

UK Ltd Company vs. UK Branch



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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.

UK Ltd Company vs. UK Branch

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

If the branch has no physical presence in the UK (e.g. virtual office) VAT registration may still be required depending on the nature of the business activity. It should also be noted that in this situation the branch will not benefit from the UK VAT registration threshold.

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.

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