

# UK Ltd Company vs. UK Branch



## Setting Up

## Directors and Secretary

## Governing Law for accounting

## Capital Structure

## Financial Statements

## Filing of Financial Statements

## Audit

## Annual Returns

## Corporation Tax

## VAT

## PAYE/NI

## Other Registration

## Winding Up

## Reputation

There are a large number of factors to take into account when comparing a UK Limited Company with a UK Branch. This briefing compares some of the key considerations.

### Setting Up

**UK LTD:** Companies can be created quickly from an off the shelf provider.

The Name must be approved by Companies House.

Incorporation is in England & Wales.

Company must have:

- Memorandum and Articles of Association
- Registered Office.

Year end set by Companies House but can be amended.

**UK Branch:** There is no company to create but Companies House requires the UK Branch to be registered and submission of information (including translations where necessary) relating to the overseas company including (but not limited to) made within 1 month of opening.

The name must be registered at Companies House.

Details of country of incorporation.

- Copy of constitution
- details of UK office and place of business
- copy of latest signed annual financial statements.

Year end to be registered.

## Directors and Secretary

**UK LTD:** Companies must appoint a minimum of one director (if only one, it must be a natural person i.e. an individual and not a corporate director).

**UK Branch:** A branch must provide details of:

- the directors and secretary of the overseas company
- a permanent representative in the UK.

## Governing Law for accounting

**UK LTD:** UK law and UK GAAP.

**UK Branch:** Country of registration (details of governing law and accounts to be registered at Companies House).

## Capital Structure

**UK LTD:** Creation and issue of shares.

**UK Branch:** Part of overseas company only.

## Financial Statements

**UK LTD:** These must be prepared under UK GAAP for the company.

Different types of statements can be prepared based upon turnover, company size etc.

**UK Branch:** No separate financial statements need to be prepared.

Copy of the overseas company's filed financial statements to be submitted.

## Filing of Financial Statements

**UK LTD:** Statements must be filed 9 months after the year end.

## Limited Liability Partnerships vs Limited Companies

**UK Branch:** Statements must be filed 3 months after the date of filing in the country of registration.

### Audit

**UK LTD:** A company is subject to UK company audit rules.

**UK Branch:** A branch is subject to legislation in the country of registration.

### Annual Returns

**UK LTD:** UK requirement to complete annual returns.

**UK Branch:** No requirement to complete annual returns.

### Corporation Tax

**UK LTD:** All UK companies are subject to UK corporation tax.

**UK Branch:** A UK corporation tax return for the branch (based on its income and expenses) will need to be submitted.

Tax is subject to possible offsetting under tax treaties.

### VAT

**UK LTD:** The application of VAT to the activities is not dependent on the nature of the entity conducting them. Of more importance is the nature of the activity and the place where it is conducted. So VAT registration may be required in the UK if a VATable business activity is being conducted from an establishment in the UK.

**UK Branch:** The application of VAT to the activities is not dependent on the nature of the entity conducting them. Of more importance is the nature of the activity and the place where it is conducted. So VAT registration may be required in the UK if a VATable business activity is being conducted from an establishment in the UK.

### PAYE/NI

**UK LTD:** UK nationals are subject to UK PAYE / NI.

Overseas nationals are subject to UK PAYE / NI but offset against tax due in country of residence.

**UK Branch:** UK nationals subject to UK PAYE / NI.

Overseas nationals subject to UK PAYE / NI but offset against tax due in country of residence.

### Other Registration

**UK LTD:** Able to apply for membership of (for example) the Financial Services Authority.

**UK Branch:** More difficult to apply for other registrations / memberships.

### Winding Up

**UK LTD:** Only the assets of the company are available to pay debts.

Officers of the company usually have no personal liability.

**UK Branch:** The overseas company would be liable in the event of insolvency or winding up.

### Reputation

**UK LTD:** Operating as a limited company often gives customers and suppliers a sense of confidence in the business.

**UK Branch:** A branch is less likely to be as reputable as a limited company in the country of trade.

Specific advice should be obtained before taking action, or refraining from taking action, on any of the subjects covered above.

### LONDON

10 Orange Street  
Haymarket  
London  
WC2H 7DQ

**T** +44 (0)20 7312 0000  
**F** +44(0)20 7312 0022  
**E** advice@shipleys.com

### GODALMING

3 Godalming Business Centre  
Woolsack Way  
Godalming  
Surrey  
GU7 1XW

**T** +44 (0)1483 423607  
**F** +44 (0)1483 426079  
**E** godalming@shipleys.com

### SAFFRON WALDEN

Market House  
10 Market Walk  
Saffron Walden  
Essex  
CB10 1JZ

**T** +44 (0)1799 521301  
**F** +44 (0)1799 523854  
**E** saffron@shipleys.com

### BIRMINGHAM

2nd Floor  
3 Brindley Place  
Birmingham  
B1 2JB

**T** +44 (0)121 698 8566  
**F** +44 (0)121 698 8600  
**E** birmingham@shipleys.com



Shipleys is a member of AGN International, a worldwide association of separate and independent accounting and consulting firms.

Registered Auditors. Regulated by the Institute of Chartered Accountants in England & Wales for a range of investment business activities.

© Shipleys LLP 2010 03