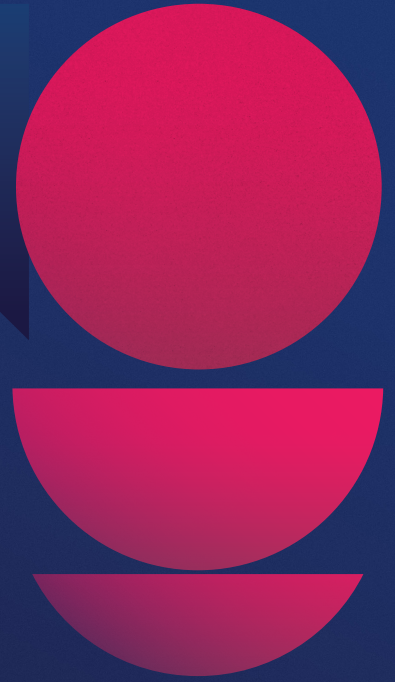


Setting up a *business* in the United Kingdom



**MAKE
AMBITION
HAPPEN**

ZEDRA.COM



The United Kingdom has a long-standing reputation as a *key* location for international business expansion.

The UK's modern company law system allows businesses to form and establish themselves with relative ease, while its well-established employment law framework is well regarded for its fairness and minimal bureaucracy for employers.

The UK tax system also offers a range of benefits for businesses including extensive double taxation treaties, exemptions from withholding tax, reliefs on dividend taxation, and a competitive corporation tax rate.

With access to a world-class talent pool and highly skilled workforce, combined with a progressive financial regulator and easy access to financing, the UK presents a compelling proposition for international companies seeking to set up operations.

Establishing a Business in the UK

When deciding to establish or register a business in the UK, there are various legal structures available for consideration. The most common options include:

Private Company Limited by Shares (Ltd)

A Private Limited Company is a separate legal entity. Shareholder liability is limited and restricted to the share capital invested.

Public Limited Company (PLC)

Offers the ability to sell shares in the public domain while being a separate legal entity.

Ordinary Partnership

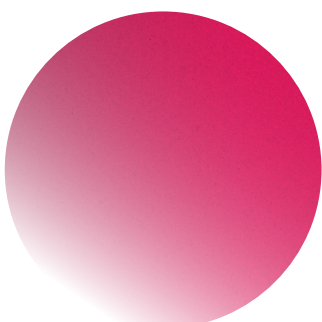
Requires two individuals to manage the entity, with partners being jointly liable to financial obligations and debt – this is not a separate legal entity.

Limited Liability Partnership (LLP)

Considered an amalgamation of a Private Limited Company and an Ordinary Partnership, an LLP acts as a separate legal entity to partners, with limited partner liability.

UK Establishment ('Branch')

An establishment (or branch) of an overseas business. Parent Company Financial Statements are required for UK filings and will be in the public domain – this is not a separate legal entity.



Capital Requirements and Director/Officer Requirements

Private Company Limited by Shares (Ltd)

- Minimum capital requirement of GBP £1
- A company is controlled by its shareholders under the articles of association and any shareholders' agreement that exists. The shareholders then delegate responsibility for the day to day management to the directors
- Minimum of one director and one shareholder
- Not obligated to have a secretary (but recommended to appoint a service provider to reduce responsibilities of director(s))

Public Limited Company (PLC)

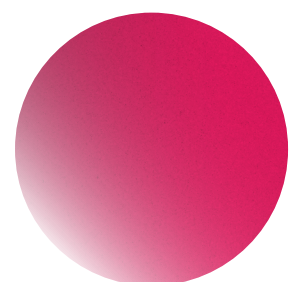
- Minimum capital requirement of GBP £50,000 or more
- At least 25% of which must have been paid up before the Company can begin trading
- Minimum of two directors and a company secretary needed

Limited Liability Partnerships (LLP)

- No minimum capital requirements | Does not issue shares
- LLPs blend the position of directors and shareholders so that the partners have a share in the business and are responsible for running the business in accordance with the partnership agreement
- Minimum of two members, including, minimum two designated members needed to perform compliance duties

Ordinary Partnership

- In a partnership, a number of individuals sign a partnership agreement to establish how the business's ownership, profits and liabilities are shared between them, and how partners may leave the partnership
- A partnership is similar to the sole trader structure, except that there are at least two partners
- No minimum capital requirements
- The partnership agreement will outline the capital contributions required by each partner



Opening Bank Accounts

Opening a bank account in the UK can be an arduous process. Often, the myriad of identification and other Know Your Client ('KYC') requirements can result in a protracted and delayed process before a standalone corporate bank account is opened for a business.

Some companies will benefit by working with their advisers to open a client payment account (sometimes referred to as 'trust account') which can help reduce the business requirements and KYC process dramatically and allow an account to be opened within 1-2 weeks.

This service can only be provided by those firms with the appropriate regulatory permissions.

The legal ownership for this bank account remains with the adviser, however this is a separate, nominated payment account which the Company can fund in order for their adviser to make certain payments to employees, vendors and suppliers.

Working with
advisers can help
reduce the business
requirements
and KYC process
dramatically.



Employment

Working Visa Requirements

For many businesses, immigration and visa options will be a determining factor in recruiting individuals from abroad or transferring employees to the UK from an overseas group location.

In all cases, obtaining and being granted the appropriate visa can take time.

It is advisable for companies and/or individuals to plan sufficiently in advance to ensure their objectives are met.

Payroll

Most employees will be subject to the UK's Pay As You Earn ('PAYE') system and receive their pay via an employer provided payroll. PAYE captures tax withholdings at source and is generally accurate at capturing the applicable rates of Income Tax and National Insurance owed by employees without further adjustments required.

Employees who have other sources of income or have sufficient Capital Gains will be required to file a Self-Assessment Tax Return with HM Revenue and Customs.

Employee Benefits

Broadly speaking, it is compulsory for UK employers to enroll all eligible employees into a workplace pension (long term savings plan). The Government has set a minimum contribution of 8% of qualifying earnings which must be paid into the pension as follows:

- 5% employee contribution
- 3% employer contribution

Employers may decide to provide enhanced contributions for employees in excess of the above amounts.

Many businesses will operate an employee benefits program which is likely to be aligned at the group level, so that it is comparative across the global workforce.

The most common employee benefits provided in the UK are as follows:

- Private Health Insurance
- Dental Insurance
- Life Assurance
- Income Protection
- Critical Illness Cover
- Eyecare
- Gym Memberships
- Employee Discounts
- Paid Time Off
- Flexible Working (remote work, compressed hours, or flexi-time)

Employee benefits are reported by employers where required, either via the payroll or via an annual filing (Form P11D) with Class 1A Employer's National Insurance payable at 15% on the total taxable value. Where reporting is completed on an annual basis, employee tax codes are amended for the benefits they receive with future tax collected via PAYE.

UK employment law is shaped by several key statutes, including:

- The Employment Rights Act 1996, which outlines core employee rights and employer duties
- The Equality Act 2010, protecting individuals from discrimination and harassment based on protected characteristics
- The Working Time Regulations 1998, ensuring adequate rest breaks and paid annual leave
- The National Minimum Wage Act 1998, guaranteeing lawful minimum pay
- The Health and Safety at Work Act 1974, requiring employers to provide a safe working environment
- The Data Protection Act 2018 (UK GDPR), which governs the lawful collection, use and sharing of employee data

Annual Leave and Statutory Sick Pay

In the UK, full-time employees are entitled to a minimum of 5.6 weeks of leave (20 days in addition to public holidays) per annum, which is pro-rated for part-time or part-year workers.

The UK does not have a formal number of sick days employees can claim, but does provide statutory sick pay (SSP) in these circumstances. From 6 April 2026, SSP is payable from the first day of an employee's sickness absence, removing the previous three-day unpaid waiting period. Eligibility will also widen, as the Lower Earnings Limit (LEL) is being abolished, meaning all workers will qualify for SSP regardless of their earnings. SSP will be paid at either the statutory flat rate, which is reviewed annually, or 80% of the employee's average weekly earnings, whichever is lower.

Eligible employees can self-certify sickness for up to seven consecutive days (including non-working days). For any sick leave longer than seven days, the employee will need to obtain a Fitness for Work statement, commonly called a GP fit note, from their doctor.

Statutory Maternity & Paternity Leave

The statutory entitlement for maternity leave is 52 weeks, should the individual be an employee (not a worker) and provide the correct notice to their employer. From 6 April 2026, the 52 weeks are payable as follows (subject to eligibility):

- The first six weeks of leave are paid at 90% of average weekly earnings
- The following 33 weeks are paid at the statutory rate of £194.32 per week (subject to increase in April of every year) or 90% of average weekly earnings, whichever is lower
- The remaining 13 weeks are unpaid
- The statutory entitlement for paternity leave and pay is two weeks of leave as a default position for eligible employees. The two weeks of leave are payable at £194.32 per week (subject to increase in April of every year) or 90% of average weekly earnings, whichever is lower

In many cases, employers will operate enhanced policies providing further support to eligible employees (both parents) over a period of time, which can include a longer period of supplemented pay. The UK operates other 'paid' entitlements such as Shared Parental Leave and Pay, Adoption Leave and Pay, Parental Bereavement Leave and Pay, and Neonatal Care Pay.

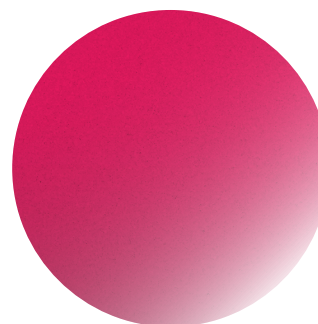
The UK also operates unpaid parental leave entitlements such as Ordinary Parental Leave, Time Off for Dependents, and the new Bereaved Partner's Paternity Leave (effective from April 2026). These provisions allow employees to take protected time away from work in circumstances such as caring responsibilities, family emergencies, or following the death of a child's primary carer.



Tax and Social Security Contributions

Employee's earnings will be liable to applicable rates of Income Tax and National Insurance, with the appropriate withholdings being deducted at source by the employer through the company payroll.

The following rates apply to employees from 6 April 2026:



England & Wales Income tax

Personal Allowance	£12,570	(tax-free amount)
Basic Rate	20%	£12,571 to £50,270
Higher Rate	40%	£50,271 to £125,140
Additional Rate	45%	Over £125,140

Scotland Income tax

Personal Allowance	£12,570	(tax-free amount)
Starter Tax rate	19%	£12,571 to £16,537
Basic Rate	20%	£16,538 to £29,526
Intermediate Tax rate	21%	£29,527 to £43,662
Higher Tax rate	42%	£43,663 to £75,000
Advanced Tax Rate	45%	£75,001 to £125,140
Top Tax rate	48%	Over £125,140

An employee's personal allowance is reduced when their earnings exceed £100,000 per annum by £1 for every £2 earned over this amount.

National Insurance Contributions

Class 1 National Insurance:

- Primary (employees)
 - 8% on earnings between £1,048 and £4,189 per month
 - 2% on earnings in excess of £4,189 per month
- Secondary (employers)
 - 15% on earnings above £417 per month (cost to the employer and not withheld from employee earnings)

There are other classes of National Insurance in the UK which range from Class 2, 3 and 4. These are typically in respect of self-employed individuals who are required to pay their own contributions for National Insurance based on earnings and profit levels each year.



Tax and Accounting

VAT

The registration threshold requiring businesses to apply for a VAT number is currently £90,000 (total taxable turnover) in a 12-month period. If a business exceeds this threshold, it must register for VAT within 30 days of the end of the month in which the threshold was breached. Businesses can choose to voluntarily register for VAT at an earlier stage and sometimes it is beneficial to do so.

Different registration rules will apply for overseas businesses who are a long distant-seller providing certain services or goods into the UK to customers.

There are several VAT schemes available to businesses, dependent on size, however, in most instances companies will enter into a quarterly filing system with returns and any VAT liabilities due for filing/payment one month and 7 days after the quarter end date.

Corporate Tax

Businesses will pay corporate tax on their profits in the UK as follows:

- A main rate of 25% which applies to companies with profits in excess of £250,000
- A lower rate of 19% which applies to companies with profits lower than £50,000
- A sliding scale (or marginal tax rate) for companies with profits between £50,000 and £250,000

The thresholds above are reduced by the number of associated companies within a corporate group.

A large corporate group can therefore expect to pay corporation tax at a rate of 25%.

Most companies will be required to pay their corporation tax liability via one annual instalment nine months after their year end. Larger companies who meet the rules will be captured by the UK's instalment regime, resulting in their tax being paid over four instalments during the period, or all tax being paid before the end of the financial period (assuming a 12 month reporting period) if the company is known as 'super' large.

Transfer Pricing

UK transfer pricing seeks to ensure that transactions between related parties (i.e. group companies) are carried out on an arm's length basis.

Certain exemptions can apply from the rules including for small and medium sized enterprises.

Companies who fall within thresholds can still choose to follow transfer pricing rules by performing formal studies and preparing suitable intercompany service agreements for their records, however, they do have flexibility around what approach they take and do not necessarily need to follow the 'arm's length principles' on group transactions.



Financial Reporting & Audit

There are two financial reporting standards available for preparing your financial statements in the UK; either UK Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).

Depending on the size of the company, there are a number of disclosure exemptions available to help manage the information available online.

Whilst the requirement for statutory financial statements applies to all companies, there are certain exemptions from the requirement for those financial statements to be subject to a statutory audit that are written into company law (the Companies Act 2006).

For international businesses, the audit requirement is often missed as these thresholds are applied to the global operations of a business, not just the UK company. As a result, if the global business breaches two of the three thresholds, even if the UK company is beneath them, the UK company will require an audit.

The group thresholds are presented in the table below.

	Average number of employees	Total revenue	Total assets
Global results:	50 or more	More than £15 million	More than £7.5 million

The above is a brief overview of the audit thresholds and this can be a complicated area to navigate depending on company structure, when the UK company was incorporated etc. Professional guidance should be sought to ensure you remain compliant.



The UK remains a key destination for businesses looking to expand internationally.

With its robust legal framework, access to a world-class talent pool, progressive financial regulator, and straightforward financing options it's clear why the UK is an *attractive* market.

However, as with any new market entry, success requires careful preparation.



Conducting thorough market research, understanding local competition, and recognising key differences in business culture are crucial steps to ensure you and your team are well-prepared.

While entering a new market may seem daunting, with proper planning and the guidance of experienced advisors, companies can effectively navigate the challenges of the local landscape and successfully establish their presence.

We've been there. We've helped thousands of ambitious founders, c-suite executives and management teams to navigate multiple factors when expanding internationally.



Our clients' world never stands still. Neither do we.

We've built a team of **1,400+** with a global presence across **17 jurisdictions**, **30+ offices** and an affiliate network of **100+ trusted partners worldwide**. From the Americas to UK and Europe, Crown Dependencies and Asia, we're designed to move with you.

Let's make ambition happen.



Cayman Islands | Curaçao | France | Guernsey | Hong Kong | Isle of Man |
Jersey | Liechtenstein | Luxembourg | Malta | Netherlands | Poland
Romania | Singapore | Switzerland | United Kingdom | United States

For our local teams of experts
go to **zedra.com** or contact us on:

e: enquiries@zedra.com

 ZEDRA Group

This document must be read in conjunction with our Legal
and Regulatory notice at www.zedra.com

UK100826V7

