

There are many things to account for when setting up a UK subsidiary. Below we detail the most common compliance considerations to consider and discuss with your accounting, legal, tax, employment, and corporates services providers. This checklist, though comprehensive, is only intended as a guide. It is likely you will want to seek expert help. We have highlighted the areas where Elemental can help (●)

UK company formation

Important things to consider during the initial incorporation:

- Choice of incorporation type eg private limited company (most common). ●
- Choice of articles of association outlining relationship between subsidiary and parent ●
- Shareholders' agreement (if there are multiple shareholders) ●
- Share Structure of the UK subsidiary ●
- Tax planning and residency ●

Statutory compliance

All UK companies are required to comply with the following:

- Maintenance of the statutory registers of the company ●
- Compliance with the Companies Act 2006 (CA 2006); and ●
- Relevant filings for Companies House. ●

Conflicts of interest

All directors of UK companies are subject to the following duties:

- avoid direct or indirect interests that conflict, with the interests of the company (s.175 CA 2006) ●
- declare an interest in a proposed transaction or arrangement with the company (s. 199 CA 2006) ●
- act in the best interests of the UK company and not just the group as a whole. ●

Legal requirements

Setting up a UK subsidiary brings about a host of regulatory and legal requirements:

- As well as general legal requirements, identify any industry specific ones. ●
- Companies need to take steps to comply with data protection, anti-bribery and anti-facilitation of tax evasion. ●

Accounting

Every UK company (whether or not it is trading) is required to keep accounting records that are sufficient, failure to do so is a criminal offence:

- Records of transactions must be kept (money received and expended) ●
- The company must be able to report on the financial position (assets and liabilities) ●
- The directors must be able to confirm that any accounts comply with the requirements of the CA 2006 ●
- Certain types of organisations may need to appoint an auditor ?*

All companies are required to file accounts each year as well as a Corporation Tax return. ●

Corporation tax

The tax residency will need to be determined (this may have been determined at incorporation) ●

Transfer pricing rules may apply between UK resident companies and related parties ●

Interest and royalties may be subject to withholding rates, subject to double tax treaty rules ●

Value added tax (Sales Tax)

The UK operates a form of sales tax called Value Added Tax (VAT).

Companies of a certain threshold (£85,000 p.a.) will need to register for VAT with HMRC ●

It may be beneficial for companies below the threshold to register too ●

All VAT registered companies must file VAT returns, generally on a quarterly basis but sometimes more ●

Employees

Organisations looking to hire UK employees will need to consider:

Employment contracts setting out terms of employment and Employee policies/handbook ●

Register as an employer with HMRC ●

Pension contributions ●

Payroll processing ●

Employer Liability Insurance ●

Employee Benefits ●

*To maintain independence Elemental does not provide audit service. Independence rules preclude us from providing audit services. We can work with your existing Big4 auditors or facilitate an audit on your behalf from our panel of smaller firms.

