the PLC and made the procedure to acquire public company status much simpler.

The advantages in acquiring PLC status may for some be a matter of image, but for most a need to be legally entitled to offer shares to investors, subject to regulatory approvals.

A PLC must have an issued share capital of not less than fifty thousand pounds of which a minimum of 25% must be fully paid up. Shares cannot be issued for an undertaking to do work or perform services, payment for shares may only be by 'cash or a non cash' consideration. The latter method would normally be in respect of a property or other tangible asset and completed within 5 years of the allotment. A PLC is not obliged to float its shares or offer them for sale, and it can remain as private as the shareholders wish and as with private limited companies if the shares have been fully paid there is no shareholder liability. A PLC enjoys increased status because of the larger capital base. A PLC requires two shareholders and two directors one of whom may also be the company secretary. A company registered as a public company on its original incorporation cannot commence business or exercise its borrowing powers unless the Registrar has issued it with a certificate of entitlement to do business and borrow (the trading certificate) which normally takes approximately two weeks to process

### **Companies Limited by Guarantee**

A guarantee company has members, rather than shareholders, whose liability is limited by an amount, normally less than a £1, guaranteed by each member, which becomes due in the event of the company being wound up. The Memorandum includes a non-profit distribution clause and these companies are usually formed by professional, trade or research associations. After incorporation the company can be registered with the Charity.

### Flat Management Companies

A flat management company has its Memorandum and Articles of Association specially drawn up to allow the company to own, manage and administer a freehold property, which is normally divided into several dwelling units or flats, with each leaseholder owning a share in the company. The leaseholder will be obliged to transfer the ownership of the share to the new leaseholder when disposing of the property.

### Limited Liability Partnerships

A limited liability partnership is a new form of legal business entity with limited liability.

The main features of limited liability partnerships are that they have organisational flexibility but are taxed as partnerships. In many other respects they are very similar to companies.

The Limited Liability Partnership Act 2000 generally allows two or more persons carrying on a lawful business with a view to profit to form a limited liability partnership by subscribing to its incorporation document - Form LLP 2. (In law, 'person' includes individuals and companies.) However, limited liability partnerships are not available for all activities such as non profit making activities.

Every limited liability partnership must at all times have at least two, formally appointed designated members. (Designated members are analogous to the executive directors and the company secretary of a company). The designated members are responsible for:

- appointing an auditor (if one is needed);
- signing the accounts on behalf of the members;
- delivering the accounts to the Registrar;
- notifying the Registrar of any membership changes or changes to the registered office address or name of the limited liability partnership;
- preparing, signing and delivering to the registrar an annual return (Form LLP363); and
- acting on behalf of the limited liability partnership if it is wound up or dissolved.

Designated members are liable in law for failing to carry out these legal responsibilities.

If there are fewer than two designated members then every member is deemed to be a designated member. (The limited liability partnership may have decided that all members will be designated members or that only some members will be designated).

With the agreement of the other members, a member may become a designated member at any time. Designated members enjoy the same rights and owe the same duties towards the limited liability partnership as any other member. These mutual rights and duties are governed by the limited liability partnership agreement and the general law. However, the law also places additional responsibilities on designated members.

### United Kingdom Branch

An overseas company may register itself in United Kingdom to operate as a branch, in lieu of incorporating a wholly owned United Kingdom subsidiary. To do so various application forms need to be lodged with Companies House and annexed to them must be certified copies of the company's current certificate of incorporation and other prescribed documents.

The company must file with the Companies House each year its annual accounts and comply with other reporting requirements, such as changes in its directors and registered office in the company of incorporation.

## COMPANY REQUIREMENTS

### Company and Business Names

A formal register of company and business names was abolished in the early 1980's.

You can incorporate a company with any name unless it is considered undesirable by the Registrar.

The following words require special consent:

Bank, Building Society, British, National, International, Group, Holding, Chamber of Commerce, and any word that may indicate connection with Royalty or Government.

Names will not be registered under the Companies Acts where it is the same as that of an existing company.

Another company or trader may object if the name confuses the public as to the identity of the party using it, or is in some other way in breach of the complainant's legal rights.

### Memorandum & Articles of Association

These are the rules and regulations that form the legal basis for the conduct of a company both with third parties and amongst their own shareholders and directors.

The Memorandum of Association must state the name of the company and whether the registered office is situated in England, Scotland, Wales or Northern Ireland. They include the amount of the authorised share capital, the classes of shares and the number of shares that are to be registered. The Articles of Association govern the internal affairs of the company.

### Directors and Secretary

- A private company must have a minimum of one director. A private company must have a minimum of at least one natural person as a director.

- A sole director must be a distinct person.
- At least two people must be involved, i.e. two directors - there is no requirement for a company secretary, however many companies still prefer to appoint one.  
The minimum age for directors of a private limited company is 16. The maximum age for directors of a public limited company is 70.
- A private limited company must have a minimum of two directors. A public limited company must have a minimum of two directors.
- An undischarged bankrupt or a person subject to a disqualification order cannot be a director or be concerned in the formation, promotion or management of a company.
- A secretary to a public company must be qualified.
- The directors, as officers of the company must act responsibly in good faith and in the interests of the shareholders of the company.

### Registered Office Address

The registered office is the place where the company's statutory records are maintained, available for inspection and is the address where documents can be served if necessary.

It need not be where the company will carry out its business, but every company registered in the United Kingdom must have its registered office in the United Kingdom.

### Books, Accounts, Registers and Filing Requirements

The Companies Act requires companies to maintain various records and registers of their accounting and administrative transactions. It is usually the secretary (if one is appointed) who carries out such tasks.

The Companies Act also requires certain documents to be filed at Companies House from time to time so that an up-to-date record of the company's affairs is available for inspection by the public. Every company must lodge an Annual Return in which a director or secretary of the company confirms relevant details of the company for the public register including names and addresses of all directors, registered office address and details of shareholders and their shareholdings.

For further information about setting up a business in Britain please refer to Page 15 of this brochure for our office contact details.

## TAXATION

### Corporate Income Tax

Companies that are incorporated in the United Kingdom or Foreign companies where their central management and control is in the UK, are subject to tax at prevailing rates on their worldwide income including ordinary income and capital gains, although capital gains tax is applied after relief for inflation. Non resident companies are taxed on the income of a branch carrying on a trade in the United Kingdom and on UK sourced investment income and on chargeable capital gains on the sale of trading assets situated in the United Kingdom.

United Kingdom companies pay dividends out of their post tax profits and the payment of dividend is not subject to withholding tax regardless of where the recipient is resident.

The recipient of a dividend is provided with a tax credit equivalent to the 10% of the gross amount.

The computation of profits for taxation purposes often disallows such items as depreciation of capital purchases and entertaining although capital allowances are available for most qualifying plant and machinery purchases and range from between 40% and 100%.

Builders do not generally attract capital allowances although a 3% allowance is extended to Industrial and Agricultural buildings and hotels.

#### Corporation Tax Rates

Taxable Profits	Yr. 08/09
First £300,000	21%
Next £1,200,000	29.75%
On profits over £1,500,000	28%

#### Personal Income Tax

United Kingdom citizens who are normally resident and domiciled in the United Kingdom pay income tax on their worldwide income at the prevailing rates shown below.

Individuals who are Non UK domiciled are only taxable (subject to special rules) on UK sourced income or on foreign sourced income which is remitted to the United Kingdom.

#### Personal Income Tax – Rates and Allowances

Income Tax Allowances	2008 – 9
Personal Allowance	£5,435
Personal Allowance for people aged 65 – 74	£9,030
Personal Allowance for people aged 75 and over	£9,180
Income limit for age-related allowances	£21,800
Married couple's allowance for people born before 6 April 1935	£6,535
Married couple's allowance – aged 75 or more	£6,625
Minimum amount of married couple's allowance	£2,540
Blind person's allowance	£1,800

The rate of relief for the continuing married couple's allowance and maintenance relief for people born before 6 April 1935, and for the children's tax credit, is 10%.

Taxable Bands	2008 – 9
Basic Rate 20%	£0 – £36,000
Higher Rate 40%	over £36,000

### Capital Gains Tax

Capital Gains Tax is charged at 18% from 06.04.2008 on the disposal or sale of capital assets. Taper relief is no longer available. Entrepreneurs relief is available on qualifying disposals of business from 6th April 2008

It may be possible for a non-UK domiciled individual to avoid capital gains tax on the disposal of shares in a UK company if they are held in an offshore trust.

### Inheritance Tax

Inheritance Tax ("IHT") is charged at 40% on death and at 20% on certain lifetime transfers. Each individual has an exemption, currently £312,000 rising to £325,000 for the tax year 2009/10 and £350,000 from April 2010. Individuals domiciled in the UK are subject to IHT on their worldwide assets whereas non-UK domiciled individuals are generally only subject to IHT on their UK assets. There are a wide range of exemptions and reliefs which may be available to mitigate IHT charges.

### National Insurance Tax

National Insurance Tax is a payroll tax used to fund the Welfare system. It consists of both employers and employees contributions. The employee suffers a deduction of some 11% of salary, on amounts between £105 and £770 per week and 1% on salary in excess of £770 per week. The employer pays 12.8% of salary in excess of £105.01 per week with no upper limit.

## WHO TO CONTACT

The 4 Business Limited Group has a presence spanning every continent in the world and is supported by offices in 20 locations. We are open 24/7 around the world, speak many languages and are in tune with the world's many cultures, but above all else 'our business' is about people and we have people to serve you.

If you have read this document and found something that relates to your circumstances, then be assured that we are dedicated to the delivery of business solutions designed to reduce costs and maximise profits.

### Address

4 Business Limited, 72 New Bond Street, London, W1S 1RR



### Michael Clifford

#### Managing Director 4 Business Limited

Michael joined the Group in 1990 and is the Managing Director of the Group's UK Corporate Services operation and Chief Operating Officer of OCRA London. He has extensive experience in the Corporate Services industry and is responsible for e-business, logistics and day-to-day operations.

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