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UNITED KINGDOM: OVERVIEW

The United Kingdom of Great Britain and Northern Ireland is a sovereign state located off the north western coast of continental Europe. It consists of four countries: England, Northern Ireland, Scotland and Wales. Aside from a border with Ireland, the UK is surrounded by the Atlantic Ocean, the North Sea, the English Channel and the Irish Sea. The UK has a temperate climate, with plentiful rainfall year round.

The UK is governed by a parliamentary system with its seat of government in London, the capital, but with three devolved national administrations in Belfast, Cardiff and Edinburgh.

The UK has fourteen overseas territories, all remnants of the British Empire, which at its height in 1922 encompassed almost a quarter of the world's land surface, the largest empire in history. British influence can continue to be observed in the language, culture and legal systems of many of its former colonies.

The UK has the world's sixth largest economy by nominal GDP and the seventh largest by purchasing power parity. It is a member state of the European Union, holds a permanent seat on the United Nations Security Council, and is a member of the G8, NATO, OECD, World Trade Organization and the Commonwealth of Nations.

ENGLAND: PRIVATE LIMITED COMPANY KEY FACTS

Companies incorporated in England can have either limited or unlimited liability. The most commonly used company is a private company limited by shares, the main features of which are described in these Key Facts.

Names

- Names cannot be reserved, but can be checked for immediate availability
- Names may be stated in any language using the Latin alphabet. The company name must end in the word 'Limited' or 'LTD'
- Names that are identical to, or considered too similar to, an existing company will be rejected by Companies House
- The inclusion of words such as 'British', 'National', 'International' and 'European' will require the approval of the Secretary of State

Restrictions on Activities

English companies may require regulatory approval to undertake the business of banking, insurance, assurance, reinsurance or fund management, to serve as investment funds, collective investment schemes or undertake any other activity that would suggest an association with the banking, finance or insurance industries.

Share Capital

Companies are no longer required to have an authorised share capital. Instead, a statement of capital is required. This capital may be expressed in any convertible currency. The minimum issued share capital is one share. Non-voting shares, common shares and preferred shares are permitted. Bearer shares (known as warrants) and registered shares may be issued. There is no requirement to hold an annual general meeting unless there is an obligation to do so in the Articles of Association.

Directors

- A minimum of one natural person must be appointed
- Additional Directors may be of any nationality
- The minimum age for Directors is 16
- Meetings of Directors may be held anywhere in the world
- Annual meetings of the Directors are not mandatory

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Officers

There is no requirement to appoint a company Secretary for a limited company, but the duties of the company Secretary remain. Directors of the company can also serve as Officers.

Public Filings

The identity of shareholders, secretary (if applicable) and Directors must be provided to Companies House annually and this information is available on public record. However, service addresses may be provided for Directors and Secretaries. An annual return and annual financial statements must be prepared and filed with Companies House. Amendments to the Articles of Association and changes to the Board of Directors and Officers are filed with Companies House.

Registered Office

All companies must have a Registered Office, and it must be located in the same part of the United Kingdom as where the company was incorporated.

Corporate Books and Records

A company must maintain a minute book and keep a register of Directors and Members at the Registered Office address or another address in England as specified. A corporate seal is optional.

Time to Incorporate

A company with a requested name takes two to three working days to incorporate. An expedited service is available for same day incorporations.

TAXATION

Corporate Tax

- A company which is incorporated in England is considered UK resident for corporation tax purposes
- An exception applies where a company, treated as UK resident, would also be treated as resident in another jurisdiction under a double tax treaty; the company may then be treated as resident in the other jurisdiction
- Tax is levied on the worldwide profits of a UK resident company regardless of where those profits arise
- For the purpose of corporation tax 'profits' include both income and chargeable gains arising from the disposal of assets
- Corporation tax is assessed on the profits of a company arising in its accounting period and is then charged at the rate for that accounting period
- Profits do not include dividends or other distributions received from UK companies
- Companies should calculate and pay their tax liability within nine months of the end of the accounting period

Value Added Tax (VAT)

VAT is an indirect tax that is levied on the supply, importation and acquisition of certain goods and services. It is chargeable on the taxable supplies of goods and services made in the UK by a taxable person in the course of a business. Redwood can assist with the registration of VAT with HM Customs & Excise, and prepare the quarterly returns for submission to the authorities.

OTHER TYPES OF UK COMPANIES

Private Company Limited by Guarantee

- Members' liability is limited to the amount guaranteed on the winding up of the company
- They are usually formed by professional, charitable, trade or research associations
- The Articles of Association must state that dividends are not paid to members and that any profit or income is to be spent on promoting the company's objects

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Public Limited Company

This type of company has very similar characteristics to a private company limited by shares but the company's shares may be offered for sale to the general public and Members' liability is limited to the amount of unpaid on shares held by them. Certain additional rules must also be adhered to.

Private Unlimited Company

There is no limit to Members' liability.

Overseas Company

An overseas company can register a UK establishment. The registration must be completed within one month of the UK establishment being opened, and a certified copy of the charter documents from the home jurisdiction must be filed along with a copy of the company accounts, if applicable.

SEARCH & INFORMATION SERVICES

We conduct searches on companies registered in England and Wales and in Scotland. We provide copies of all corporate documentation lodged at Companies House, including copies of annual returns and company accounts. We are also able to obtain Certificates of Good Standing for UK companies.

UK LTD COMPANIES: QUICK VIEW

Company law	Common
Type of company	Private limited company (LTD)
Minimum issued capital	GBP 1 or currency equivalent
Annual fees paid to authorities	GBP 30 filing fee with annual return
Taxation rates applied to companies generally	21% - 29.75%
Length of time to incorporate	One day (express)
Minimum shareholders	One
Registered office	Yes
Directors	One – must include one individual
Must a Director be resident?	No
Requirement to file an annual return	Yes
Must financial statements be prepared and/or audited?	Yes
Is disclosure of profits required by annual accounts or tax return?	Yes
Necessary to keep share register?	Yes
Necessary to file share register with Registrar	Yes – via annual return
Share register open to inspection by public?	Yes - via annual return
Language of incorporation	English or Welsh
Location of meetings	Anywhere in the world

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UK LIMITED LIABILITY PARTNERSHIP (LLP)

A LIMITED LIABILITY PARTNERSHIP is a UK incorporated entity which can offer many benefits to non UK residents wishing to carry on business outside of the UK.

The legal activities of these types of companies are not restricted in any way and can operate anywhere in the world.

LLP companies must have a UK registered office address and any invoices raised will show the UK registered office address.

As long as there is no permanent establishment in the UK and no business activities take place in the UK and the business is conducted and managed abroad, the LLP and its members will not be subject to UK taxation.

Unlike a limited company, profits earned by a LLP are shared between the individual members in proportion to their agreed profit sharing or capital contribution percentages and it is the individual partners or designated members that are subject to taxation.

Therefore, the tax residency of the members becomes imperative to deciding where taxes are paid; **if the members are non UK tax residents then unless the income is UK sourced they will not be subject to UK taxation.**

Normally the partners or designated members are responsible for paying the income tax on these profits via the partnership pages of their self assessment tax return. However, from the details above it is explained that none of the designated members are UK tax resident, hence not subject to UK taxation and furthermore the business activities of the LLP are conducted with the expectations to future profits and takes place outside the UK; consequently there is no requirement on the LLP itself or its members to be assessed to UK taxation.

Nonetheless, the LLP must complete and submit an annual LLP tax return with nil tax liability irrespective of the profits or losses reported by the partnership. Should this become an administrative burden it may be possible to apply to Her Majesty Revenue & Customs (HMRC) to treat the LLP as dormant for tax purposes; should this be granted, it will normally be for a specified period of time.

Although companies can also be members of a LLP and if so they will pay corporation tax on their share of the profits and therefore should show details on the Corporation Tax return

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(CT600). As stated in the paragraphs above none of these will be required for reasons of non UK tax residency and overseas trade income arising.

It is worth noting that designated members should be careful with remittances into the UK as in rare cases this could be subject to UK taxation.

Value Added Tax (VAT)

As long as the LLP trades outside the UK and the European Union it will not have to register for VAT.

Where a LLP trades within the UK or the EU and has (or has a reasonable expectation of having) a turnover in excess of £67,000 per annum (effective from 01 April 2008) it will need to register with HMRC for VAT, but only needs to do so and only has to charge and pay VAT if it trades inside the UK and European Union Zone, and only charges and pays VAT for those items that are invoiced to firms or clients within the European Union. In other words, if business is traded outside the UK and European Union Zone, the UK LLP will not be liable for VAT and will therefore have no need to register for VAT. Nevertheless, if the LLP purchased goods inside the UK or European Union Zone, the LLP may register for VAT in order to claim back taxes.

If the LLP does not have a UK bank account it is possible that the UK LLP will not be able to process the VAT application as long as the members are outside the UK and European Union Zone. It may become appropriate for the LLP to seek registration if there will be some activities inside the scope of UK or European Union Zone.

However, should VAT registration be granted, charged and collected, then it must account for its worldwide turnover and invoices in its VAT returns and charge, collect and pay for those invoices connected with UK and the European Union Zone.

Please note that it is possible for an LLP with international operations to voluntarily apply for and to be subject to UK taxes, this usually happens if there is recourse to double taxation treaties to claim appropriate relief.

In general law a LLP is regarded as a body corporate and for tax purposes a LLP is normally treated as a partnership.

The original legislation relating to the taxation of LLPs was included in Section 10 of the LLP Act 2000. There followed the amendments which were included in the Finance Acts 2001



Section 75 and Schedule 25 (i.e. FA01IS75 and FA0IISCH25) to clarify those provisions and to prevent tax loss where the LLP carries on an investment or a property investment business.

Income and Corporation Taxes Act 1988 Section 1 18ZA (i.e. ICTA88IS118ZA for Ct purposes) and Income Tax (Trading and Other Income) Act 2005 Section 863 (i.e. ITTOIA05IS863 for income tax purposes) provide that where an LLP carries on a trade profession or other business with a view of profit:

- a. all the activities of the LLP are treated as being carried on in partnership by its members (and not by the LLP as such),
- b. anything done by, to or in relation to the LLP for the purposes of, or in connection with, any of its activities is treated as done by, to or in relation to the members as partners, and
- c. the property of the LLP is treated as held by the members of the LLP.

Except as the otherwise provided, in the Tax Acts:

- a. references to a partnership include an LLP to which ICTA88IS118ZA apply,
- b. references to members of a partnership include members of such an LLP,
- c. references to a company do not include such a LLP, and
- d. references to members of a company do not include members of such a LLP.

Hence the LLP will normally be regarded as transparent for tax purposes and each member will be assessed to tax on their share of the LLPs income or gains as if they were members of a general partnership governed by the Partnership Act 1890. Furthermore, it follows that where a LLP carries on, a business with of profit it will be treated as a partnership in respect of all of its activities, including any activities which are not carried on with a view of profit.

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