

Chandrawat  
& Partners



# Doing business in The United Kingdom

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# Introduction



The United Kingdom ("UK") has long been a prominent global player in various sectors, making it an attractive destination for business ventures. Its historical, cultural, and economic significance, coupled with a well-established legal framework and business-friendly environment, create a fertile ground for entrepreneurs and investors.

The United Kingdom ("UK") is a prominent global business hub renowned for its strong economy, strategic location, and stable legal framework. This guide provides essential information and insights for individuals and businesses looking to establish or expand their operations in the UK.

The UK possesses one of the world's largest economies, marked by its diverse sectors such as finance, technology, healthcare, and creative industries. This economic strength provides ample opportunities for businesses to tap into established markets and collaborate with existing companies.

The UK is home to some of the world's most prestigious universities and research institutions. This creates a conducive environment for innovation and R&D collaborations, enabling businesses to access cutting-edge research and a skilled workforce.

# Economic Overview

The United Kingdom ("UK") possesses one of the world's largest economies, characterized by its diverse sectors, advanced infrastructure, and historical significance as a global financial hub.

The UK economy will most likely avoid a recession. This is due to a more optimistic view of energy prices, a more resilient global economy, and sustained labor market tightness. The predicted growth to continue modestly, with real GDP at 0.3% in 2023 and 1.1% in 2024.

**GDP and economic indicators:** The UK's economic performance, includes its Gross Domestic Product ("GDP") growth, inflation rate, unemployment rate, and key economic indicators that illustrate the country's economic health.

**Industries and sectors:** The major industries and sectors that drive the UK's economy are finance, technology, healthcare, manufacturing, creative industries, and more.

**Trade and international relations:** The UK's trade relationships with major partners include the European Union ("EU") post-Brexit. International trade agreements, tariffs, and trade barriers impact business operations.

**Infrastructure and connectivity:** The UK's well-developed infrastructure includes transportation networks, telecommunications, energy supply, and access.



# Foreign Direct Investment ("FDI") Policy

- The UK recorded 929 Foreign Direct Investment ("FDI") projects in 2022, down 6.4% from 993 in 2021 – France continued to lead Europe with Germany ranked third.
- Total FDI projects in Europe were up just 1.4% in 2022 – with the UK's share of the European inward investment market down to 15.6% from 16.9% in 2021.
- But the UK performed well on project value, delivering the highest jobs total in Europe, more jobs per project than Germany or France, a strong R&D performance, and Europe's most 'new' projects.
- UK tech FDI projects were down 32.2% in 2022 – a key factor in the UK's overall project decline – but the UK still led Europe in the tech sector.
- All Northern regions, the East Midlands, the East of England, and Wales saw Foreign Direct Investment ("FDI") project numbers rise by 10% or more year-on-year in 2022.
- London recorded 299 FDI projects in 2022, down 24% from 394 in 2021, marking the capital's lowest number of projects in the last ten years – although London remained the UK's #1 location for FDI projects.



# Key sectors

**Financial services:** The UK's financial services sector, centered in the City of London, is one of the world's most influential. The city serves as a global financial hub, offering services such as banking, investment, insurance, and asset management. Its robust regulatory framework, skilled workforce, and historical reputation attract businesses from around the world.



**Technology and innovation:** The UK possesses an expanding technology and innovation sector, with tech groups like "Silicon Roundabout" in London and tech parks in cities like Cambridge. The presence of world-renowned universities fosters cutting-edge research and development, while government initiatives encourage startups and investment in emerging technologies.



**Retail and consumer goods:** The retail sector in the UK is characterized by a mix of traditional brick-and-mortar stores and a thriving online presence. The country has a strong consumer base that drives demand for a wide range of products. Global brands, as well as local businesses, find ample opportunities to establish themselves and cater to diverse consumer preferences.



**Pharmaceuticals and healthcare:** The UK is a leader in the pharmaceutical and healthcare sectors, with a robust pharmaceutical industry, cutting-edge research facilities, and a renowned National Health Service ("NHS"). The country's emphasis on healthcare innovation, drug discovery, and medical research drives growth and attracts investment.



# Advantages of doing business

**Strategic geographical location:** The UK's geographical location at the crossroads of Europe, North America, and Asia makes it an ideal base for international trade and expansion. Its well-developed transportation infrastructure, including major international airports and efficient ports, enables easy access to global markets.

**Access to global markets:** Being a member of the European Union (before Brexit) and a founding member of the Commonwealth, the UK has established trade links with numerous countries worldwide. Even after Brexit, the UK's independent trade policy has led to the signing of new trade agreements, ensuring continued access to global markets.

**Skilled workforce and innovation:** The UK boasts a highly skilled and educated workforce, with access to world-class universities producing a steady stream of talented graduates. This pool of talent fosters innovation, research, and development, making the UK an attractive location for businesses in sectors like technology, pharmaceuticals, and advanced manufacturing.

**Supportive infrastructure:** The country's well-developed infrastructure, including robust telecommunications networks, efficient transportation systems, and reliable energy supply, enhances business operations and facilitates smooth logistics.



# Types of Business

## Private Limited Company (Ltd)

This is the most common type of company in the UK. It's a separate legal entity with limited liability, meaning that the shareholders' assets are protected in case the company faces financial difficulties.

## Public Limited Company ("PLC")

Like a private limited company, a PLC is a separate legal entity with limited liability. However, its shares are traded on the stock exchange, making it a publicly traded company. PLCs have more stringent reporting and regulatory requirements.

## Limited Liability Partnership ("LLP")

An LLP is a hybrid structure that combines elements of a partnership and a limited company. It offers limited liability to its partners and is commonly chosen by professional service firms.

## Sole trader

A sole trader is a self-employed individual who owns and operates a business. The owner has unlimited liability, meaning their assets are at risk in case the business faces financial issues.







## Partnership

A partnership is an arrangement where two or more individuals or entities come together to run a business. Each partner contributes to the business and shares its profits and losses.

## Community Interest Company ("CIC")

A CIC is a type of company that is established to benefit the community or pursue social goals. It aims to balance profit generation with a commitment to social impact.

## Charitable Incorporated Organization ("CIO")

A CIO is a structure designed for charities. It provides legal protection to the organization's trustees while allowing them to conduct charitable activities.

## Unlimited company

In this type of company, there is no limit to the liability of the shareholders or members. This structure is less common and is often used for specific purposes.

## Overseas company

Companies registered outside the UK can also establish a presence in the country by registering as an overseas company, allowing them to conduct business activities here.

# Minimum eligibility criteria



- There must be at least one director appointed.
- All directors must be at least 16 years old.
- There must be at least one natural person appointed as a director (Not solely other companies acting as corporate directors)
- The company must have a registered office address in the UK. For companies registered in Scotland, the address must be in Scotland, for Northern Ireland the address must be in Northern Ireland and likewise for companies registered in England or Wales the registered address must be in England or Wales. Companies registered in Wales can have an English registered address as can English companies have a Welsh registered address.
- The chosen company name must not be identical, or too similar, to any other company name currently held on the register at Companies House.
- The company must issue a minimum of one share at the time of incorporation.

## Documents required for company registration

- Memorandum of Association and Articles of Association.
- Valid passport and visa.
- Details of the company shareholders.
- Details of the company PSCs.
- Details of the registered address.
- Details of the service address of all PSCs and directors.
- Address proof and ID proof documents.
- UK bank account details.

# How to set up a business?

## **Choose the business structure**

The first step is to select the appropriate business structure that aligns with the goals, liability preferences, and management style. Options include sole trader, partnership, LLP, and company limited by shares. Each structure has distinct legal, financial, and tax implications.

## **Choose a business name**

Select a unique and suitable business name. The name must not be misleading, offensive, or already registered by another business. It's advisable to check the availability of the name and any trademarks before finalizing.

## **Register with HM Revenue & Customs (“HMRC”)**

All businesses in the UK must register with HMRC for tax purposes. This includes obtaining a Unique Taxpayer Reference (“UTR”) and registering for the appropriate taxes such as Value Added Tax (“VAT”) if applicable.

## **Register with companies house (For limited companies)**

If one is establishing a limited company, one must register with Companies House. This involves providing details about the company's directors, shareholders, registered address, and articles of association. Receive a certificate of incorporation once the registration is complete.

## **Open a business bank account**

Set up a business bank account to keep the business finances separate from personal finances. This is essential for accurate record-keeping and to manage transactions related to business operations.



**Obtain necessary licenses and permits:** Depending on the nature of the business, one may need licenses and permits to operate legally. Certain activities such as selling alcohol, operating a restaurant, or providing financial services may require specific approvals.

**Set up employment processes:** This includes creating employment contracts, adhering to employment laws, setting up a payroll system, and registering as an employer with HMRC.

**Comply with health and safety regulations:** Conduct a risk assessment of the business premises and operations to ensure the safety of the employees, customers, and visitors.

**Register for VAT (If applicable):** This allows one to charge and collect VAT on goods and services and enables one to reclaim VAT paid on business expenses.

**Consider intellectual property protection:** If the business involves unique intellectual property, such as trademarks, patents, or copyrights, consider seeking legal protection to prevent unauthorized use by others.

**Obtain business insurance:** Business insurance can protect against various risks, including property damage, liability claims, and employee-related issues.

**Develop a business plan:** Creating a detailed business plan helps outline the business goals, target market, marketing strategies, financial projections, and operational plans.

**Hire professionals as needed:** Consider seeking advice from professionals such as accountants, lawyers, and business consultants.

# Taxation

## Corporate Tax

The main rate of corporation tax is 25% for the financial year beginning 1 April 2023 (previously 19% in the financial year beginning 1 April 2022).

In addition, from 1 April 2023, a 19% small profits rate of corporation tax was introduced for companies whose profits do not exceed GBP 50,000.

Where the taxable profits can be attributed to the exploitation of patents, a lower effective rate of tax applies. The rate is 10%. Profits can include a significant part of the trading profit from the sales of a product that includes a patent, not just income from patent royalties.

## Personal Income Tax

For 2023/24 these three rates are 20%, 40%, and 45% respectively.

Tax is charged on 'taxable income' at the basic rate up to the basic rate limit, set at £37,700. 'Taxable income' excludes personal allowances, which represent the amount of money someone may receive free of tax. Tax is charged at the higher rate on taxable income between the basic rate limit and the higher rate limit, set at £125,140. The additional rate is charged on taxable income over £125,140. All three tax rates are unchanged from 2022/23.





## Value-Added Tax (“VAT”)

### VAT rates for goods and services

<u>Rate</u>	<u>% of VAT</u>	<u>What the rate applies to</u>
Standard rate	20%	Most goods and services
Reduced rate	5%	Some goods and services, eg children’s car seats and home energy
Zero rate	0%	Zero-rated goods and services, eg most food and children’s clothes

# Accounting standards

## Financial Reporting Council (“FRC”)

The FRC is the regulatory body responsible for setting accounting and auditing standards in the UK. It oversees the Financial Reporting Review Panel (“FRRP”), which monitors compliance with accounting standards and investigates potential breaches.

## The UK Generally Accepted Accounting Practice (“UK GAAP”)

UK GAAP refers to the accounting standards that were in use in the UK before the widespread adoption of International Financial Reporting Standards (IFRS). UK GAAP comprised several different standards, including the Financial Reporting Standard for Smaller Entities (FRSSE) for small companies and the Financial Reporting Standard for Medium-sized Entities (FRSME) for medium-sized companies.

## Adoption of IFRS

From 2005 onwards, most listed companies in the UK were required to adopt IFRS for the preparation of their consolidated financial statements. This move aimed to enhance the comparability of financial statements internationally and align the UK's reporting practices with global standards.

## Small companies

Smaller entities that do not fall under the category of listed companies may follow the FRS 102, which is a modified version of IFRS tailored for the UK. It offers a streamlined approach to financial reporting for non-listed entities.

Micro-entities: The FRS 105 is designed for micro-entities, which are the smallest businesses. It simplifies reporting requirements further to accommodate the limited resources of such entities.



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### **Public accountability**

Entities classified as "publicly accountable" under UK law are required to prepare their financial statements using full IFRS, which is more comprehensive and detailed than the FRS 102.

### **Ethical principles**

Accounting standards in the UK emphasize ethical considerations, such as integrity, objectivity, professional competence, due care, confidentiality, and professional behavior. These principles guide the conduct of professionals involved in financial reporting and auditing.

### **Narrative reporting**

In addition to financial statements, accounting standards in the UK also cover narrative reporting, requiring companies to provide relevant information in their reports to give stakeholders a comprehensive view of the company's performance, financial position, and prospects.



# Employment and Labor Laws

**Employment contracts:** The UK operates under a system of employment contracts, which outline the terms and conditions of employment. These contracts encompass aspects such as job roles, wages, working hours, and leave entitlements.

**Discrimination and equality:** The Equality Act 2010 is a cornerstone of UK labor law, prohibiting discrimination based on factors such as gender, race, age, disability, and sexual orientation.

**Working hours:** The Working Time Regulations 1998 set limits on the number of working hours, ensuring employees' health and safety. These regulations also cover provisions for rest breaks and annual leave.

**Minimum wage:** The National Minimum Wage and National Living Wage are statutory requirements that guarantee a minimum level of pay for workers. These rates are regularly reviewed and adjusted to reflect changing economic conditions.

**Health and safety:** The Health and Safety at Work Act 1974 mandates employers to provide a safe and healthy work environment.

**Termination and redundancy:** Employment termination and redundancy procedures are governed by laws that ensure fair treatment and protect against unfair dismissal.



# Employment policies

## Minimum wage policies

The UK introduced a national minimum wage in 1999 to ensure that workers receive a fair wage for their labor. This policy aimed to reduce poverty and inequality by setting a baseline standard for wages across different industries.

## Equal opportunity and anti-discrimination policies

The UK has developed a robust framework to promote equal opportunity and combat discrimination in the workplace. Legislation such as the Equality Act 2010 prohibits discrimination on grounds of age, disability, gender, religion, and other characteristics.

## Flexible working and work-life balance policies

The UK has emphasized the importance of work-life balance through policies that support flexible working arrangements, parental leave, and caregiving responsibilities.

## Skills development and training policies

To remain competitive in a rapidly evolving global economy, the UK has invested in policies aimed at improving skills development and lifelong learning.

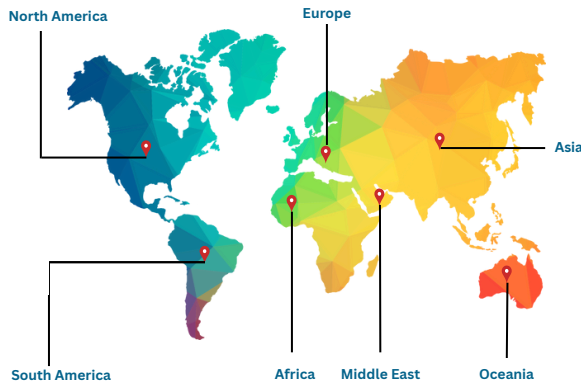


# How we can help?



- Our team of professionals can conduct comprehensive market research to help businesses understand their target audience, industry trends, and potential competitors.
- Our experts can help set clear objectives, outline actionable steps, and identify opportunities for growth and expansion.
- Our team can conduct risk assessments to identify potential threats and vulnerabilities within a business. They can then recommend risk mitigation strategies to safeguard against adverse events.
- Our team offers advice on the optimal legal form for an enterprise, such as a corporation, partnership, limited liability company ("LLC"), or sole proprietorship. Our team describes the legal and tax implications of each option and assists in picking the best option based on objectives and circumstances.
- Our team can investigate and identify any licenses, permissions, or registrations required for the client's specific area or industry. The business assists with the application process and ensures that the organization complies with all legal criteria.

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