Doing business in the UK

2016

In association with:

Grant Thornton
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Contents

Introduction 3

– Country profile 4

Legal overview 5

Conducting business in the UK 9

Tax system 12

Labour 22

Audit 25

Trade 29

Finance 31

Infrastructure 33

This Guide has been prepared jointly by HSBC Bank plc and Grant Thornton for the purposes of providing a high-level general overview of the business environment in the United Kingdom for the information of businesses who may be interested in transacting or investing in the United Kingdom. Any transaction or investment in the United Kingdom, however, should only be undertaken based on professional advice specific to such transaction or investment. **The materials contained in this document were assembled in January 2016 and were based on the law enforceable and information available at that time. Subsequent to writing this guide, the UK held a referendum on the UK's membership of the European Union (EU) which resulted in a vote to leave the EU. The impacts of this are not yet fully known and are not reflected in this guide.**

Introduction

This guide to doing business in the UK will provide foreign investors with an insight into the key aspects of undertaking business and investing in the UK. The country's strategic geographical position and business-minded culture have been key to its long and successful history of trade with the rest of the world. Its open market and diversified economy make it especially attractive for overseas investors.

The UK economy is built on a free enterprise system. Historically, the basis of the strength of the UK economy was the manufacturing industry; however, this balance has shifted towards the provision of services. The economy is overwhelmingly dependent on international trade, being one of the world's largest exporters of goods and services. The UK is one of the largest economies in the world.

The UK economy has continued to grow at a robust pace in 2015; the European Commission predicts a full year growth of 2.5 per cent. This growth is expected to continue through 2016 and 2017, at 2.4 per cent and 2.2 per cent, respectively. Nevertheless, the economy remains susceptible to external factors, such as uneven growth across the EU and the recent stock market crash in China.

Foreign investment is essential to UK economy; consequently, the government has introduced various measures to improve the country's competitiveness. Some of the advantages that foreign investors can benefit from can be summarised as follows:

- Excellent transport links with the rest of the world and a central time zone position ideally placed between Eastern and Western markets
- An international and highly skilled workforce
- A competitive corporate income tax rate that was reduced to 20 per cent in 2015 which makes it the lowest business tax of any major economy of the world
- An extensive tax treaty network
- The process for the creation and incorporation of a new company is inexpensive and can take less than a day
- Various financial incentives can be obtained by businesses; particularly for Research and Development, which makes the UK a top-class environment for this type of work

The UK is formed of four countries: England, Scotland, Wales and Northern Ireland. While each one has its own legal system, this guide focuses on issues that may arise when doing business in England and Wales. It must be noted that certain industries, such as the financial services sector are subject to special regulation, therefore companies wanting to do business in this area should seek legal advice.

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Country profile

Capital City	London
Area	244,000 sq. km
Population	64,088,222
Language	English
Currency	Sterling
International dialling code	+44
National Holidays 2016	1 January – New Year's Day 17 March – St Patrick's Day (Northern Ireland) 25 March – Good Friday 28 March – Easter Monday 2 May – Early May bank holiday 30 May – Spring bank holiday 12 July – Battle of the Boyne (Northern Ireland) 1 August – Summer bank holiday (Scotland) 29 August – Summer bank holiday 30 November – St Andrew's day (Scotland) 25 December – Christmas day 26 December – Boxing day 27 December – Christmas day (substitute day)
Business and Banking hours	09:00 to 17:00
Stock exchanges	London Stock Exchange
Political structure	Parliamentary Monarchy
Doing Business rank 2016	6

Ease of Doing Business

Topics	2016 rank	2015 rank	Change in rank
Starting a business	17	43	26
Licenses and Permits	23	23	No change
Getting Electricity	15	16	1
Registering property	45	44	-1
Financing	19	17	-2
Protecting Investors	4	4	No change
Paying Taxes	15	16	-1
Trading Across Borders	38	36	-2
Enforcing Contracts	33	26	-7
Resolving Insolvency	13	12	-1

Source: World Bank Group (Doing Business)

Legal overview

Political and legal system

The UK is a constitutional monarchy. The parliament is the supreme political power; it consists of two houses, the House of Commons and the House of Lords. The main political parties are Labour, Conservatives and Liberal Democrats. There are additional local parties in Scotland and Northern Ireland such as the Scottish National Party (SNP). Although the Parliament passes laws for the whole of the UK, the Scottish Parliament, the Northern Ireland Parliament and the Welsh Assembly also have devolved legislative powers.

The UK has been a member of the EU since 1973. The completion of the Single Market in 1993 largely removed the remaining physical, fiscal and technical barriers to trade within the EU. In 1993, the UK ratified the Maastricht Treaty, which resulted in the development of common policies for international relations and security; it was also the first step towards the Economic and Monetary Union.

The single European Currency (the euro) was established in 1999 and fully implemented in 2002; however, the UK is not currently a member of the Eurozone and has no plans to adopt the single currency. Britain's external commercial policy is now conducted primarily through the EU. A referendum on Britain's membership of the EU will take place in June 2016

English law consists of both common law and statute as well as certain European Union legislation. Some EU laws (Regulations) are automatically applicable; others (Directives) have to be transposed into local law by legislative authorities.

Data protection

Most businesses operating in the UK will need to comply with the Data Protection Act 1998 (DPA) and associated legislation. The DPA controls how personal information is used by organisations, businesses and the government. Companies must register with the Information Commissioner which involves an annual fee of between GBP35 and GBP500. The fee amount depends on the size of the organisation, the data that the entity intends to process and the parties to whom it might be transferred. Businesses can be prosecuted for failure to notify the Information Commissioner or for failure to keep their notification up to date. These requirements might apply even to businesses operating outside the UK.

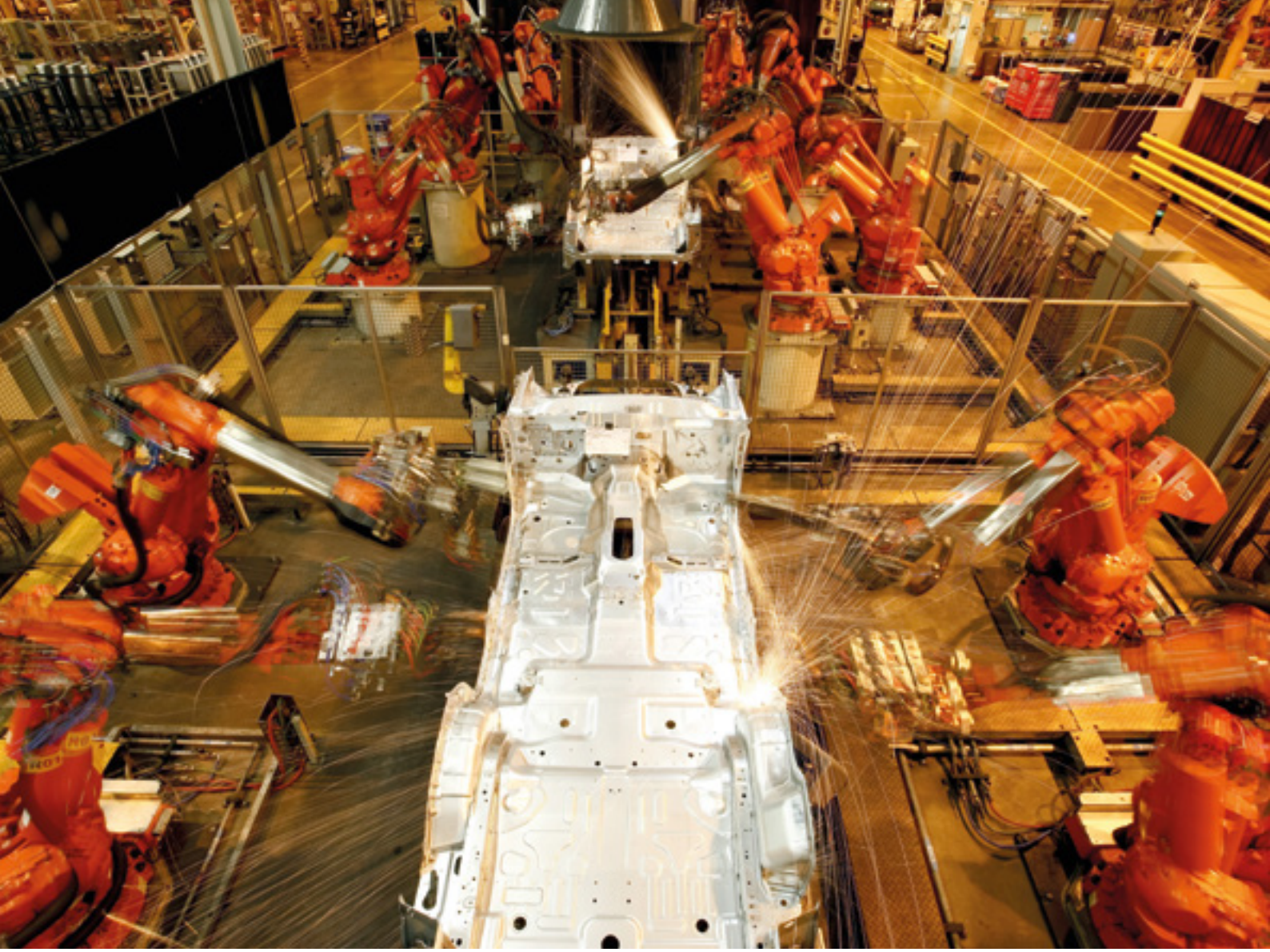
The DPA protects the rights of individuals whose data is obtained, stored, processed or supplied. Principally, an individual has two main rights under the DPA:

- The right to access information relating to them
- The right to prevent being marketed to

Those processing data have to comply with the following 'data protection principles':

- Used fairly and lawfully
- Used for limited, specifically stated purposes
- Used in a way that is adequate, relevant and not excessive
- Accurate
- Kept for no longer than is absolutely necessary
- Handled according to people's data protection rights
- Kept safe and secure
- Not transferred outside the European Economic Area without adequate protection

Most businesses operating in the UK will need to comply with the Data Protection Act 1998 and associated legislation.



There are some exemptions from the DPA to accommodate special circumstances; for instance, certain companies may be allowed to disclose personal information to another party if it is in that individual's vital interest.

Stronger legal protection is available for more sensitive information such as ethnic background, political opinions, religious beliefs, health, sexual health and criminal records.

Businesses that fail to comply with these rules and principles can face enforcement action by the Information Commissioner. Sanctions go from destruction of unlawfully obtained data to monetary fines of up to GBP500, 000 for serious breaches.

The EU Data Protection Regime is currently undergoing a major overhaul. The proposed General Data Protection Regulation seeks to harmonise data protection laws across EU Member States.

Although this legislation is significantly more prescriptive than the current Directive (95/46 EC), the reforms are expected to clarify the obligations in the processing and monitoring of personal data regardless of the entity presence in the EU.

Money laundering regulations

In the UK there are, at present, no exchange control restrictions affecting inward or outward investment, the repatriation of income or capital, the holding of currency accounts or the settlement of current trading transactions. Nevertheless, there are strict money laundering regulations.

The Money Laundering Regulations 2007 require regulated businesses to establish appropriate risk-sensitive policies and procedures in order to prevent money laundering activities and terrorism financing. To ensure appropriate compliance, senior management oversight and appropriate analysis of risks are mandatory requirements. Failure to comply with these requirements can result in criminal sanctions for the individuals involved and for the business itself.

Intellectual Property Rights

In the UK and the EU, protection is generally granted for registered, and sometimes unregistered, Intellectual Property Rights. These include: patents, trademarks, copyright and designs.

In the UK, intellectual property matters are dealt with by the UK Intellectual Property Office which manages the registries for registered trademarks, designs and patents.

In the EU, patents can be prosecuted (ie administered) through the European Patent Office in Munich (Germany). Community trademarks and registered community designs in the European Union are registered by the Office for Harmonisation of the Internal Market (OHIM) in Alicante (Spain).

COPYRIGHT	
Copyright can protect: literary work, dramatic work, musical work, artistic work, films, layouts and typographical arrangements, databases, recordings and broadcasts. It is an automatic right in the UK, therefore it is not necessary to apply for it.	
Protection granted	Copyright does not protect ideas for work; it is only when the work itself is fixed in a permanent form of expression that copyright automatically protects it. The law of copyright and its related rights in the UK can be found in the copyright sections of the Copyright Designs and Patents Act 1988.
Infringements	Copyright applies to any medium, which means that copyright protected work cannot be reproduced in any other medium. Acts that infringe the copyright include the copying of the whole or a substantial part of the work, issuing copies to the public, etc without the consent of the copyright owner. Authorising an infringement is in itself an infringement.
Duration	**Literary, dramatic, musical and artistic work:** 70 years from the end of the year in which the author dies. **Sound recording:** 50 years from the end of the year in which it was made. If not released immediately, 50 years after the end of the calendar year in which it was released. **Broadcasts and cable programmes:** 50 years from the end of the calendar year in which the broadcast was made or the programme included in a cable programme service. **Typographical arrangement of published edition:** 25 years from the end of the calendar year in which the edition was first published **Films:** 70 years from the death of the last principal director, composer or author.

PATENTS	
Patents protect inventions which can be applied in an industrial environment. For a patent to be granted, the invention must be new, have an inventive step which is not obvious to someone with experience in the subject and capable of being used in an industry. Pure discoveries and scientific or mathematical formulae cannot be patented.	
Protection granted	A patent gives its owner the right to take legal action to stop others from copying, manufacturing, selling and importing the invention without the inventor's permission. It also allows the owner to sell the invention and all the Intellectual Property Rights, license the invention to someone else while retaining the IPR, discuss the invention with others and set up a business based around the invention.
Infringement	Infringing a patent means manufacturing, using, selling or importing patented products or processes without the owner's permission. It is not necessary to know that an invention is patented to infringe the patent.
Duration	20 years from the filing date (subject to annual renewals).
European Patent Convention	Applying for a patent in the United Kingdom does not provide protection elsewhere in Europe. To protect a patent in more than 30 countries in Europe, the application can be made using the European Patent Convention. This is processed as a single application, but once granted it becomes separate patents in the countries designated. It is possible to get protection in Europe using the Patents Cooperation Treaty through the World Intellectual Property Organisation (WIPO).

TRADEMARKS	
A trademark must be a graphical representation capable of distinguishing goods and services of one undertaking from those of another undertaking. The signs can be: words, personal names, designs, letters, numeral slogans, sounds, smells, signs and distinctive colours.	
Protection granted	The owner can obtain protection in the UK by registering the trademark in the UK or it can register a Community Trade Mark (CTM) that grants protection in all EU Member States. When an action for infringement is brought in the European court of competent jurisdiction, it is possible to obtain an injunction to avoid the use of the trademark in all EU Member States.
Infringement	Some examples of infringement of a trademark are: • Using an identical or similar trademark for identical or similar goods and services to a registered trademark, creating a likelihood of confusion on the part of the public • Where a mark has a reputation, infringement may arise from the use of the same or a similar mark which is detrimental to or takes unfair advantage of the registered mark
Duration	10 years (can be renewed indefinitely)

DESIGNS	
A design is legally defined as being 'the appearance of the whole or a part of a product resulting from features such as lines, contours, colours, shape, texture, materials or ornamentation'.	
Protection granted	Registering a design gives the owner exclusive rights for the look and appearance of the product. It also gives the owner the right to take legal action to stop the exploitation of the design, claim damages or other remedies. Unregistered designs receive limited protection through unregistered Design Right or Copyright. However, there are limitations to what can be protected: it has to be proven that someone intentionally copied a design, only three dimensional shapes can be protected, protection only lasts up to 15 years and it is subject to a license of Right for the last five years. Registered and unregistered community designs rights provide protection in respect of qualifying designs concurrently in all Member States.
Infringement	A design right is infringed by an unauthorised person making an article exactly or substantially similar to the protected design or by making a design document for the purpose of making unauthorised copies.
Duration	**UK registered and community registered:** 25 years subject to registration being renewed every five years. **UK unregistered:** The shorter of 15 years from the end of the year of manufacturing or 10 years from the end of the year of first marketing. **Community unregistered:** Three years from the point at which the design is made available to the public within the EU.

Conducting business in the UK

Business entities

Any foreign company or individual wanting to do business in the UK will need to decide under which type of entity they wish to operate. The various business entities available in the UK are described below.

It is important to note that those that do not create a legal entity in the UK in order to carry out business in the country might still be subject to certain limitations and obligations under UK law. Companies wanting to provide goods or services in the UK need to carefully assess whether their activities establish a presence in the UK which might make them liable to pay UK taxes and oblige them to make public filings.

Branches

A foreign company that carries out business in the UK through a branch must register at Companies House. Within one month of opening a UK establishment, an overseas company must file details of its constitution (with a certified translation if the document is not in English), details of its directors/company secretary and, if appropriate, share capital and other matters. If the overseas company is required to prepare and deliver accounts under parent law, a copy of the company's latest set of accounts must be registered (with a certified translation if the document is not in English). This requirement varies depending in which country the parent company is incorporated. Since a UK establishment is the same legal entity as its parent, the overseas parent will be directly responsible for liabilities incurred by the UK establishment. Any changes to the information lodged at Companies House relating to the overseas parent would require notification to the Registrar.

A foreign company with a UK establishment will usually be required to continuously display, at its place(s) of business in the UK its name and the country in which it is incorporated. This information must also be displayed in all business letters, websites and other specified correspondence.

Finally, there are also restrictions and controls on the name the overseas company can register in the UK. There are prohibitions on the use of certain words that are offensive.

Private Limited Company Formation

The process of formation, when all relevant information has been provided, usually takes between 24 and 48 hours. If a company is required immediately, then a same day service may be used with applications being lodged at Companies House before 3pm alternatively, an existing company may be bought from formation agents. There are restrictions on names and the use of sensitive words. The proposed name of a company may not be too similar or identical to that of an existing company. An existing company may object to the name of a new company within twelve months of its incorporation. Total costs for the formation of a company are typically less than GBP1,000.

A Private Limited Company is required to have a registered office within the country in which it is incorporated. This will be the official address for the service of legal proceedings and where the company statutory records should be held; unless a single alternative inspection location within the appropriate country is lodged with Companies House.

Companies wanting to provide goods or services in the UK need to carefully assess whether their activities establish a presence in the UK which might make them liable to pay UK taxes and oblige them to make public filings.

Private Limited companies need to have a least one shareholder holding one share of any value and at least one director who is a natural person. Under the Companies Act 2006 appointing a company secretary is no longer necessary.

Capital requirements
The constitution of the company is set out in the Articles of Association. The memorandum sets out the first shareholders of the company. A statement of capital and initial shareholdings must be delivered to the Registrar on an application for the registration of a company having a share capital. The statement must detail:

- The proposed company's aggregate share capital
- The nominal value of the shares
- The amount to be paid up on the shares
- The number of shares to be taken by each of the subscribers to the memorandum
- The number and aggregate value of any class of shares
- Particulars of the rights attached to those classes

The memorandum no longer stipulates the purposes for which the company was formed or the acts which it is lawful for the company to conduct; this is covered by a general objects clause contained within the Articles of Association which may be amended should the Directors/ Shareholders wish.

Filing requirements
Every company registered in the UK must maintain a public file at Companies House. This includes copies of the latest set of signed financial statements (submitted within nine months of the accounting reference date), information on the directors, the company secretary, shareholders and share capital. Failure to maintain the file properly and within filing deadlines will result in automatic fines for overdue accounts, together with fines, penalties, or Companies House taking action leading to the company being struck off the register. In severe circumstances prosecution against directors and the company secretary may occur.

The Small Business, Enterprise and Employment Act 2015 introduced a number of provisions to increase the accountability of companies. One of the key measures was setting up a central public register of people with significant control.

The majority of UK companies and limited liability partnerships must create and maintain a register of persons with 'significant control' and this must be made public and filed at Companies House. Those subject to the disclosure requirements of DTR 5 (eg those listed on the LSE main market or AIM companies) and legal entities with voting shares admitted to trading on a regulated market in an EEA country will be exempted from the requirements.

The Small Business, Enterprise and Employment Act 2015 introduced a number of provisions to increase the accountability of companies. One of the key measures was setting up a central public register of people with significant control.

A person is said to have significant control over a company if they fulfil any of the following:

- They hold, directly or indirectly, more than 25 per cent of the nominal value of a company's share capital
- They hold, directly or indirectly, more than 25 per cent of the voting rights of the company
- They hold, directly or indirectly, the right to appoint or remove a majority of the board
- They have the right to or exercise, or actually exercises significant influence or control over the company
- They exercise significant influence or control over any trust, trustees, partnerships or partners which have significant control over the company and if those trustees/the trust falls within the conditions outlined

Similar conditions to the above apply to a legal entity which does not have a share capital with the exception of the first condition which is instead determined by having the right to more than 25 per cent of profits or capita of such an entity.

As part of the new provisions, the current annual return will be replaced by a more flexible mechanism allowing companies to "check and confirm" their basic company information at any point within a twelve month period by filing a confirmation statement, rather than completing an annual return at a fixed point in a year.

The new confirmation statement will predominately cover the same information as the current annual return but must also include the information included in a company's PSC register.

If the information has not changed since the company's last confirmation statement was filed with Companies House, the company will merely need to confirm that this is the case.

Companies must hold their own PSC register from January 2016. From April 2016 onwards they will need to send the information to Companies House with their confirmation statement (that replaces the annual return) or as part of the incorporation package (for companies incorporating after 6 April 2016). Companies House will maintain the information from companies in a central public register.

Public Limited Company

Public Limited Companies (PLCs) are heavily regulated by statute. The rules for issuing dividends are stricter for PLCs and there are codes of conduct for directors. Only public limited companies listed on a recognised exchange may issue shares to the public. They have a shorter period for the laying of accounts with Companies House (six months after the end of its accounting reference period).

Before a PLC can start to trade it must have at least GBP50,000 worth of shares issued and at least 25 per cent of the value must have been paid up.

A PLC needs a minimum of two directors and a company secretary (the latter must have suitable experience, a suitable qualification or both).

The European Company: *"Societas Europaea" (SE)*

The SE is a European Public Limited Liability Company. The formation of an SE must involve companies from at least two different Member States and may be created on registration in any of the Member States of the EEA. It can be formed by merger, as a holding company or as a subsidiary. An SE can also be formed by a PLC transforming into an SE.

An SE must have share capital and shareholders. The SE has a separate legal personality from its shareholders. The minimum subscribed share capital is EUR120,000 of which at least a quarter, and any premium, must be paid up.

An SE must have its registered office in the same Member State as its head office, but in the UK this need not be the same address.

Limited Liability Partnership (LLP)

A Limited Liability Partnership is a corporate body with at least two members, each of whom has limited liability. It is subject to the same registration and disclosure requirements as a limited company, but it is generally treated as a partnership for tax purposes with the tax liability falling on the individual members, not the LLP. Unlike members of ordinary partnerships, the LLP itself is responsible for any debts incurred.

Other entities available but not commonly used by foreign businesses operating in the UK are:

- **Unlimited company:** a corporate body whose members have unlimited liability
- **Company limited by guarantee:** a company without a share capital
- **Partnership:** partners may be companies or individuals and have unlimited liability
- **Limited partnership**: which must include at least one partner with unlimited liability
- **European Economic Interest Groupings:** which is a form of association between companies or other legal bodies, firms or individuals from different EU countries who need to operate together across national frontiers

Tax system

Corporate Income Tax (CIT)

Corporate structure

Overseas companies may trade in the UK through Private Limited Companies or branches. Partnerships are sometimes used, particularly in Joint Venture situations or with Professional Partnerships. Operating through a UK subsidiary company may result in the profits being subject only to UK corporation tax, whereas trading though a branch may mean that these profits are taxable in the 'parent' territory of residence as well as in the UK.

The choice between UK subsidiary and UK branch will often depend on other commercial factors, as well as tax considerations in the territory of residence overseas. Operating via a subsidiary is more common, not only are they easier to administer but they offer better litigation protection and commercial advantages. Nevertheless, branches can sometimes offer tax advantages, particularly if the operation is expected to be loss-making in the start-up period.

Scope

In recent years, the UK has adopted a new approach and moved from a system of worldwide taxation to a more territorial tax system. The most important elements of this new approach are the dividends exemption, the elective branch exemption and a new Controlled Foreign Company regime. The headline rate of corporation tax was reduced to 20 per cent in April 2015 and is expected to reduce to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020.

A company is tax resident in the UK if it is incorporated in the UK or if its central management and control is in the UK. If the company is a dual resident, the relevant tax treaty may, in some cases, determine the ultimate residence.

The UK has an extensive tax treaty network, which can eliminate and reduce the level of UK tax in some circumstances.

From 1 April 2015, companies subject to corporation tax have been subject to a single rate of corporation tax of 20 per cent.

The 20 per cent rate does not apply to 'ring fence' profits from oil rights and extraction.

Corporation tax rate thresholds are divided by the number of active companies within the worldwide group to which the company belongs.

All categories of income are taxable. Trading income is reduced by revenue (non-capital) expenses wholly and exclusively incurred for the purposes of the trade. Certain types of expenditure are specifically excluded from being deductible. Other income streams are typically reduced by revenue expenses directly attributable to that income.

Capital gains

UK resident companies subject to corporation tax must pay corporation tax on their chargeable gains. Gains are computed by deducting the cost (or market value at March 1982, if the asset was held by the company at that date) plus indexation allowance from sales proceeds. A range of reliefs and exemptions may apply.

Non-resident companies trading through a 'permanent establishment' in the UK may be liable to pay CIT on chargeable gains arising upon the disposal of assets in

From 1 April 2015, companies subject to corporation tax have been subject to a single rate of corporation tax of 20 per cent.

the UK that are used or held for the UK business.

Otherwise, there is no tax on realised gains other than that on residential property or on properties subject to annual taxation of residential properties rules, to which the capital gains tax rate of 28 per cent applies.

Capital gains on the disposal of qualifying assets of a trade may be deferred against the tax base cost of qualifying replacement assets acquired within a four year period commencing one year before and ending three years after the sale of the original asset.

Gains on the disposal of a substantial shareholding (broadly, greater than 10 per cent) in a trading company will qualify for exemption if certain conditions regarding the investor and investee company and the period of ownership are met.

Groups

Companies within a group are separate taxable entities, responsible for their own returns and tax payments. However, it is possible to agree to a system with HMRC for group payments to be made by a nominee member company.

Group relief provides for the off-set of certain current year tax profits and losses within a group. Most types of current year losses may be surrendered as group relief between companies which are members of the same worldwide group and subject to UK CIT. For these purposes, a UK group broadly consists of two or more UK resident companies under common worldwide 75 per cent control. A UK branch may be included in the UK group. In very limited circumstances, losses incurred in other EU or European Economic Area (EEA) territories can be included.

Capital assets can be transferred within a UK group without incurring taxable gains, subject to a protection tax charge if the transferee company leaves the group within six years of the transfer. The definition of a group for capital gains purposes is less stringent than for trading losses, allowing UK companies to be within a group where there is a 75 per cent direct participation or an indirect common ownership of at least 50 per cent.

Losses

Trading losses may be set off against total profits (including interest, rental income and capital gains) of a company in the same accounting period and carried back to the previous year. Where trade losses are not utilised they are carried forward for relief against future profits of the same trade without time limit.

Subject to certain limitations, similar rules broadly apply for non-trading losses, although they can typically only be carried back or forward for relief against non-trading profits.

Capital losses can only be offset against capital gains arising in the same company in the same accounting period or future accounting periods.

The loss utilisation rules are complex. Managing the utilisation of tax losses to maximise cash-tax savings is critical, particularly in the start-up period of a company.

A number of rules exist such that where a company undergoes a change of ownership the carry forward losses may be restricted. Careful consideration should be given to the implication of this for losses arising prior to the change.

Dividend income
All dividends are taxable, subject to a range of exemptions. There is one set of exemptions for small companies and a different range of exemptions that apply to medium and large companies. In many cases, companies would not expect dividends to be subject to tax; however, this should be reviewed on a case by case basis.

Transfer pricing
Companies are responsible for applying arm's length prices to transactions with related parties, including UK affiliates. Subject to certain exemptions, the application of transfer pricing principles is part of the self-assessment process.

Where a UK tax advantage arises as a result of non-arm's length prices, transfer pricing legislation requires the substitution of arm's length prices for tax purposes. Small and medium-sized enterprises are generally exempt from the transfer pricing rules. Nevertheless, medium sized enterprises may have to comply if they are issued with a notice to apply transfer pricing, or if they have transactions with certain overseas territories. The small and medium sized definition is applied according to the size of the company's worldwide group.

Although there is no requirement to file transfer pricing documentation with HMRC, an entity should maintain adequate documentation in case of enquiry or the issue of a transfer pricing notice by HMRC (which requires delivery within 30 days).

Determining the correct supply chain model is fundamental when setting up a new territory and transfer pricing is a key consideration.

Tax costs of financing and capital extraction
Particular care is needed when considering optimal methods to finance in the UK and to repatriate funds to the parent from the UK.

- **Interest:** Withholding tax at 20 per cent applies to annual interest payments, though this may be reduced or eliminated under the terms of the relevant tax treaty (for which clearance from the UK taxation authority is required). A corporation tax deduction should, in principle, be available for the UK interest paying company, though this is subject to complex anti-avoidance rules, especially in the following areas:
  - Deferral of relief for late paid interest between connected parties
  - Permanent denial of relief under thin capitalisation rules where debt finance is provided on a non-arm's length basis between related parties
  - Denial of relief for interest on loans for unallowable purposes
  - Denial of relief under the UK anti-arbitrage rules where hybrid entities or hybrid instruments are used in certain circumstances
  - A restriction of relief for the UK tax deduction in respect of intra-group interest costs of large enterprises by reference to the group's net external interest cost, under the Worldwide Debt cap rules
- **Dividends:** no withholding tax is applied to dividends paid by UK companies and no tax deduction is available to the dividend-paying company
- **Management charges:** No withholding tax applies to

Companies are responsible for applying arm's length prices to transactions with related parties, including UK affiliates.

management charges paid by UK companies. Commercially justifiable, arm's length management charges should provide a tax deduction for the paying company, provided the relevant transfer pricing rules have been considered

- **Royalties:** withholding tax at 20 per cent applied, but this may be reduced or eliminated under the relevant tax treaty. A corporation tax deduction should be available for justifiable arm's length charges, subject to rules relating to the deferral of relief for late paid royalties

A key question is to determine the optimal financing route for a subsidiary. This will depend on a number of factors, including the rates of taxes in overseas territories. There are no minimum capital requirements in the UK, and companies will often seek to use debt finance to fund the subsidiary. Anti-avoidance legislation will need to be taken into consideration.

It is possible to gain certainty regarding interest tax deductibility by seeking advance agreement from HM Revenue and Customs regarding allowable levels of debt and interest rates.

Controlled foreign companies (CFC)
These rules apply where a UK company holds a controlling interest in an overseas entity.

There are certain entity level exemptions which might apply to exempt a company from CFC treatment (such as where it pays tax at 75 per cent or more of the equivalent UK tax, where it has low profits or a low margin or where the CFC is in a specified territory).

The rules aim to prevent the avoidance of UK corporation tax on profits where the ownership of assets is separated from the risks, rewards and processes associated with that asset. Where this is determined to be the case (eg, entity exemptions are not available and a CFC passes the gateway), there is an attribution of 'diverted' profits to the UK parent company.

From 2013, the UK CFC rules also contain the provision for the implementation of a tax efficient group finance company whereby the attribution of profits from a qualifying overseas finance company are either fully or partially (ie 75 per cent) exempt from a CFC charge.

Taxation of diverted profits
Diverted profits tax (DPT) imposes a 25 per cent tax on profits generated in the UK and diverted overseas through 'complex' arrangements.

Tax incentives

Patent Box
As part of the measures introduced to encourage investment and growth in the UK, the Patent Box Regime is being phased in between 1 April 2013 and 1 April 2017.

The Patent Box rules will allow companies to pay an effective tax rate in the UK at 10 per cent on qualifying profits arising from the ownership and/or use of patents registered by the UK Intellectual Property Office, the European Patent Office and/or certain other specified patent offices. There are also provisions to enable a claim for Patent Box benefits between the application and the grant of a patent.

The existing Patent Box regime will close to new entrants from 30 June 2016 in response to the Organisation for Economic Co-operation and Development's (OECD's) Base Erosion and Profit Shifting action report. From 1 July 2016 a new nexus based approach will apply to the Patent Box which will require

As part of the measures introduced to encourage investment and growth in the UK, the Patent Box Regime is being phased in between 1 April 2013 and 1 April 2017.

companies to consider a substantial activity requirement in respect of the R&D activities undertaken which underpin the company's profits.

Research and development relief
Enhanced relief is provided in respect of qualifying research and development expenditure. Relief is provided on qualifying expenditure (typically consumables, software, employees' costs, externally-provided workers and subcontract costs) incurred on research and development activities within the scope set out by the Department for Business Innovation & Skills and HM Revenue and Custom.

Different rules and rates of relief apply for large and small and medium-sized enterprises (SMEs), with more generous reliefs available under the SME scheme. The rate of relief for qualifying revenue expenditure incurred from 1 April 2015 is increased to 230 per cent for SMEs, previously being 225 per cent. For large enterprises qualifying revenue expenditure attracts 130 per cent relief. Loss-making SMEs can elect to surrender their R&D-related tax loss in return for a repayable tax credit.

The introduction of the Research & Development expenditure credit ('RDEC') from 1 April 2013 has enabled large companies to claim a payable tax credit, which has increased to 11 per cent for spend incurred from 1 April 2015 (previously 10 per cent), of the qualifying expenditure. There are a number of restrictions on the payable amount including a cap set at the relevant PAYE and employer's National Insurance Contributions liability for the period. The relief applies irrespective of the tax position of the company, ie loss making companies can benefit. Initially, the scheme is optional, but from 1 April 2016 the RDEC fully replaces the existing large company regime.

Creative industry relief
The UK offers creative industry relief up to an additional 100 per cent deduction for qualifying expenditure on film, high-end television and animation production and video games development. For loss making companies this may be claimed as a payable credit calculated at a rate of 25 per cent of the loss surrendered.

Administration
A company within the scope of corporation tax must file tax returns within 12 months of the end of the period to which it relates. There is a GBP100 penalty for late filing but this can increase where consecutive returns are filed late or returns are overdue by greater than three months.

Payment dates depend on the size of the entity, with most large companies required to make payments by for quarterly instalments starting six months and thirteen days from the start of the relevant accounting period.

Non-large companies are required to pay their corporation tax liability within nine months of the end of the relevant period.

Impact of the OECD's Base Erosion Profit Shifting (BEPS) project
The BEPS project seeks to tackle tax planning strategies that exploit gaps and mismatches in tax rules, which enable businesses to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in low levels or no overall corporate tax being paid.

Following the publishing of the final package of BEPS measures by the OECD in October 2015, the UK government is currently undertaking a consultation process on a number of the proposed actions.

If all the BEPS measures are adopted in the UK, they are expected to have an impact on the taxation of multinational enterprises both in the UK and internationally, with implications both in terms of how and where enterprises are taxed and their reporting obligations.

The most immediate concern for UK headed multinational groups will be the requirement to file country-by-country reporting, which is effective from 1 January 2016. There may also be measures announced regarding amendments to the definition of UK permanent establishment and a potential overhaul of the rules relating to interest deductibility, although the timing of these rules is not certain at the moment.

Personal Income Tax
UK resident individuals are generally subject to UK tax on their worldwide income and capital gains, although non-domiciled individuals can make a claim only to be taxed on UK source income. There are separate taxes on income and capital gains. UK non-resident individuals should only be liable to tax on UK source income.

The tax year for individuals is the year ending on 5 April.

Individuals liable to UK tax
An individual's exposure to UK tax depends on whether the individual is a UK resident. From 6 April 2013, the UK has applied a comprehensive statutory residency test (SRT) to determine whether an individual is resident in the UK.

In principle, residence is determined for a tax year as a whole. However, split year rules can apply to UK residents in certain circumstances, under the statutory residence test.

Under the SRT, any individual who has no prior connection with the UK and has not been a UK resident in the preceding three UK tax years is generally regarded as conclusively not resident if they do not spend more than 45 days in the UK in one UK tax year.

Individuals coming to the UK are likely to be regarded as UK tax residents if they satisfy any of the following conditions:

- They work full time (at least 35 hours per week on average) in the UK for a 365 day period, with at least 75 per cent of their workdays being UK workdays
- They have their only home or all their homes in the UK, for a period of at least 91 days, and at least 30 days of the 91 day period fall in the UK tax year concerned
- They spend at least 183 days in the UK during the UK tax year
- They meet the sufficient ties test

A sufficient ties test applies only if the individual is neither conclusively resident nor conclusively non-resident under other parts of the SRT. Five possible connection factors can apply to determine the extent of the individual's connection to the UK and the more connection factors that an individual has, the fewer days they may spend in the UK in a tax year without becoming UK tax resident. The following are the five connection factors:

- They have a UK substantive employment (at least 40 UK workdays)
- They have UK accessible accommodation
- They are present for more than 90 days in the UK in either of the preceding two UK tax years
- They have UK resident family (spouse, civil partner or minor children)
- They have been UK tax resident in any of the three preceding UK tax years
- They have spent more days in the UK than in any other country

Complex statutory definitions apply in all cases. Before the introduction of the SRT, the UK had a concept of ordinary residency that applied for income tax and capital gains tax purposes. However, this concept has been abolished.

Domicile

Under English law, an individual's domicile is the country considered to be their permanent home, even though they may currently reside in another country. It may be a domicile of origin, choice or dependency.

Domicile status affects how an individual's offshore income and/or capital gains are taxed. A non-UK domiciled individual can have their offshore income and/or offshore capital gains taxed on either the remittance basis or the arising basis. An individual who is taxable on the arising basis is subject to UK tax on their worldwide income and capital gains, regardless of where they arise.

An individual who is taxed on the remittance basis can potentially keep certain elements of their foreign income and gains outside the scope of UK tax by having them paid offshore and not subsequently remitting them to or enjoying them in the UK. An annual charge is also applicable in certain situations in order to apply the remittance basis.

Given the complexities of the remittance basis rules, and the potential interaction with double tax treaties, professional advice should be sought from the outset.

Responsibility of employers

Wage withholding tax (Pay As You Earn or PAYE) applies to all wages and salaries paid in the UK and also to wages and salaries paid outside the UK if the individual is employed by a UK company. 'Employed by' is not the same as 'working for'. The test is whether the UK company

bears the risks, rewards and costs of the individual assignment.

It is the employer's responsibility to account for all necessary withholding taxes and make all relevant returns of the same to HMRC. There are set forms and procedures employers need to comply with, otherwise penalties may apply.

Since April 2013 most employees have been required to report payments to employees in 'real time' (so called Real Time Information – RTI). This requires employers to notify HMRC of any employment income paid to an employee on or in advance of the payment being made (subject to limited exemptions). HMRC's guidance states that this would reduce the administrative burden placed on employers, and help HMRC and employers to stay up to date in the maintenance of accurate records; however, this can be complex to administrate.

In certain circumstances it is possible to enter into modified payroll arrangements with HMRC for companies using foreign employees in the UK. These arrangements can reduce the administrative burden on the company. A separate option available in limited circumstances is voluntary PAYE. This process allows individuals to account for withholding taxes themselves (rather than their employer).

In addition, without prior clearance from HMRC, it is a legal obligation to withhold PAYE deductions from individuals on business in the UK and working for a UK employer, even if the individuals remain employed and paid outside the UK.

Withholding taxes may also apply to expenses and non-cash benefits provided to employees. There are also specific complex reporting requirements that must be met. Since 6 April 2014, employers have been able to process most benefits in kind through payroll instead of completing separate reporting forms; this reduces administration if implemented correctly.

The structuring of employee benefits should be carefully considered to ensure they are provided on the most tax-efficient basis; for example, through the use of share incentive schemes or pension payments.

Work arrangements may be structured to enable certain expenses payments to be provided to without tax charges; for example, for certain accommodation and subsistence payments.

If applicable to the individual, National Insurance Contributions (NIC) should also be deducted by the employer. The rules for whether or not NIC is payable will depend on a number of factors, including, the country in which the employee is employed, the length of time they anticipate working in UK, their working pattern and the country of residence.

Tax returns

Most employees whose income is mainly wages subject to PAYE should not have a balance due at the end of the tax year and are not required to file a tax return. This is unlikely to apply to foreign personnel working in the UK.

Individuals, including employees, with more complicated affairs are generally required to file a tax return. Tax returns can either be filed on paper or electronically. Tax returns filed by paper are due by 31 October following the end of the tax year. Tax returns filed electronically are due by 31 January following the end of the tax year. There is a penalty of GBP100 if the tax return is up to three months late.

In certain circumstances it is possible to enter into modified payroll arrangements with HMRC for companies using foreign employees in the UK.

Other taxes

Value Added Tax (VAT)

VAT is a transaction tax, the cost of which ultimately rests with the end customer. The majority of transactions involving the supply of goods, the provision of services and importations will be subject to this tax.

Broadly, VAT is levied on the value added at each stage of the production and distribution supply chain. Registered businesses act as collection points for HM Revenue & Customs, paying over the VAT levied on their customers after deducting a credit for the VAT they pay to suppliers.

Not all transactions are subject to the tax, and those that are may be subject to different rates.

Not all of the VAT incurred by a business can be reclaimed and recovery of VAT by a company making exempt supplies will be restricted.

Making taxable supplies

A taxable person for the purposes of VAT can be an individual (sole trader) in business, a partnership (including a limited liability partnership), a trust, an incorporated business, or a branch of an overseas corporate entity. They must register and account for VAT if the value of their taxable supplies exceeds the prevailing registration limit, currently GBP82,000.

The establishment of either a place of business or an operation that has the technical and human resource necessary for making and receiving supplies in the UK will, generally, indicate a potential requirement to register. However, a complex set of 'place of supply' rules means that even without such an establishment, transactions can still be liable to VAT in the UK. These rules differ depending upon whether the supply is one of goods or services. It is therefore possible that an overseas company, which does not have an establishment or any other presence in the UK for corporation tax purposes, may nevertheless, have an obligation to account for UK VAT by virtue of the transaction undertaken in the UK or with its UK customers.

Simplification measures intended to minimise the VAT burden on overseas businesses exist. However, these measures often relate to specific circumstances and therefore may not have general application. An early review of the nature of the intended supply can potentially avoid a VAT cost, or a liability to register for VAT in the UK.

VAT registration

Registration is compulsory for any business whose taxable supplies have exceeded the registration limit in the last 12 months, or at any time if the business has reasonable grounds for believing that the limit will be exceeded in the next 30 days. It is possible to deregister for VAT where the value of taxable supplies falls below a GBP80,000 deregistration threshold.

An entity which receives services from outside the UK which are subject to the reverse charge (for example, consultancy services), are generally required to take into consideration the value of these supplies when considering whether the VAT registration threshold has been met.

There are situations where it is beneficial to consider registering for VAT voluntarily. This can assist with cash flow as it should enable VAT incurred on set-up costs to be recovered.

VAT Administration

For all periods starting on or after 1 April 2012, virtually all VAT- registered businesses have been required to submit their VAT returns online and pay any VAT-due electronically.

VAT returns are generally filed on a quarterly basis, although it is possible to do so each month. The VAT returns, together with payment of any tax due, must be submitted within one month and seven days of the relevant period end. Additional declarations might have to be made if goods and services are acquired from, or dispatched to, other European Union countries. Such reporting is required in all EU Member States. Special anti-avoidance reporting is also required if certain electronic goods are supplied in the UK.

Monthly accounting for VAT is of particular relevance if the net positions are repayment of VAT. In order to speed the repayment process up, it is not necessary to wait for the due submission date.

Applicable rates

The standard rate of VAT is 20 per cent.

A reduced rate of five per cent exists for certain supplies which are generally regarded as having a social benefit.

The zero-rate is applicable to certain goods and services, such as food (not catering), books, the construction and sale of private housing, public transport, children's clothing and certain charitable activities. However, this list is not exhaustive.

Some supplies are exempt from VAT. These are typically financial and insurance transactions, as well as certain supplies of land. Also included are certain supplies of education, health and welfare. As with the zero-rate, no VAT is levied on these transactions. However,

unlike the supply of zero-rated good and services, exempt transactions preclude the recovery of VAT on related purchases. As such, exempt transactions can lead to a restriction of VAT recovery and result in an absolute cost for businesses.

Importation
Goods imported from outside the EU are subject to VAT at the rate which would be applicable if they were sold in the UK. Relief from VAT may be available where goods are temporarily imported, with the intention of being removed from the UK within a specific time. The payment of import VAT is due at the time and place of entry into the UK. However, payment can be delayed until the 15th day of the following month if a duty deferment account is used. In addition to deferring the payment of VAT, the deferral account helps to ensure that goods awaiting clearance are not delayed pending the payment of taxes. In order to obtain such an account, a financial guarantee will have to be provided to HMRC. The required level of guarantee is related to the expected level of imports.

A simplified import VAT accounting scheme (SIVA) can be used to reduce the level of financial guarantee. The scheme is available to businesses with a good compliance history.

Customs Duty
Customs duty rules and regulations are complex and are constantly changing. They are set globally, at an EU level and, in some instances, at a domestic level within the individual Member States.

Custom Duty is levied on goods brought into the UK from outside the EU. This duty is generally a cost to the importer, which, unlike VAT, is not recoverable.

The amount payable is determined by four key factors.

Customs classification
Each single product has a unique commodity code, which indicates the rate of duty to be paid at import. Duty rates vary from 0 per cent to over 50 per cent; therefore, correct classification is vital to ensure the correct amount of duty is paid. Incorrect classification can result in under or overpayments and in turn back-dated duty demand of three years.

Origin
The EU has many preferential trade agreements with third countries, which may provide reduced or eliminated duty rates for goods entering the EU. It is important to understand what products are eligible and the criteria that need to be met in order to obtain and maintain preferential origin status.

Valuation
There are six methods which determine the correct customs value upon which customs duty and import VAT must be paid. In around 90 per cent of cases, it is the transaction value (Method 1) which is the price paid or payable by the buyer to the seller. However, there are items that can be deducted such as buying commissions, as well as elements that should be included, such as tooling charges, freight and insurance.

Duty relief schemes
In an effort to boost international trade and specifically UK manufacturing, the UK allows businesses to operate a number of duty relief programmes including duty suspension or duty eliminating schemes.

Importers may make significant duty savings and achieve real cash flow benefits by using a number of reliefs and facilitation measures.

Currently, relief schemes cover the following operations:

- Storage
- Transit
- Processing
- Special use

To benefit from these reliefs, businesses need to be authorised by HMRC.

The current Community Customs Code (CCC) is being replaced by the Union Customs Code (UCC) which will come into force on 1 May 2016.

Under the UCC all potential customs duties that may become due through the operation of a customs duty relief scheme or suspension regime, must be secured by a mandatory financial guarantee.

Businesses that are certified as an Authorised Economic Operator (AEO) or that fulfil all AEO(c) criteria (but are not necessarily AEO certified) will be entitled to a guarantee waiver for these potential duties. Businesses that meet only some of the AEO criteria will be eligible for a partial waiver.

However, businesses which have, or meet the conditions for an 'Authorised Economic Operator' (AEO) accreditation, will be entitled to a full or partial guarantee waiver.

Authorised Economic Operator
An Authorised Economic Operator (AEO) is a 'trusted trader status' which is accredited to businesses that have demonstrated their ability to secure their part of the international supply chain and comply with customs regulations. AEO offers a variety of benefits to businesses, including a full guarantee waiver for potential customs debt, a reduced guarantee for actual customs debt, easier access to customs simplifications and an enhanced company reputation.

There are two types of AEO certification, AEO(c) (Customs Simplifications) and AEO(s) (Safety and Security). Under the CCC, businesses that held both AEO(c) and AEO(s) were issued a combined certificate AEO(f) however, this will be phased out under the new UCC.

Duty deferment
Deferment guarantees cover 'actual' customs debt and are calculated on 2x the monthly duty deferment limit. A business, which is approved as AEO (c), will be entitled to a 70 per cent reduction on its deferment guarantee however; no reduction will be available to any business which is not approved as AEO(c).

Simplified Import VAT Accounting (SIVA)
SIVA allows importers to reduce the level of financial guarantee required to operate a duty deferment account for import VAT purposes to 0 per cent.

Under the UCC, SIVA deferment guarantee waivers will be subject to revised criteria that businesses will have to meet, which include financial solvency and a high level of records management [based on the AEO(c) criteria].

Businesses which are already authorised for SIVA, will be re-assessed under the UCC requirements between 1 May 2016 and 30 April 2019.

Excise Duty
In addition to customs duty and VAT, certain products such as alcohol, road fuel and tobacco products are subject to excise duty. Excise duty is an inland tax, levied upon the manufacture, importation or consumption of the product. Generally, the excise duty is due prior to the goods being released for retail sale.

Rates
The rate of excise duty payable is set by the UK and is different for each commodity considered. Spirits, wines and beers usually attract an excise duty based on the alcohol content of the overall product. For cigarettes and tobacco products, the excise rate is based on a percentage of the retail price, and/or a flat rate amount per weight.

Cost-savings opportunities
Under certain circumstances, businesses can suspend excise duty when goods are stored in excise warehouses, which must be approved by HMRC. In order to move duty-suspended excise goods, businesses must be registered with the tax authorities and adhere to strict compliance requirements particularly in relation to storage of the goods and record-keeping.

Moving excise goods
Moving duty-suspended excise goods around the UK and the EU is widely considered to be one of the most complex areas of customs and excise law in the EU. UK businesses need to use the electronic Excise Movement and Control System (EMCS) when receiving and dispatching duty suspended excise goods that are moving within the EU. EMCS must also be used for most intra-UK duty suspended movements. Moving goods under EMCS can be particularly difficult, where the supply chains are complex.

Alcohol Wholesaler Registration Scheme (AWRS)
To combat excise duty evasion, HMRC has introduced the Alcohol Wholesaler Registration Scheme (AWRS). Although the scheme was devised and approved on 1 October 2015, it only entered into force on 1 January 2016. It has been introduced to prevent the placement of 'duty unpaid' goods into wholesale and retail supply chains.

Any business involved in the wholesale supply of alcohol products must apply and register for the AWRS. Existing wholesale traders must register during the period of 1 January 2016 to 31 March 2016. Businesses that have not previously traded in alcohol are required to register with HMRC at least 45 days prior to commencing trading in alcohol.

Stamp Duty
Stamp Duty is charged on transfers of shares at a rate of 0.5 per cent (rounded up to the nearest GBP5). Stamp Duty Reserve Tax (SDRT) is charged on agreements to transfer shares at a rate of 0.5 per cent but is cancelled by the payment of Stamp Duty on an instrument completing the transfer.

Stamp Duty Land Tax (SDLT) is charged on transactions in UK real estate at rates between two per cent and 12 per cent depending on the level of consideration provided, whether the property is residential or non-residential and the status of the purchaser. SDLT is also charged on the grant of a lease at a rate of 1 per cent on the net present value of rents (above GBP125,000) payable under the terms of the lease.

SDLT no longer applies in Scotland. Land and Buildings Transaction Tax applies instead.

Taxation of residential properties
Since April 2013, there has been an annual charge on residential properties valued above GBP1 million owned by non-natural persons (such as companies). The charges are scaled at between GBP23,350 and GBP218,200. From 1 April 2016 the value threshold is expected to decrease to GBP500,000.

Labour

In the UK, employment is regulated by the contract between employer and employee and a wide range of statutory rules. The latter apply to those employed in the UK regardless of the law governing their employment contract and their nationality.

Employment protection legislation

Individual employee rights are mostly governed by the Employment Rights Act 1996. The main issues covered include:

- The minimum period of notice required for the termination of contracts
- Entitlement to lump sum redundancy payments
- Protection against unfair dismissal
- The provision of written terms and conditions of employment of appropriate grievance procedures

The Equality Act 2010 protects employees and job applicants from discrimination on the grounds of sex, race, disability, marital and civil status, pregnancy, maternity, leave, sexual orientation, gender reassignment, religion or belief. Employees working part-time or under fixed-time contracts also enjoy protection against detrimental treatment. Unlike liabilities for unfair dismissal, compensation for discrimination is unlimited.

Under the Health and Safety Work Act 1974 employers are responsible for providing suitable health and safety arrangements.

From 30 June 2014 every employee has the statutory right to request flexible working after 26 weeks' employment service.

Minimum wage

In October 2015 the statutory minimum wage was raised to GBP6.70 per hour for employees aged 21 or over, GBP5.30 per hour for employees aged 18 to 20 and GBP3.87 for those under 18.

From April 2016, the national living wage will be GBP7.20 an hour for workers aged 25 and older. The minimum wage will still apply for workers aged 24 and under.

Working time and leave

Under the Working Time Regulations (WTR), employees are entitled to 5.6 weeks' paid holiday each year. However, employers are permitted to include public holidays as part of the worker entitlement if workers do not work those days. In general, holiday entitlement cannot be replaced by payment in lieu except for termination of the employment contract.

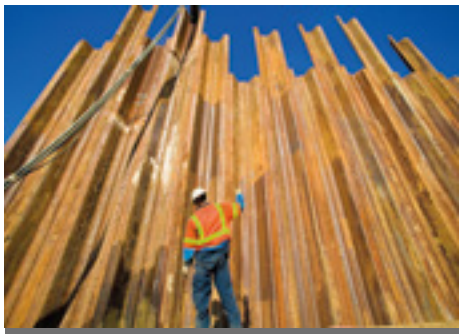
There are eight public holidays a year, usually known as 'bank holidays'. Some holidays are observed only in England and Wales, Scotland and Northern Ireland (for more details see 'Country Overview').

Under the WTR, workers may not work on average more than 48 hours per week. However, workers can provide consent in writing to opt out of the 48 hours limit.

Family leave

Employees have certain rights to time off work for a number of reasons, including maternity, adoption, paternity, jury service or to deal with an emergency involving a dependant.

Paid maternity leave is available for 52 weeks. Currently, employers may have their own maternity pay schemes, but all qualifying employees are entitled to Statutory



The Equality Act 2010 protects employees and job applicants from discrimination on the grounds of sex, race, disability, marital and civil status, pregnancy, maternity, leave, sexual orientation, gender.

Maternity Pay of 90 per cent of earnings for six weeks and up to GBP139.58 per week for a further 33 weeks. This also applies to adoption leave.

With regards to paternity leave, whilst some employers may have their own arrangements, qualifying employees may take leave of one or two week's ordinary paternity leave with a maximum statutory pay of GBP139.58 per week. Fathers are able to take six months of the mother's maternity leave through additional paternity leave.

From April 2015, shared parental leave (shPL) replaced additional paternity leave (except in Northern Ireland). Under shPL, the mother can decide to share up to 50 weeks of her maternity leave with the father, by giving notice to end her maternity leave early. Both parents can take shPL together, at the same time.

Fathers will still be able to take two weeks ordinary paternity leave, which tends to coincide with the mother's two weeks compulsory maternity leave. Also, the mother can still be on maternity leave when the father takes shPL, provided she has already given notice to end her maternity leave early.

Social security

Employers' social security costs (known as National Insurance Contributions) are much lower in the UK than in Continental Europe. They are currently 13.8 per cent of earnings (including taxable fringe benefits) on an employee's weekly earnings above GBP156, with no upper limit. The rate is slightly lower for those who are contracted out of the state pension scheme which is permitted until 5 April 2016. From 6 April 2015, employers no longer have to pay employer's National Insurance contributions on weekly earnings up to GBP815 for employees under the age of 21.

Category letter	GBP112 to GBP156 a week	GBP156.01 to GBP770 a week	Over GBP770 a week
A	0 per cent	13.80 per cent	13.80 per cent
B	0 per cent	13.80 per cent	13.80 per cent
C	0 per cent	13.80 per cent	13.80 per cent
D	3.4 per cent rebate	10.40 per cent	13.80 per cent
E	3.4 per cent rebate	10.40 per cent	13.80 per cent
J	0 per cent	13.80 per cent	13.80 per cent
L	3.4 per cent rebate	10.40 per cent	13.80 per cent

Pensions

Many employers pay pensions contributions for their employees. The employer's costs are generally in the range of 4 per cent to 15 per cent of the payroll. Employer and employee contributions are usually paid into a pension fund where the assets are kept separate from the assets of the employer. Pension plans may be either defined benefit or defined contribution plans. The latter are the predominant form of pension scheme.

From 1 October 2012, the UK government has been phasing in rules requiring all employers to place employees meeting certain conditions into a pension scheme and to contribute to it. The deadlines for employer compliance with this requirement depends on the number of individuals employees. However, all employees will be caught by the rules from February 2018. The precise rules can be complicated as it might not be obvious who to include and there are also a number of options as to how the requirements are complied with.

Healthcare and usual benefits

Many large employers provide employees with private health care, company cars, subsidised meals and other fringe benefits. Such benefits are taxable as employment income. Most private healthcare insurance does not cover primary healthcare, which is normally provided for free for UK residents by General Practitioners under the National Health Service (NHS). Entitlement to healthcare under the NHS does not depend on insurance.

Provision on death in service (life insurance) for employees is common place and typically is at a level of two to four times basic pay. Other benefits such as income protection (permanent health insurance) are common amongst higher paying employers.

Personnel limitations (foreigners / nationals)

Nationals from the EU do not require permits to work in the UK whilst other foreign nationals generally require work permits issued by the UK Border Agency.

A new 'Points Based System' 5 tier visa has been introduced in the UK. The system divides applicants into five 'tiers'. To be eligible for a visa in any of the five tiers, aspirants must pass a points based assessment. Points are generally awarded according to the candidates' ability, experience and age. Tiers 1 and 2 are the most relevant for foreign investors:

Tier 1: This category was designed for 'high value migrants' from outside the European Economic Area (EEA). It covers entrepreneurs, investors and those that come under the 'exceptional talent' visa. For each category applicants must score a certain amount of points based on criteria such as age and past experience. Additionally they must demonstrate their English language ability and prove they have enough funds to stay in the UK. Processing this type of application takes a minimum of three weeks.

Tier 2: This category is for 'skilled workers' from outside the EEA with a job offer in the UK. It includes skilled workers transferred to the UK by an international company, skilled workers when there is a proven shortage in the UK, ministers of religion and sportspeople.

This system imposes record keeping duties to sponsor companies. They must undertake periodic checks on individuals and inform the UK Border Agency when appropriate. Failure to comply with these obligations can result in different penalties, including removal from the Sponsorship Register.

In the UK it is illegal to employ someone who does not have appropriate permission to work. Companies that employ individuals illegally can face penalties of up to GBP10,000 per illegal worker. The fine can be unlimited if the person without permission to work is employed knowingly.

Normally, employees from overseas contribute to and are eligible for social security and healthcare. In certain circumstances, however, these employees may be eligible for a limited exemption period from social security contributions.

Trade Unions

Whilst union power has steadily decreased since 1979, there have been recent trade union disputes, particularly in the aviation industry. Unions still have special protection against civil law proceedings. To protect these immunities, a union must conduct an official secret ballot of its members, inform the employer of the ballot and the result and give the employer seven days' notice of its intentions. Business leaders called for the abolishment of secret ballots in 2010; nevertheless, the current government has stated it has no plans to change strike legislation.

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Audit

Every company must maintain adequate accounting records which are sufficient to:

- Show and explain the company's transactions
- Disclose with reasonable accuracy at any time the financial position of the company
- Enable the directors to ensure that any accounts required to be prepared by the company comply with the Companies Act 2006

Accounting records must, in particular contain:

- Entries from day to day of all sums of money received and expended, as well as the reasons for the receipts or expenditure
- A record of the assets and liabilities of the company

Additionally, when a company's business involves dealing in goods, they must keep the following records:

- All goods sold and purchased and the identity of the buyers and sellers (this does not include those goods sold in ordinary retail trade)
- All the stock held at the date when the accounts have been drawn up

Generally, accounting records must be kept at the company's registered office or in another place where the directors consider it is appropriate to keep them, although tax rules may require retention for longer periods. Private companies must retain their records for three years, public companies for six years.

Accounting standards

All companies incorporated in the UK (except unlimited companies and some dormant companies) must file annual financial statements at Companies House, where they are open to inspection by the public. These financial statements must show a 'true and fair view'. This means that they should comply with UK generally accepted accounting practices (UK GAAP) or International Financial Reporting Standards (IFRS).

IFRS

International Financial Reporting Standards (IFRS) is a set of accounting standards developed and maintained by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB) with the aim of those standards being capable of being applied on a globally consistent basis. The European Commission chooses which of these standards to endorse for use in the EU. These standards are called EU-adopted IFRS.

Only those companies incorporated in a EU Member State having securities listed on a regulated market at their balance sheet date (for example the London Stock Exchange in the UK) are required by law to prepare their consolidated financial statements under EU adopted IFRS, although this may be required for other companies by market regulation, such as the Alternative Investment Market rules. Other financial statements issued by UK companies may continue to be prepared under UK GAAP.

UK GAAP

In the UK, non-listed entities tend to prepare their financial statements under UK GAAP although they can choose to adopt IFRS. The law prescribes the format of the financial statements for UK GAAP accounts and sets some basic accounting

In the UK, non-listed entities tend to prepare their financial statements under UK GAAP although they can choose to adopt IFRS.

policies to be followed. However, the majority of the accounting requirements come from UK GAAP accounting standards.

The UK has been developing a new accounting framework which has moved closer towards IFRS based principles. This new framework has recently been introduced and means that all previous UK accounting standards are withdrawn and a new financial reporting regime is introduced in their place. Transition to the new framework is a major change for UK businesses. The new framework consists of three main financial reporting standards (FRSs) issued by the UK Financial Reporting Council (FRC):

- FRS100: Application of Financial Reporting Requirements
- FRS101: Reduced Disclosure Framework
- FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland

FRS 100 sets out the framework applicable to each type of entity reporting under UK GAAP. FRS 102 is a comprehensive standard which will be applied by the majority of UK companies. The IFRS for SMEs was used as the basis for FRS 102, but it has been substantially modified for application in the UK. The Reduced Disclosure Framework under FRS101 is an option of IFRS recognition and measurement with reduced disclosures. It is available for subsidiary and parent company individual accounts, provided certain conditions are met. There is also a reduced disclosure framework available within FRS 102 for qualifying entities.

The new framework is effective for accounting periods commencing on or after from 1 January 2015, which means that 31 December 2015 year end accounts are the first prepared under the new regime. The standards are available for early adoption which may benefit some companies.

Small companies within the Companies Act 2006 definition were previously able to use the Financial Reporting Standard for Smaller Entities (FRSSE) (a simplified version of UK GAAP) but for accounting periods commencing on or after 1 January 2016, the FRSSE is replaced by FRS 102 (as tailored to meet the needs of small companies and taking into account changes in law for small companies).

A new regime for the smallest companies, called 'micro-entities', was introduced in 2013. Micro-entities are a sub-set of small companies. This regime is intended largely for very small, owner-managed, businesses. There is a separate standard for these entities under the new UK GAAP framework called FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime.

Accounts

Private companies need to prepare financial statements every financial year. Normally, they must include:

- Directors' report
- Strategic report (not small companies or micro-entities)
- Auditor's report, if they require audit
- Balance sheet (as at the last day of the financial year)
- Profit and loss account for the year
- Cash flow statement (not small companies, micro entities or those qualifying companies applying a reduced disclosure framework)
- Notes to the accounts

By default, a company's first accounting period ends on the last day of the month in which the first anniversary of its incorporation falls, and annually thereafter. A company may shorten its accounting period as often as it likes and by as much as it likes. There is no minimum period. A company may also extend its accounting period, subject to restrictions and its first accounting period must end no more than 18 months after the date of incorporation.

A company that owns another company is known as a parent company. The companies owned by a parent company are referred to as subsidiaries. Generally a parent and its subsidiaries together form a group of companies. The parent company must prepare consolidated accounts as well as their individual accounts although there exceptions to this. Consolidated financial statements are essentially an aggregation of all the accounts of the companies in the group. These must also be filed at companies house.

Approving and filing accounts

Private companies must file their accounts at Companies House within nine months of the accounting reference year. This period is reduced to six months for public companies.

Companies' accounts must be approved by the board of directors. Additionally, copies must be sent to shareholders before the period for delivering the accounts and reports. Anyone wanting to check companies' accounts, they can have access by paying a fee at the Companies Registry.

Most of the law governing financial statements is based on EU law. A new European Accounting Directive has recently been incorporated into the UK Companies Act 2006 and Accounting Regulations which places different requirements on

companies from 1 January 2016. Companies classified as either 'medium-sized' or 'small companies' and with accounting periods beginning before 1 January 2016 can file abbreviated accounts at Companies House. Abbreviated accounts are reduced versions of the statutory annual accounts prepared for shareholders. For accounting periods beginning on or after 1 January 2016, the option to file abbreviated accounts is withdrawn. Instead a small company is permitted to prepare abridged accounts for its shareholders if the shareholders consent. Abridged accounts are required to contain significantly less information but are still required to show a true and fair view. Medium sized companies must file full accounts.

Branches of foreign companies

Foreign branches were described in the section 'Conducting business in the UK'. A foreign company with a UK branch must file financial statements of the whole company. The filing requirement depends on whether the company is required to publish its audited financial statements under its home law. If it is, it must file those financial statements in the UK. If it is not, it must file financial statements in a prescribed format as required by UK law.

Company size

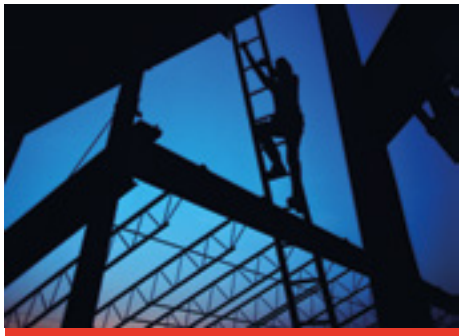
A company's size determines the accounting requirements it must follow and what accounting exemptions it might have available to it. In some cases the exemptions can significantly reduce the detail required in the financial statements. Company size is determined by thresholds set out by the Companies Act 2006. The new EU Directive has brought in changes to these thresholds for those periods beginning on or after 1 January 2016. Both the old and new thresholds are given in the table below.

A company is considered to be micro, small or medium if it meets two out of three of the following conditions thresholds:

Company size thresholds		Turnover (not more than)	Gross Assets (not more than)	Number of Employees (not exceeding)
Micro-entities		£632,000	£326,000	10
Small companies (& group net)*	Old	£6.5m	£3.26m	50
	New	£10.2m	£5.1m	50
Small group (gross)*	Old	£7.8m	£3.9m	50
	New	£12.2m	£6.1m	50
Medium companies (& group net)*	Old	£25.9m	£12.9m	250
	New	£36m	£18m	250
Medium groups (gross)*	Old	£31.1m	£15.5m	250
	New	£43.2m	£21.6m	250

**Gross assets means fixed assets plus current assets with no deduction for liabilities.*

When comparing group figures to the thresholds, the gross limits are the limits for group figures pre consolidation adjustments and the net limits are for figures post consolidation adjustments. The net and gross limits can be mixed and matched when making the assessment of a group's size. A group's size



Companies classified as either 'medium-sized' or 'small companies' and with accounting periods beginning before 1 January 2016 can file abbreviated accounts at Companies House.

determines whether consolidated accounts are required as well as what accounting exemptions the companies in that group may take.

It must be noted that a company that meets the conditions above cannot be considered as micro, small or medium-sized if:

- It is a public company
- Has permission to carry out regulated activities
- Is a member of an ineligible group

Those medium and small companies taking advantage of the exemptions above must include a statement declaring this fact in their balance sheet.

The size limits and exemptions for small and medium-sized companies are expected to change in 2016. In particular, the monetary limits are expected to be increased significantly.

Audit requirements

All UK companies incorporated under the Companies Act require statutory audits unless an exemption applies.

A company that is not part of a group qualifies for audit exemption if it qualifies for the small or micro companies' regime for accounts as detailed above.

A company that is part of a group will qualify for audit exemption if it qualifies for the small company regime for accounts and the group of which it is a member qualifies as a small group (including overseas companies) and is not scoped out.

Subsidiaries exemption

Subsidiary companies are exempt from the requirement for the audit of their individual financial statements, regardless of their size or the size of the group they are members of, but only when a series of conditions are met:

- The parent must give a 'statutory guarantee' of all the outstanding liabilities to which the subsidiary is subject at the end of the financial year
- The subsidiary's parent giving the guarantee must be established under the law of an EEA state
- The subsidiary company's shareholders must unanimously agree to dispense with an audit for any financial year
- The subsidiary must be included in the parent's consolidated accounts drawn up under the EC 7th Directive (Directive 2013/34/EU for periods beginning on or after 1 January 2016) or prepared in accordance with EU adopted IFRS
- The use of the exemption must be disclosed in the parent's consolidated accounts
- The subsidiary's account must disclose that the exemption has been adopted
- Supporting documents (including a copy of the parent company statutory guarantee) must be filed at Companies House by the subsidiary taking the exemption
- The subsidiary must not be a quoted company (a company included on the Official List of London Stock Exchange, officially listed on an EEA regulated marked or listed in the United States on the New York Stock Exchange or NASDAQ)

Parental Guarantee: The 'statutory guarantee' is a statement made by the parent company guaranteeing the subsidiary's liabilities. The guarantee covers all outstanding liabilities to which the subsidiary is subject at the end of the financial year. This guarantee is needed each year that the exemption is taken. The guarantee for a particular year is irrevocable and enforceable against the parent undertaking by any person to whom the subsidiary is liable. Most companies need to take advice regarding the scope of the liabilities and the potential impact on the parent directors' fiduciary duties in giving such guarantee.

Companies excluded from the exemption

A company will not be eligible to the subsidiaries exemption if it was, at any time within the financial year in question:

- A quoted company (see above) (for accounting periods beginning before 1 January 2016)
- A traded company (being a company whose transferrable securities are listed on an EEA regulated market) (for accounting periods beginning on or after 1 January 2016)
- An authorised insurance company, a banking company, an e-money issuer, a MiFID investment firm or a UCITS management company, or carries on insurance market activity
- A special registered body such as a Trade Union or an Employers' Association

Trade

Foreign Direct Investment
Thanks to its liberal investment policy, there are very few restrictions on foreign ownership of businesses or property. The UK is the third largest recipient of inbound investment in the world. Although there are no general restrictions on Foreign Direct Investment, the government has authority under several laws to block transactions against national interest such as national security.

Mergers may be examined to prevent unacceptable monopoly situations. Monopoly situations may exist where 25 per cent of any given type of products or services is under the same control. The Competition Commission conducts in-depth inquiries into mergers, markets and the regulation of the major regulated industries. Every enquiry is undertaken in response to a reference made to it by another authority, the Commission has no power to conduct inquiries on its own initiative. Where the European Commission has jurisdiction over a merger under the EU Mergers Regulations, Member States can intervene in cases involving the defence industry.

Government incentives
UK Trade and Investment (UKTI) is the government organisation that supports companies, both in the UK trading internationally and those overseas businesses seeking to set up or expand in the UK.

The UK government actively encourages investment from overseas; foreign owned businesses are eligible for the same benefits as local ones. Investment incentives compare favourably with those available elsewhere in Europe:

- Regional Selective Assistance (RSA) is a discretionary scheme available in certain parts of

Great Britain designated as Assisted Areas. The scheme takes the form of discretionary grants to encourage firms to locate or expand in these areas. Projects must either create new employment or safeguard jobs. In England, RSA is available for projects involving capital expenditure of at least GBP500,000. In Northern Ireland similar funding is available in order to stimulate new enterprises or contribute to the expansion of existing ones

- Research and Development incentives exist in order to encourage small, medium and large enterprises to undertake certain types or research and development. These have been increasingly boosted in recent years to boost economic recovery
- There are three main tax incentive schemes which are intended to encourage equity investment in small higher risk companies
- UK Export Finance, the UK's Export Credit Agency helps exporters and investors by providing credit insurance policies, political risk insurance on overseas investments and guarantees on bank loans
- Grants are also available for agriculture, horticulture and forestry and for tourism and leisure projects

Imports

The European Union is a single trading area, this means that all goods (subject to narrow exceptions), whether made in an EU Member State or imported from outside, can circulate freely. Although Member States customs authorities have the right to check goods at the border, there is a unified customs law in the EU which removes all fees and barriers within the Union.

There is an external tariff for goods imported from outside the EU. While there are certain minor differences in interpretation and administration, the tariff was supposed to be applied and interpreted uniformly.

The Community Customs code contains all the general rules and procedures applicable to the trade of goods between EU and non-EU countries. The code is supplemented by a detailed Customs Regulation which is directly applicable in all Members States.

In the UK, the national customs authority is HM Revenue and Customs. The UK also has its own legislation that deals with certain aspects of importing and imposes penalties for violation of EU and national law.

Import restrictions

Most categories of goods can be imported without restriction under 'Open General Import Licenses'. Individual import licenses may be required when importing a limited number of goods, such as textiles, iron and steel. Licenses for these are issued by the Department of Trade and Industry (DTI) through the Import Licensing Branch and fall into the following classes:

- **Open:** unlimited importation of goods from specified areas for a stated period
- **Specific:** limits quantity or value and limits the period of the license (quota restriction)
- **Surveillance:** provides surveillance into the trade in sensitive commodities on the basis of which action can be taken to manage the trade in the commodity
- **Embargo:** no imports allowed as a result of international obligations

The Rural Payments agency is a further Government department which is responsible for the issue of import licenses for agricultural and horticultural products as well as certain items of food and drink.

Finance

Capital markets

There are two main securities markets available for overseas companies which are operated by the London Stock Exchange: the Official List and AIM (Alternative Investment Market). The Official List, known as 'the main market' is the London Stock Exchange's principal market for listed companies. It is also the traditional market for larger mature companies with a well-established trading record. Companies applying for a listing must:

- Demonstrate a three year trading history
- Have a market capitalisation of at least GBP700,000
- Maintain at least 25 per cent of its share capital in public hands (known as the 'free float')

Traditionally, investors have looked at stocks on the Official List from two perspectives, namely: size and sector. However, investors have started to consider a third perspective, they now choose companies that possess specific attributes, irrespective of their size, industrial classification or location. To address this issue, the London Stock Exchange has introduced the techMARK, bringing together listed technology companies of all sizes – from FTSE 100 to FTSE Fledgling – enhancing every company's visibility and media profile and allowing the long-term tracking of the company's performance.

Launched in 1995, AIM, formerly known as the Alternative Investment Market, was specifically developed to meet the needs of smaller, growing companies that might not meet the full criteria for a listing on the main market or for whom a more flexible regulatory environment is more appropriate. AIM is suitable for a wide range of companies. These companies are normally active in all sectors of commercial activity and since its launch more than 3000 companies from across the globe have been admitted to trading. Unlike the main market, there is no requirement for a minimum percentage of shares to be in public hands. Nevertheless, AIM has recently tightened its stance, most importantly with relation to non-UK issuers facing the requirement to comply with the Combined Code in 2011. Issuers must now display core information of board members, announcements and financial results on the website. Nominated advisers (nomads) that companies are obliged to retain while quoted on AIM, will have greater responsibility for assessing the suitability of companies and the quality of their business plans and management.

ISDX (formerly known as PLUS and Ofex) is market owned and operated by ICAP, which attracts smaller companies from a variety of industries to its trading platform, as an alternative to a London Stock Exchange listing. Trading is undertaken between member firms via a competing market maker system. Companies on ISDX tend to be smaller than those that apply for membership to AIM, typically seeking to raise capital up to GBP5 million. Over 150 companies are listed on ISDX. It also suits those companies not seeking to raise capital but who want to create a dealing facility for its shareholders without the same burden and expense of meeting the regulations of AIM or the UKLA. It is viewed as a source of 'retail venture capital' for young companies, as a stepping-stone to a Recognised Investment Exchange for others. It is also a recognized stock exchange under the Taxes Act, which means that it is approved by HMRC as a listing venue for tax-efficient insurers such as investment trusts, VCTs and REITs. The requirements of joining ISDX are less onerous than those of applying to the Main Market or AIM.

Banking system

The Bank of England is the Central Bank of the United Kingdom. It has two core purposes, monetary stability and financial stability. The Bank is most visible to the general public through its interest rates decisions and its banknotes. The Bank has had a monopoly in the issue of banknotes in England and Wales since the early 20th century. However, the Bank has only had statutory responsibility for setting the UK's official interest rates since 1997.

The banking system in England and Wales is dominated by the four 'clearing banks'. Over the years, the divisions between the various types of banks in the UK have largely eroded; clearing banks now offer a full range of financial services. Most major overseas banks are represented in the UK through branches, subsidiaries or representative offices.

In order to comply with key money laundering requirements, UK banks have to undertake customer due diligence, identifying the source of the funds, the underlying beneficiary as well as verifying the customer identity. As these procedures might make the opening of a bank account quite lengthy, foreign companies are advised to start the account opening procedure as soon as possible.

Insurance industry

The UK insurance sector is the largest in Europe and the third

largest in the world. The insurance industry plays a key part in the UK's economy managing investments of GPB1.9 trillion contributing GBP29 billion to national GDP. More importantly, it employs around 334,000 individuals[1]. Indeed, insurers play a key role in providing the stable, long-term investment needed to drive sustainable economic growth.

Insurance companies are 'dual-regulated': they are authorised and prudentially regulated and supervised by the Prudential Regulatory Authority and regulated for conduct purposes by the Financial Conduct Authority. The main focus of the regulation of insurance businesses in the UK is solvency of insurance companies and the integrity and competence of their senior management. UK insurers need to comply with the requirements of Solvency II which involves a wide ranging reform on the EU insurance solvency regime, including a shift to a more risk-based approach to solvency regulation and a greater focus on risk management.

Asset management industry

The UK is currently the second largest asset management centre in the world, ranking only behind America with an 8.4 per cent of total global fund management assets. The UK's leading position within Europe is due to a variety of factors: a long established institutional market, a deep and skilled talent pool and a historically supportive regulatory regime combined with the location and proximity of global clients.

The industry is a significant exporter for the UK, with around 40 per cent of assets coming from overseas clients.

Asset managers are facing an unprecedented degree of change from a multitude of sources, all of which will shape the future of the industry; amongst these, regulation, the relationship between fees and performance, new wealth creation in the East and the impact of technology are some of the most important.

[1] Association of British Insurers

UK insurers need to comply with the requirements of Solvency II which involves a wide ranging reform on the EU insurance solvency regime

Infrastructure

The overall quality and reliability of infrastructure is a critical factor for businesses across all sectors.

The UK has one of the strongest Information and Communication Technology (ICT) infrastructures in the world with privatisation of the major ICT service providers having led to greater competition and lower prices. Within Europe, London is rated by businesses as being the best location for telecommunications.

The UK ICT infrastructure meets the key requirements of international companies including:

- The UK is ranked as one of the world's leading locations for its IT environment
- Mobile broadband coverage around 95 – 100 per cent [Source: Independent Regulator and Competition Authority for the UK Communications Industries]
- One wi-fi hotspot for every 11 people
- Ranked third in the world for technological readiness in the World Economic Forum's Global Competitiveness Report

With an integrated system of airports, seaports, rail and road, businesses located in the UK can select the optimal method of moving people and freight between major cities and locations, both within the UK and internationally.

The main advantages of the UK transport system include:

- Excellent air links to locations all over the world from world-class international airports
- An advanced and comprehensive road system that links all locations throughout the UK

- A privatised rail network linking all locations across the UK and, through the Channel Tunnel, all locations in mainland Europe
- Approximately 120 ports across the UK, handling the largest volume of seaport traffic in Europe

The UK has an advanced and comprehensive road transport system, with a total of 394,000 kilometres of roads. There are almost 3,600 kilometres of motorways, all of which are toll-free (except for the M6 Toll adjacent to the M6 in Birmingham).

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