Standard Ledger

Expanding your startup to the UK

Practical steps and advice to help you expand to the UK

Why we made this guide

If you want to expand your startup to the UK but you're not sure where to start, this guide is for you. We've been helping startups expand to the UK (including our own business) and it doesn't take long to discover there's nearly more admin involved than there are tube stops on the London Underground.

From tax and legal processes to staff and visas, it's overwhelming. And as a startup founder or operator, you don't have the time to research it all so... we've done it for you. Onwards! 👇

A bit about us

We were once a startup and understand the growing pains involved at the beginning. Now, we're in our seventh year of supporting startups with scalable accounting and CFO services. We've helped our clients expand overseas to the US, UK, Canada and New Zealand, and we've worked with them to raise funding and achieve successful exits. All of which is to say: We support startups, every step of the way.

That includes holding seminars and making educational resources (like this one) to help shortcut your path to success. And when it comes to UK expansion, we hope you find this a helpful travel guide to the essentials.

What's inside

We've narrowed down the main elements of expanding to the UK, but if it all becomes a bit hard to understand (and makes about as much sense as Cockney rhyming slang), we're here to help.

So let's have a *butcher's hook*!
(that's Cockney rhyming slang for 'look')

Getting set up

Business structures

Get the structure right at the start and you won't have to deal with headaches later on. You'll also want to keep things as simple as possible because you'll have enough going on without worrying about complex business structures and international agreements.

Things to consider

- Why are you expanding to the UK?
- What are the tax obligations of each structure?
- How will you get funds back to your local country, and what are the tax implications of that?

Structures at a glance

Type	Advantages	Disadvantages
Subsidiary	• Customers and investors prefer facing an entity • International taxpayers can typically claim a tax offset for the tax paid by the UK company (called 'double taxation relief')	• Profits of UK activities will be taxed in the UK at lower rates, but there is no ability to offset tax losses
Branch	• An international parent entity can offset UK losses	• A branch needs to file financials in the UK
Standalone UK company	• UK customers and suppliers might prefer executing contracts with a UK entity	• Any dividends from a UK company repatriated to its parent company will be unfranked

Subsidiary

(Spoiler: we typically recommend this)

A subsidiary is an incorporated body (a company) and a separate legal entity from the parent company. Its worldwide profits will be subject to UK corporation tax. If you grow significantly in the UK, you'll almost always end up with this structure so we think it's a great place to start.

You'll also need to make sure the IP is sitting in the right place in the hierarchy, and there are some great tax efficient schemes (like SEIS and EIS - covered further down) that are only available if the top company of the structure is in the UK.

Subsidiaries need to register with:

- **Companies House:** You'll need articles of association, director details, business address, annual confirmation statements and annual accounts
- **HMRC:** Corporation tax filings, VAT registration (if applicable), PAYE registration, accounts office numbers, pension, and National Insurance Contributions (NIC)

Why we tend to recommend a subsidiary

- Easier to engage with the local market
- Simpler to repatriate funds
- Looks more established and shows investors more commitment
- Can give access to tax relief schemes

Branch

A branch is not a separate legal entity. It's an extension of the parent company conducting business on its behalf in the UK, which means the parent company and its directors are responsible and liable for the branch.

To register a branch, you need to file an OS IN01 form with Companies House, along with various statutory and constitutional documents relating to your parent company. Annually, the company's accounts need to be filed at Companies House, or in accordance with company law, and a branch is taxed on any profits made in that country.

Note that you can't choose this structure if you want to have a physical presence in the UK, such as an office. You need to have a registered UK company to do that.

Standalone

Standalone business structures need to have some relationship with their overseas entities, such as leasing a product, making royalty payments, and addressing potential IP conflicts. It can be difficult to implement a standalone structure well, so we haven't gone into it too much in this guide.

Companies House

Companies House in the UK is the official record keeper of all UK entities; it's where you'll register your company. Typically, this is quick and won't cost all your *bees and honey* (money).

What you need when registering

- **Company name:** your proposed company name must be unique and not already in use
- **Registered office address:** an official address for your company in a physical UK location
- **Directors and company secretary:** names and addresses of all directors and your company secretary (if applicable) along with their date of birth, nationality, occupation and any previous names they've used
- **Share structure:** details of your share structure, including number of shares, their owners and value; you might also need to provide info on any share options or other rights attached to shares
- **Articles of association:** you can likely use the model articles of association to describe how your company will operate
- **Memorandum of association:** a document about your company's purpose
- **Statement of capital:** details of share capital, including the total number of shares, their nominal value and the amount paid/unpaid on each share
- **Director's consent:** a signed consent form from each director agreeing to act in that capacity
- **Persons with significant control (PSC):** information on people with significant control over your company, which can extend to non-shareholders

Key Companies House points:

- Reserve your company name
- Register your company address (where some letters from HMRC and Companies House will be sent, but it doesn't need to be your everyday operating address)
- Consider who your shareholders are
- You don't need a local director, but it can make things easier

Bank accounts

Traditional bank accounts can be difficult to open in the UK because you need a local address and director. Online banks are much more flexible in terms of set-up and because your customers can pay into a local online account, plus you can also set up company and employee cards. We typically use Airwallex and Wise for online banking.

You might need a traditional bank account (and local UK director) for some fundraising activities so bear that in mind when checking fundraising compliance requirements.

HMRC, company records and taxes

Just like in your local country, you need to know your tax obligations in the UK.

We've covered the key points here and, as always, if your eyes are glazing over, reach out to us on all your tax needs (including between your local country and the UK).

First up, HM Revenue & Customs (HMRC) are the UK's tax, payments and customs authority. It collects taxes, namely Corporation Tax, which you need to register for even if you don't expect to pay tax in your first year. Your company tax return is due 12 months after the tax year end, and you need to pay any tax within 9 months + 1 day of the end of your accounting period.

Brass tacks (facts) about tax

- You need to file a company tax return (CT600 form) each year
- Tax year is 6 April to 5 April (but practically speaking, we do 1 April to 31 March)
- Your UK financial year can be any dates but align it to your parent company (if applicable) as this makes end-of-year managing/ planning easier
- Tax returns are due 12 months after your financial year end
- Payments are due 9 months + 1 day after your financial year end

Company records and accounts

You also need to file your accounts with Companies House within 9 months after your financial year end. These are public documents (abridged for small companies and micro-entities), which means your competitors can see them. But you can see theirs, too!

Main accounts to file (on time to avoid late penalties)

- **Annual accounts** - financial records of activities throughout the financial year; file within 9 months of the accounting reference date (ARD) for private companies or 6 months for public companies
- **Confirmation statement** - previously known as the annual return, this summarises key info (such as shareholders, directors and share capital) and must be filed within 14 days of the due date each year (usually 12 months from date of incorporation, even if you haven't generated sales or made a profit)

Other forms to be aware of

- **Changes in company details** - inform Companies House of any changes like company name, registered office address, directors, company secretaries and share capital
- **Event-driven filings** - these are filings triggered by specific events like changes in share capital, allotment of shares, or the creation/ satisfaction of charges
- **PSC register** - update your PSC (persons with significant control) information

Taxes

Thinking about tax may make you want to duck and dive (hide), but it's always going to be there. Take a look at the mandatory and optional tax schemes you'll encounter in the UK.

Mandatory tax

NOTE: You need to apply separately for each of the mandatory tax schemes listed below.

Corporation tax

This applies to all UK-based limited companies and foreign companies with a UK branch or office. You need to register within 3 months of starting business activities, and note the payment deadline (9 months + 1 day after the end of the accounting period) and the filing deadline (12 months after the end of the accounting period).

PAYE (Pay As You Earn)

The system for collecting income tax and national insurance contributions (NICs) from employees' wages and salaries. Employers must operate PAYE as part of their payroll process. You need to register before the first payday, and the payment deadline is (typically) monthly by the 22nd of the following month.

Value Added Tax (VAT)

Your business needs to register for VAT (and charge it) once your turnover reaches £85,000 or more. You can register online via the HMRC website, even if you don't meet the threshold yet. Once registered, you'll receive a VAT registration number and certificate.

Your VAT returns are due quarterly (to HMRC), even if you haven't generated any sales. They include total sales (which can be 0), purchases, VAT owed/reclaimed and VAT due to HMRC/refund claims. HMRC is making the UK tax system digital so you can file them online. You also need to keep VAT records for at least 6 years, including sales/purchase invoices and VAT accounts using MTD-compatible software.

VAT key points

- Based on where the end recipient is (via address or business VAT number), not where your company is located
- Threshold is £85,000
- 20% on most goods and services
- Returns are quarterly and due 1 month and 7 days after quarter end

Other taxes to be aware of

Capital gains tax

Tax on the profit made from selling/ disposing of assets (shares, property, valuable items). Filing/payment deadlines depend on the asset type and self-assessment tax return deadlines.

Business rates

Tax on non-residential properties, typically paid by commercial landlords or business owners based on a property's estimated rental value. Payment deadlines vary by local authority, and tax is usually payable in monthly instalments.

Stamp duty land tax

Tax on property, land purchases and leases over a certain threshold, payable by the buyer. Payment and filing deadlines are 14 days from the transaction's effective date.

Dividend tax

Tax on the income earned from dividend payments to company shareholders. Payment deadlines depend on Self-Assessment Tax return deadlines.

Employment allowance

Reduction in employer's class 1 NICs, available to some eligible businesses and charities and claimed through the employer's PAYE system applied throughout the tax year.

Patent box

Tax relief scheme allowing companies to apply a lower Corporation Tax rate on profits earned from patented inventions and certain other innovations. You need to opt into the scheme in your Corporation Tax return.

See the 'startup info' section below 👇 to learn about R&D tax credits, the Enterprise Investment Scheme (EIS) and the Seed Enterprise Investment Scheme (SEIS).

Staff and visas

Types of staff

We often see contractors used when a business first expands to the UK, as it provides flexibility and the chance to explore the skillsets you might need. Here's the rough definition of the two main types of staff.

- **Contractor (IR35)** - generally provides their own tools and charges, controls the outcome of work, must complete a self assessment tax return every year, needs to register for VAT and a National Insurance number
- **Employee** - usually permanently employed with a set job and hours, and is covered by their employer's PAYE scheme regarding income tax and National Insurance

Paying your staff

If you don't pay your staff correctly you could end up in the *rusty nail* (jail) so make sure it's top of your priority list!

Common questions about paying staff

How long does HMRC take to process an employee's payroll application?

About 20 working days.

What is the payroll processing cycle?

Can be weekly, fortnightly or monthly (monthly is the most common). Taxes are calculated through this process and the amount due to employees and HMRC is reported.

What is the payroll tax period?
This runs to the 5th of each month and payments are subject to statutory deductions. Taxes are due 2 weeks after the end of the period. On a monthly payroll cycle, that usually means taxes are due on 19th of the month following 'pay day'.

How is pension paid?
The UK pension is a pay-as-you-go scheme, and employees are 'auto-enrolled' but can opt out.

Visa types

There are many ways to enter and work in the UK, so knowing who is allowed to be employed and for how long is crucial. Here is an overview of the more common visa types.

Startup visa

Designed for early-stage entrepreneurs with a high potential business idea. It needs to be endorsed by an authorised body (higher education institution or business organisation) and allows applicants to stay in the UK for up to 2 years, with no option to extend (however, they could switch to an innovator visa).

Innovator visa

This is for experienced entrepreneurs with an innovative, viable, scalable business idea. It needs to be endorsed by an authorised body and allows applicants to stay in the UK for up to 3 years, with the option to extend or apply for settlement (indefinite leave to remain).

Skilled worker visa

The main visa for skilled workers with a job offer from a UK employer. Workers need a 'certificate of sponsorship' from the employer and the job must meet the minimum skill level and salary threshold. It allows applicants to stay in the UK for up to 5 years, with the option to extend or apply for settlement (indefinite leave to remain).

Global talent visa

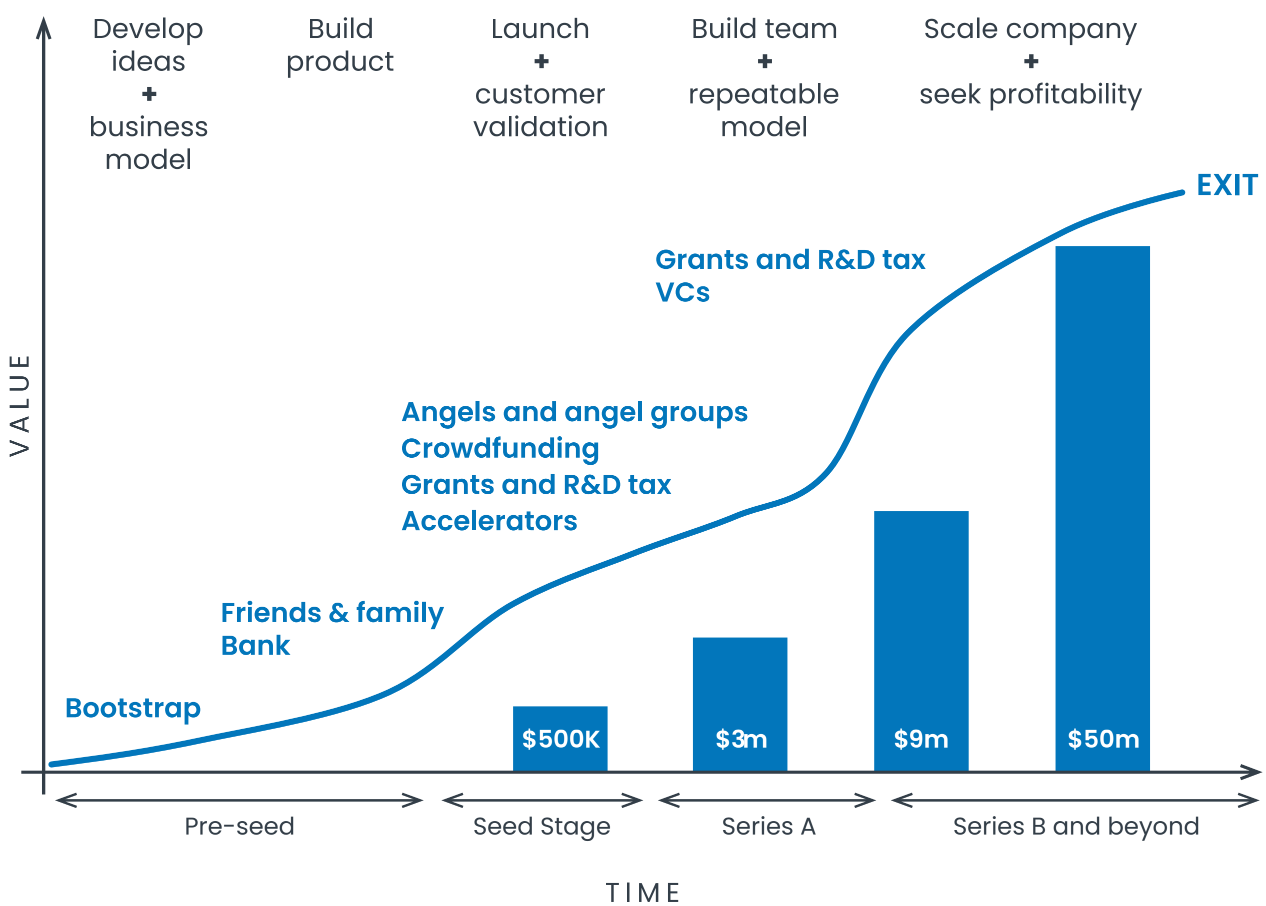
For people with exceptional talent or promise in fields such as science, engineering, humanities, digital technology, arts and culture. Applicants need to be endorsed by an authorised body and this visa allows them to stay in the UK for up to 5 years, with the option to extend or apply for settlement (indefinite leave to remain).

Startup info

Funding

The funding stages

Startup funding is a journey, and different funding sources are suitable at different stages. In this guide, we focus mainly on government incentives that you should make the most of if you can.



At a glance

Here are some names to look out for in the UK funding environment.

Pre-seed:	Concept Ventures, Jenson Funding Partners
Seed:	Fuel Ventures, Force Over Mass
Angel:	24Haymarket, SFC
Early Stage VC:	Hoxton Ventures, Felix Capital, LocalGlobe
Late Stage VC:	Octopus Ventures, IMBIBA, Frontline, Guinness Global Investors

Grants & incentives

Many countries worldwide provide various export incentive programmes or grants to motivate businesses to explore and tap into overseas markets. The aim is to bolster national exports by mitigating some of the risks and costs of entering new markets. It's worth taking a look at what your local country could offer you.

Here's a snapshot from around the world:

- **Australia:** Export Market Development Grant
- **Brazil:** APEX-Brazil
- **Canada:** CanExport
- **India:** Market Access Initiative (MAI)
- **Malaysia:** MATRADE (Malaysia External Trade Development Corporation)
- **Netherlands:** Dutch Good Growth Fund (DGGF)
- **New Zealand:** New Zealand Export Credit Office (NZECO) & Market Development Assistance Scheme
- **Singapore:** Market Readiness Assistance (MRA)
- **South Africa:** Export Marketing and Investment Assistance (EMIA)
- **United States:** The State Trade Expansion Program (STEP)

Please note: Each programme will have its own distinct eligibility criteria, and even if you spot your local country in the list above, the scheme mentioned may not be applicable to your business.

R&D tax relief

The R&D tax relief scheme is a government incentive designed to encourage UK businesses to invest in innovation. So if you *Adam and Eve* (believe) you're doing something innovative and exciting, **it's worth looking into**!

If you qualify for the scheme you'll be able to claim the R&D credits as cash, or use them to reduce your tax bill. How much you can claim depends on the size of your company and your level of R&D expenditure.

All claims need to be made within 2 years of the end of the accounting period. This works by cashing out any loss you have when you need the cash, rather than holding it over against future profits. If you're in the jammy position of making a profit, it reduces the tax you would otherwise pay, but you'd receive a smaller (net) benefit.

The interesting bit: for every £100k spent on R&D, you'll get back £18,600 if making a profit, and £33,000 if making a loss.

To qualify for R&D relief, your work needs to be part of a specific project to advance science or technology. It can't be within a social science (like economics) or a theoretical field (like pure maths). The project needs to relate to your company's trade - either an existing one or one you intend to kick start based on the results of your R&D.

Ask yourself: am I doing something technically difficult in a way that I'm experimenting and learning along the way, and which has technical risk?

To get R&D relief you need to explain how a project:

- Looked for an advance in science and technology
- Had to overcome uncertainty
- Tried to overcome this uncertainty
- Could not be easily worked out by a professional in the field

There's a lot more to this (and more changes in the pipeline), but that's what we're here for.

Startup concessions

Seed Enterprise Investment Scheme (SEIS)

SEIS is especially for early-stage startups, offering tax incentives for investors in eligible companies. There are no specific filing or payment deadlines for companies; investors need to claim the tax relief on their self-assessment tax return. The tax breaks for SEIS include a 50% income tax reduction on investments up to £200,000, and capital gains tax exemption on any profits made from selling shares in the company.

Eligibility criteria:

- Your startup must be a company with fewer than 25 employees
- Your company must be less than 3 years old
- It must have less than £350,000 in gross assets
- It must not have raised funds through another state aid scheme

Enterprise Investment Scheme (EIS)

This scheme is similar to the SEIS but for more established companies. Like the SEIS, it offers tax relief to individual investors, who can claim it on their self-assessment tax return.

Tax breaks can be up to a 30% income tax reduction on investments up to £1 million (up to £2 million if some of that investment is in a knowledge intensive company) and capital gains tax exemption on any profits made from selling shares in the company.

Eligibility criteria:

- Your business must be a company with fewer than 250 employees
- Your company must be less than 7 years old
- It must have less than £15 million in gross assets
- It must not have raised more than £12 million in total through EIS or other state aid schemes

There are other requirements for SEIS and EIS, so it's best to check your eligibility with an adviser (like us 😊).

Also: most angel investors will expect you to have 'advance assurance' for SEIS or EIS before you ask for their money. 'Advance assurance' is an agreement from HMRC that your company meets the conditions of SEIS/EIS. We can help you with this, too.

Next stop?

So you've got the gist of how to set up in the UK, and the main government concessions for startups there. Where to next?

In our experience, it's a case of diving in and making it happen - just like you've done in your local country.

That's assuming you've done your competitor research in the UK to understand what makes your product unique there (and therefore, how to sell it to UK customers).

You can also **talk to us** - we're happy to share our own experience and connect you to other UK founders if we can.

In an expansive mood?

Let's chat.

Standard Ledger

standardledger.co/uk/

Disclaimer