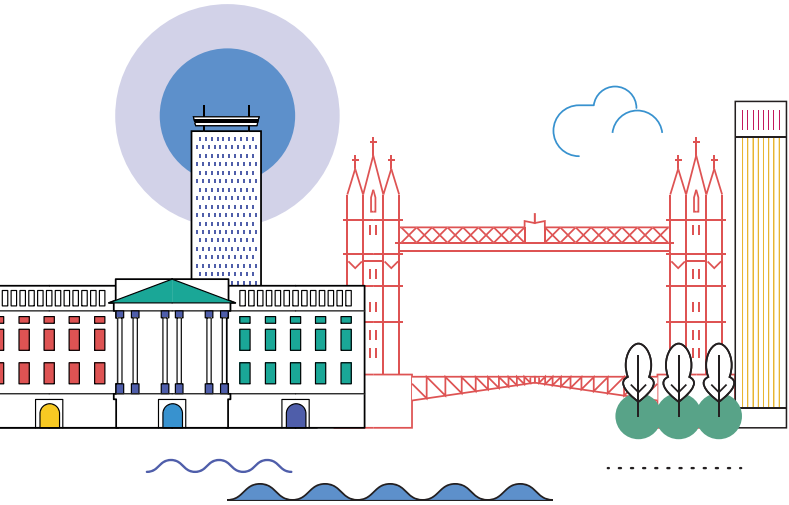


# DOING BUSINESS GUIDE

SETTING UP YOUR BUSINESS IN THE UNITED KINGDOM:  
WHY AND HOW?



*Publishing date: July 2021*





## INTRODUCTORY NOTE

The United Kingdom has an illustrious history of international trade and has traditionally welcomed more foreign investors than most other countries in Europe. Despite the global pandemic, Brexit and constitutional change, a wide range of foreign companies and entrepreneurs continue to identify the country as an attractive place to conduct their operations.

The key factors influencing their choice to do business in the UK are its strength in innovation, research and development, its close links to many other markets, its time zone and the fact that English remains the most popular language for international trade. The UK consistently ranks first in the World Bank's annual Ease of Doing Business survey and, in its 2020 report, was ranked 8<sup>th</sup> over 190 countries around the world.

While the impact of the decision to leave the EU on foreign investment remains uncertain, the UK government has repeatedly stressed that the United Kingdom will remain very much "*Open for Business*" with the country still poised to perform well in terms of a flexible business environment, competitive tax rates, a wide range of public services and a strong legal framework.



**Jatin RADIA**  
**UK Managing Director**  
[jatin.radia@pramex.com](mailto:jatin.radia@pramex.com)

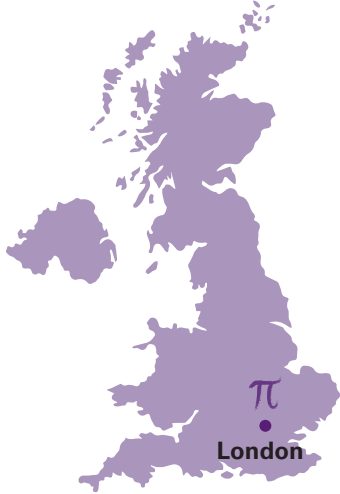
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# FRENCH FOREIGN DIRECT INVESTMENTS BAROMETER IN THE UNITED KINGDOM

**3,300**  
French companies located in the  
United Kingdom

**€94 billion**  
Stock of British FDI in  
France (2019)



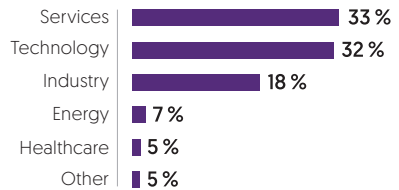
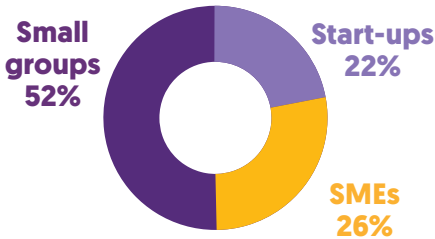
**π** Pramex Office

**3<sup>rd</sup>**  
foreign investor in France  
behind the United States and  
Germany (2019)

**1<sup>st</sup>**  
in Europe in terms of **speed of setting  
up a business** (13 days vs a European  
average of 32 days)

**Most subsidiaries are set up by SMEs  
and Start-ups** in the United Kingdom.  
Small groups prefer M&A.

Two thirds of the companies setting up come  
from **Technologies** and **Services**. **Energy**  
and **Industry** account for a quarter of  
establishments.



**Newly incorporated companies in the United Kingdom  
by type of French investors (2019)**

**Per sectors : Key business areas (2019)**

# 5 KEY QUESTIONS TO BE BETTER PREPARED

## How long does it take to be operational?

The legal establishment of a subsidiary can be carried out in 2 to 3 days, then it will take approximately 3 to 5 weeks to complete the tax registrations (VAT, employer, etc.). The subsidiary is however legally operational at this stage.

## Is it easy to open a bank account?

No! The UK banking environment has grown increasingly complex over the past 8 years as traditional banks seek to optimise service to SMEs. This results in significant delays in the account opening process, as well as high income criteria. There has therefore been a growth in FinTechs and digital banks that appear to be more dynamic and flexible.

## Do I need to travel to the UK for the administrative steps?

No, the creation of the subsidiary and other steps such as opening a bank account can usually be done remotely. Signatures and electronic documents are accepted by government departments.

## How to manage employees?

The UK employment system is relatively flexible and easy to understand, set up to encourage companies to recruit and employ staff. However, Brexit will have a significant impact as EU citizens now need a work visa. Immigration law is a complex area to navigate.

## What are my accounting obligations?

There is no equivalent to the French chart of accounts; flexibility therefore allows the British subsidiary to align with the group. As in most countries, a business must keep proper accounts and submit various tax returns (corporate tax, VAT, social taxes) within specified deadlines. Note that VAT returns must be submitted digitally from the accounting software ("*Making Tax Digital*").



## Pramex United Kingdom contact

11 Old Jewry  
London EC2R 8DU  
+44 (0) 203370 3521

# THE UNITED KINGDOM IN FIGURES

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## KEY FIGURES

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**8<sup>th</sup>**

its rank in the World  
Bank's Doing Business  
Guide 2020

**75%**

Employment rates

**2<sup>nd</sup>**

largest exporter of  
commercial services in  
the world

**5<sup>th</sup>**

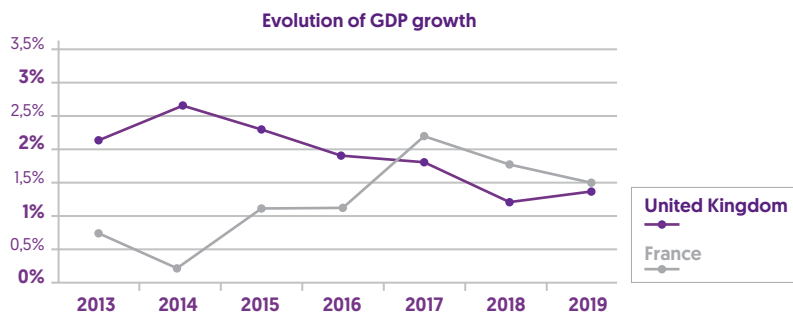
Global economic power

2019



Country ranking (GDP)	7	6
GDP (in billions of \$)	2,778	2,827
GDP growth (%)	1.5	1.4
Population (in M)	67	67
Standard & Poor's sovereign risk	AA	AA
Ease of doing business [1 – 189]	32	8

Source: World Bank



## THE KEY STRENGTHS

- Interesting taxation, including corporate tax at 19%, then at 25% in 2023
- Creation of a legal structure possible within 24 hours
- Speedy procedures, favourable environment for foreign investors
- Cultural and geographic proximity to France
- Very flexible and competitive labour market
- A major business partner of France

# 10 GOOD REASONS TO SET UP A BUSINESS IN THE UNITED KINGDOM



## A FLAGSHIP ECONOMIC POSITION

- Leading financial market in the world
- 5<sup>th</sup> global economy
- Leading destination of FDI in Europe and French investments abroad, comparison with France
- 2<sup>nd</sup> easiest economy in Europe after Denmark to do business



## A FLEXIBLE LABOUR MARKET

- A flexible labour market: no. 10/100 (France: #56)
- 32.21 million workers (January 2021)
- A competitive labour cost
- An unemployment rate of 4.3%

Source: <http://www.ans.gov.uk/> (2021)

	Great Britain	France
Hourly labour cost in €	26.7	37.3

Source: Eurostat Estimated hourly labour cost (EUR) 2019

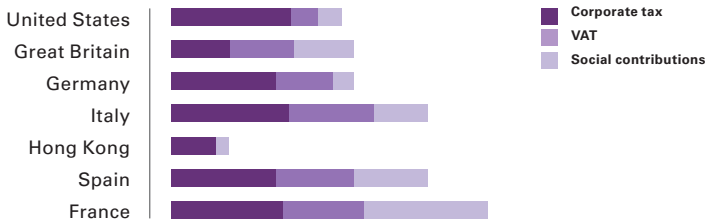
### Comparison of labour costs in France and the United Kingdom





## AN ATTRACTIVE TAX SYSTEM

- In the United Kingdom: corporate tax of 19% since 2017, employer's social contributions are at 13.8% and employee contributions at 12%.



Comparative tax (by country)



## A POWERFUL BANKING AND FINANCIAL SECTOR

- In competition with New-York for the title of first financial centre in the world
- The largest exporter of financial services
- Fastest growing FinTech sector in the world



## EASE OF DOING BUSINESS

Elements taken into account for the ranking:

- Execution of contracts (quality index of procedures 15/18 against 11/18 in France)
- Investor protection (conflict of interest regulation index 8.3/10 compared to 5.7 in France)
- Payment of taxes (30.7% of gross profit payable compared to 62.2% in France)
- Out of 190 economies, the United Kingdom is ranked 8<sup>th</sup>

Source: <http://français.doingbusiness.org/data/exploreeconomies/united-kingdom#getting-credit>



## A CONNECTED COUNTRY

- Europe's fastest broadband access
- 1<sup>st</sup> 5G service test and technology
- The largest e-commerce market in Europe



## A LARGE FRENCH-SPEAKING COMMUNITY

- More than 300,000 French people are present in the United Kingdom.
- 63% of them live in London, the rest in Birmingham, Coventry, Leeds or Manchester and in the university towns of Oxford and Cambridge.
- Very easy to hire bilingual French people.



## A TRADE AND INVESTMENT HUB

- US\$468.3 billion in exported products and US\$692.5 billion in imported products in 2019
- France is the 3<sup>rd</sup> European investor in the United Kingdom and the 2<sup>nd</sup> destination of British FDI
- Key trade partners: the United States, Germany, France, the Netherlands, Ireland and China
- An interesting international springboard for SMEs, especially for the former Commonwealth countries



## A SKILLED POPULATION

- Country with the highest proportion of adults with tertiary education
- Half of European graduates who decide to emigrate choose the United Kingdom
- 4 of the top 10 universities in the world are in the UK, as well as 14 of the top 100 institutions offering MBAs



## SOME OF THE MOST ADVANCED TRANSPORT INFRASTRUCTURE IN EUROPE

- The largest air transport systems in Europe
- The most modern rail transport in Europe
- Investment of £120 billion to improve speed and reliability of transport networks
- Geographical proximity to France: 1h10 by plane and 2h15 by Eurostar from London to Paris

# OVERVIEW OF THE LOCAL/LEGAL STRUCTURES IN THE UNITED KINGDOM

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## LIMITED COMPANY

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**Minimum capital:** No minimum but it is advisable to have at least £1,000 available for the materialisation of the shares in the event of a future sale.

**Number of shareholders:** No minimum, liability limited to contributions

**Share capital:** composed of freely transferable shares

**A Ltd** is generated by two bodies:

- the shareholders who, through their contributions, form the company and have ultimate control over it.
- the "*directors*" to whom the shareholders delegate day-to-day management: these must be natural and non-legal persons.

**The first fiscal year** can extend over a maximum period of 18 months

**The formalism of holding general meetings and the "*Board of Directors*"** is very reduced: minutes can be made in writing or electronically

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## PUBLIC LIMITED COMPANY (PLC)

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**Structure intended to be listed on the stock exchange**

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## PARTNERSHIP

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**Partnership company without a legal status**

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## LIMITED LIABILITY PARTNERSHIP

---

**Hybrid structure halfway between a partnership and a SARL**

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## INCORPORATING YOUR SUBSIDIARY IN THE UNITED KINGDOM

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1

Search for the availability of the company name on the *Companies House* database

2

Preparing the "*Memorandum and Articles of Association*"

3

Completing the incorporation documents required by *Companies House*

4

Contacting HMRC and register as an employer

5

Applying for VAT registration with HMRC

6

Taking out employer liability insurance



Overall timeline approx.

**4 to 5 weeks**

# MANAGING A SUBSIDIARY IN THE UNITED KINGDOM

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## INCENTIVES FOR INVESTMENT IN THE UNITED KINGDOM

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The United Kingdom offers some tax relief or exemptions essential for running a business:



■ Tax relief or tax credit for R&D spending



■ Investment tax allowance



■ Employment premium making it possible to reduce social security contributions payable since 6 April 2014



■ Relief from employers' contributions of up to £3,000 per year

## ESTIMATED COSTS RELATED TO THE MANAGEMENT OF A STRUCTURE



### Data in euros (€)

Average annual cost per sqm of office space	526	1,000	↗90%
Average gross annual salary of a Sales Director	105 000	90,000	↘-14%
Legal gross minimum hourly wage	10.15	10.36	↗2%
Fastfood menu	9	7.6	↘-16%
Monthly public transport subscription cost	75	192	↗156%
Monthly internet subscription 10Mbps	27	40	↗48%
Prepaid mobile local rate - 1min	0.27	0.15	↘-44%
Monthly rent (2-bedroom downtown apartment)	2760	4,050	↗47%

Sources: Robert Walters - Salary survey 2020  
Le coût de l'Expat - Banque Populaire

# FRANCE AND THE UNITED KINGDOM: EMPLOYMENT LAW AND TAX OVERVIEW

## LABOUR LAW



Contributions		
Employer contributions	<b>35% to 45%</b>	<b>13.8%</b>
Employee contributions	<b>20%</b>	<b>2 to 12%</b>
Legal weekly working time	<b>35 hours</b>	<b>40 hours</b>
Paid leave in days	<b>30</b>	<b>20</b>

### Dismissal in the United Kingdom

- Current British legislation allows an employee with less than two years of service to be dismissed without justification and without compensation, subject to compliance with a minimal procedure and non-discrimination rules.
- No equivalent to the CSG (social security tax), no family benefits.
- An employer must now set up a pension plan ("*Workplace Pension Scheme*") for its employees. No legal obligation to provide other benefits in kind (health insurance for example).






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## TAX LAW

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### Income tax:

Taxable income	Tax	
£12,571 to £50,270		<b>20%</b>
£50,271 to £150,000		<b>40%</b>
More than £150,000		<b>45%</b>

Personal allowances: £12,570

Taxes and charges are deducted at source

### Corporate tax

Fiscal year: 6 April N to 5 April N+1

**19%**  
standard corporate  
income tax rate in 2020

**25%**  
From  
1<sup>st</sup> April 2023

# SOCIOCULTURAL FEATURES

## BUSINESS BEHAVIOUR



Punctuality in payments (salaries, suppliers or taxes) is essential to establish the credibility of the company.



No long breaks (30-45 min) for lunch which is often taken in front of the computer.



Little absenteeism.



61% of professional conversations are humorous.

## SPECIFIC PROFESSIONAL AND BUSINESS FEATURES



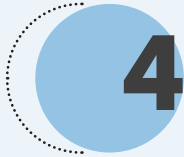
98% of visa applications are accepted for skilled workers but most applications remain complex, especially post-Brexit

<b>£4.62</b>	Under 18
<b>£6.56</b>	Between 18 and 20 years
<b>£8.36</b>	Between 21 and 22 years
<b>£8.91</b>	"National Living Wage"

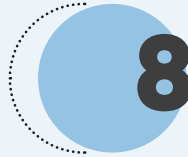
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## WORKING HOURS

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**4** Weeks' paid leave per year



**8** Official public holidays per year

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## LABOUR CODE

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- There is no labour code comparable to the one in France.
- There is no compensation for unpaid overtime.
- The average working time per week is 40 hours.

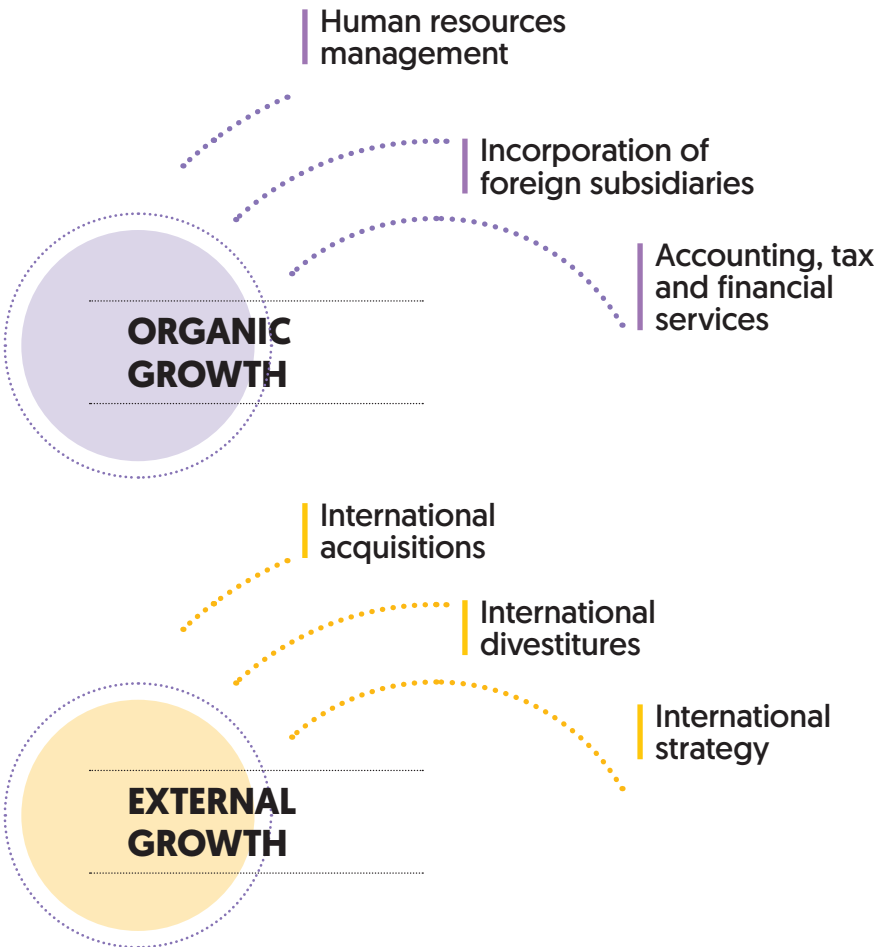


- Employee protection hinges above all on the work contract.
- There are no collective agreements.

# OUR RANGE OF SERVICES

THE SPECIALIST IN SETTING-UP SUBSIDIARIES ABROAD

**No. 1** IN OUTSOURCED FINANCIAL, HR & LEGAL CORPORATE SERVICES FOR START-UPS, SMES AND SMALL GROUPS





## The specialist in creating subsidiaries abroad

We manage over **800 subsidiaries of French companies abroad**.



## Multiculturalism

**Multicultural experts** with perfect understanding of the French environment and local characteristics.



## Your international partner

We support you in **Europe, the United States, Brazil, Asia and North Africa**.



## A one-stop shop

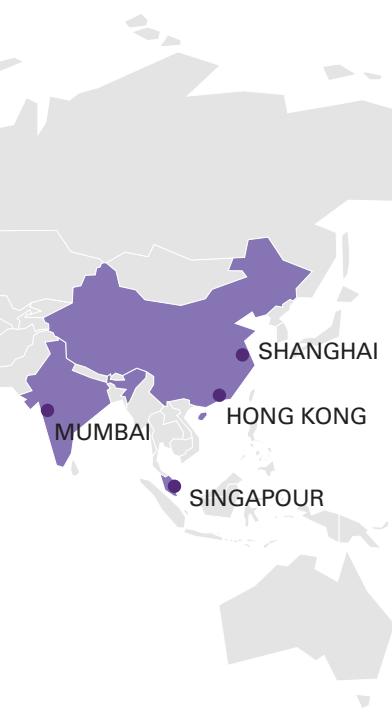
To assist you in the **administration of your subsidiary** (accounting, tax, HR, reporting, insurance, etc.).

# ABOUT US

## THE FRENCH LEADING CONSULTING FIRM FOR INTERNATIONAL DEVELOPMENT



Subsidiary of  **GROUPE BPCE**, a cooperative bank and insurance group present in more than 40 countries and 2<sup>nd</sup> leading bank in France.



**+1,000**

companies supported annually

**13**

countries

**17**

offices

**130**

bicultural experts and  
professionals worldwide

## OUR DISTRIBUTION NETWORKS



Because you cannot improvise  
when it comes to setting-up operations abroad.



United Kingdom  
contact

11 Old Jewry  
London EC2R 8DU  
+44 (0) 203370 3521

The contact information is presented within a rectangular box with a thin black border. The top half of the box contains a line-art illustration of a city skyline with a cloud and a lightbulb, followed by the text "United Kingdom contact". The bottom half of the box is a solid light purple color containing the address and phone number.

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