
Doing Business in the UK

Advice and Resources to Support Hopping the Pond



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BRITISH-AMERICAN
BUSINESS CONNECTIONS

If you're a U.S. company looking to expand internationally, the UK is one market that should be on your horizon.

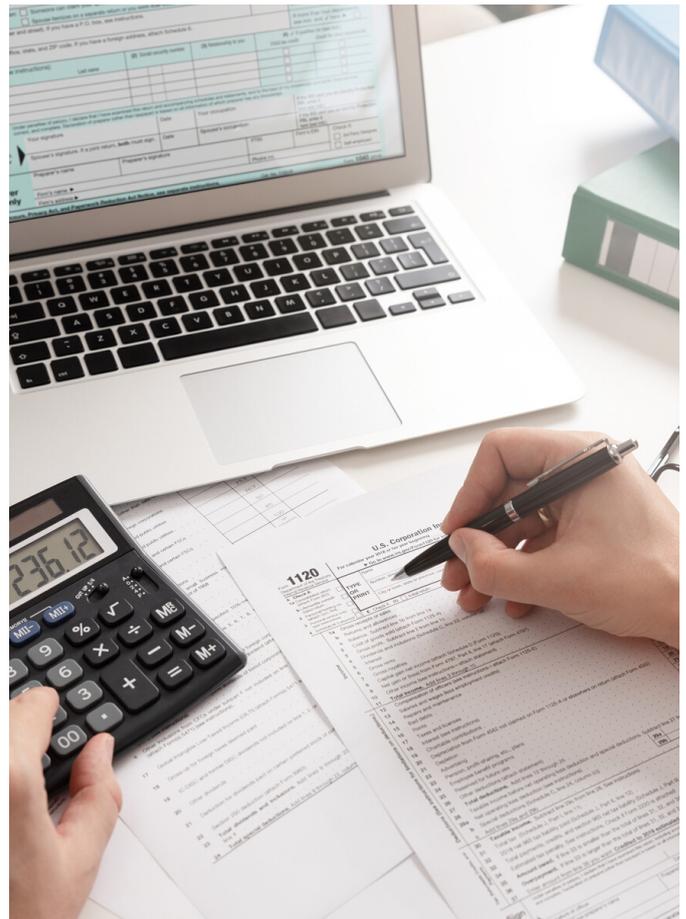
As a Brit currently living in the U.S., I am comfortable, and I believe qualified, to talk about (positively and negatively) American companies doing business in the UK. In case you wondered and despite all the confusion surrounding the B word – yes Brexit, the UK is very much open for business and is very welcoming of U.S. business.

Admittedly, engaging in business across the pond can be daunting – especially if you try to go it alone. Not only do you need to master a new set of rules, but you also must interact with new organizations and requirements. For example, consider the Value-Added Tax administered by the HM Revenue and Customs (HMRC). Many Americans have no idea this tax exists, when/how it applies, the rates, or the very serious nature of collecting and paying it.

Barriers to entry for international business are low...

Despite some of these minor challenges, the good news is that the barriers to entry for international business are fairly low. The UK government has consistently viewed FDI (Foreign Direct Investment) as one of the pillars of the UK's growth agenda. The UK government has also been very friendly towards business in recent years/ Take a look at four key business pillars attracting inward investment and the results achieved.

- **Corporation Tax:** The UK corporation tax is just 19 percent, the third lowest in the G20 after Singapore's 17 percent and Switzerland's 18 percent. Compare that with the U.S., which is quite a bit more. Under the U.S. Tax Cuts & Jobs Act (TCJA), while the corporate tax burden was reduced from 35 percent to 21 percent, 44 of the 50 U.S. states also levy an additional State Corporation Tax, ranging from three percent in North Carolina to 12 percent in Iowa. Before the TCJA, the United States had the highest combined statutory corporate income tax rate among Organisation for Economic Co-operation and Development (OECD) countries, at 38.9 percent (federal plus the average of state corporate income tax rates). The TCJA reduced the federal corporate income tax rate from 35 percent to 21 percent, dropping the U.S. combined rate from 38.9 percent to 25.7 percent and placing the U.S. nearer to the OECD average. The UK rate is still substantially more attractive.



- **UK Guarantees Scheme:** The UK Guarantees Scheme, which offers up to £40 billion in government-underwritten guarantees to infrastructure projects, is currently being rolled out. A look at the widely respected Global Infrastructure Investment Index shows the progress of that initiative, with the UK recognized as the ninth most attractive economy for infrastructure investment in the world.
- **UK Tax System:** The World Bank rates the UK tax system as more business-friendly than any other major world economy. The UK has tax reliefs for research and development (R&D) and exploiting patents. Learn more at <https://bit.ly/32dmpy0>.

The UK tax system is one of the most business-friendly in the world.

- **Foreign Direct Investment (FDI):** The UK aggressively attracts and welcomes FDI. The UK receives about one third of all FDI headed to Europe and sits just behind the U.S. in the world rankings of received FDI. It leads China by a sizable amount. A January 2019 analysis by Deloitte (<https://bit.ly/36AkIOV>) highlights approximately 3,900 UK inward investment projects in the past three years brought in \$140 billion of capital – more than France and Germany combined. According to the U.S. Government World Factbook, over two trillion dollars of FDI was pumped into the UK in 2017. Maybe it is no surprise that 57 percent of Fortune 500 companies have their European headquarters in the UK. According to the *Deloitte Power Up: UK Inward Investment* report (<https://bit.ly/34zx3ki>), the UK ranks second only to the U.S. on the global stage in terms of number of inward investment projects. During this period 2015-2018 the UK attracted 6.7 percent of global FDI.

It's fast and simple to set up a company in the UK.

What are some of the other relevant business benefits? Well, for one, it's fast and simple to set up a company in the UK and there are many areas that support business success. For example, the UK has:

- Top level professional services to underpin a company's plans, boasting four of the top 10 law firms, six of the top 10 accountancy firms, and the world's largest advertising company.
- The world's leading financial centre (City of London) and no other European centre comes close to the size and expertise of its financial services sector.
- A global talent hub supported by the UK Government. It is the number one rated major economy for attracting, growing and retaining talent. In fact, according to the QS World University rankings table, the UK has four of the top 10 universities in the world.



Entrepreneurs welcome.

The UK is not just all about attracting big business, it is also about attracting entrepreneurs.

There are numerous government incentives available to attract and keep innovative businesses in the country.

Doing business in the UK may also give you access, because of proximity, to networking opportunities with European entrepreneurs, which could be helpful when it's time for further expansion.

Contact your regional British-American business association for help.

To help make sense of all this and to direct you towards the myriad of free and paid for American and British business resources, I'd suggest starting with your regional British-American business association. Here in the Pacific Northwest, British-American Business Connections (BABC) at babcpnw.org should be your first stop. Not only can we direct you to government and private entities that can assist, but we can also facilitate introductions to industry trade associations and to companies that have already successfully navigated the journey across the pond.



Start preparing for your business expansion to the UK.

There are numerous resources available to U.S. companies who are considering setting up business in the UK. Some are provided by the U.S. government; some are set up and run by the UK government. Others are run by U.S. states and cities, and some are outposts of regions or cities in the UK and based in the U.S. I encourage you to start with our BABC Resources page (babcpnw.org/resources) to get connected to this valuable information.

If you're going to do business in the UK, it will also be critically important to understand the business climate. This is an unprecedented time...Brexit, globalisation, patriotism and many other matters can make understanding UK business expansion at this precise time rather difficult. Take a look at the following helpful references on the UK business climate and getting your business running.

Resources for Understanding the UK Business Climate

1. Country Commercial Guide – Doing Business in the UK

Our friends at U.S. Commercial Services have a comprehensive and updated *Country Commercial Guide – Doing Business in the UK* (<https://bit.ly/2PTeSSn>), published 8/2/19, aimed at U.S. businesses exporting to the UK. Developed by trade experts who have served around the world, the Guide provides an overview of the market and political environment, as well as trade regulations, customs requirements and standards. The Guide is also an excellent starting point to find everything you need to know about doing business in the UK, detailing eight important factors to help you decide if this market

is right for your product or service including:

- Market Overview, Challenges, Opportunities & Entry Strategies
- Political Environment
- Selling U.S. Products and Services
- Leading Sectors for U.S. Exports and Investment
- Trade Regulations, Customs and Standards
- Investment Climate Statement
- Trade and Project Financing
- Business Travel

2. UK Department for International Trade (DIT)

The UK government's Department for International Trade (<https://bit.ly/2JTz96J>) also has helpful information available to companies. U.S. companies can find valuable knowledge and assistance to get operations started in the UK. The DIT website has a huge list of resources about doing business in the UK, including specific guidance on a variety of industry sectors.



Department for
International Trade



3. Startup Advice

Small business owners will find great advice on startups.co.uk.

This is an independent resource that brings together a huge entrepreneurial community. With more than 50,000 members in its forum, you can find advice on practically anything that you need.

So whether you're starting from scratch, unsure of how to set up your payroll, or just interested in finding out more about the UK startup scene, you're in the right place.

Resources for getting your business going in the UK

1. Companies House: Check Availability of Your Business Name

One of the first steps is to check that your chosen business name is available for incorporation. You can do this at *Companies House* (<https://bit.ly/32imBfw>), which also allows you to file paperwork relating to your incorporation application, country of registration, type of company and details. This is a relatively inexpensive process (ranging from £12 online to £40 by post). If you need to incorporate your business on the same day; however, it will set you back £100.

Online and postal services are the primary means of applying for registration for UK limited companies. If you're looking to register as an overseas company, you need to send a completed *OS IN01 Form* (<https://bit.ly/2CjQIIA>) and a cheque for £20 to Companies House within a month of setting up in the UK.

Companies House and HMRC are constantly moving more of their services online, reducing paperwork and increasing efficiency. Compared to standard postal registration, incorporating your business online can be up to 10x quicker and just a fraction of the price. There is a flat fee of £12 for registering through the Companies House website which can be paid by PayPal or by debit/credit card. Registering online is simple, secure and fast, with the vast majority of requests being processed within 24 hours. Registering online does require that your company is limited by shares (i.e. that it's a private limited company) and that you use standard articles of association.

If your registration is processed successfully, you will be able to start trading as a private limited company. There will be no further administrative costs beyond this point. Remember, you'll need to register for corporation tax at some point in your first three months of trading. This application won't cost you anything more and is fairly easy to carry out online.

It's worth noting that you will need a business address when you register your company. While you can, technically, use your home address, security and privacy suggest you don't - far better to use a *registered office address* (<https://bit.ly/2JS9I5q>) which you can buy for a small monthly cost and which gives you access to a prestigious city centre address that you can use when registering instead. Alternatively, you can also choose to buy a *mail forwarding address* (<https://bit.ly/33mWe9A>), which gives you the same benefits but to which you can also have your mail sent.



2. VAT and PAYE Registration

Even U.S. businesses who only sell downloadable digital products into the U.K. are supposed to pay a type of tax common in the EU known as a Value Added Tax (VAT) as explained here - <https://bit.ly/32ld5rZ>.

If you're going to supply more than £85,000 worth of goods within the UK, then you must also *register for VAT* (<https://bit.ly/33fJyBb>) with Her Majesty's Revenue and Customs (HMRC). In most cases, you can do this online and pay VAT online after registration,

If you plan to employ local staff, you will also have to register for PAYE (Pay as You Earn), which handles income tax and national insurance contributions (covering health care and the state pension, among other things).

3. Company Formation Agent

But there's more to setting up a business than simply doing the government paperwork. That's why some businesses moving into the UK choose to use a company formation agent to provide a range of related business services. For example, *1st Formations* (www.1stformations.co.uk) will take care of filing, setting up registered and service addresses for the business and its directors, establishing business bank accounts and even setting up a .co.uk business site, which can help you achieve more prominence in the local market.

4. Small Business Advice

Small Business (smallbusiness.co.uk) provides advice and useful guides to UK small businesses. Their goal is to help owner/ managers start, run, grow, and succeed in business, turning business ideas into a profitable business. They provide useful resources, products and services for small business owners and start-ups. Additionally, they offer free online advice in the form of news articles, guides, tips and features that can point you in the right direction to start and run your own small business.

5. Great Business

Great Business (www.greatbusiness.gov.uk) is a U.K. government site which covers all business areas, including information on markets, skills, innovations and finance. It's also another place to learn about regulation and business support programs.

6. Federation of Small Business

The Federation of Small Business (www.fsb.org.uk) describes itself as "the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and small business owners." If you want to know what's happening behind the scenes and how it will affect your ability to do business, this is a must-read.



And lastly...

7. A Cultural Guide

George Bernard Shaw once described the U.S. and UK as two countries divided by a common language. That's why the last tip is to learn everything you can about the British culture. There are numerous online resources, covering everything from the British love of queuing and complaining about the weather to the different (sometimes offensive) meanings of words that are perfectly normal in the U.S. A good starting point is the book *Notes from a Small Island*, written by American Bill Bryson after he'd lived in England for quite a while. I shamelessly will also suggest coming along to the British-American Business Connections' Christmas Luncheon this December 5 at the Women's University Club in Seattle. It's a fun introduction into a bit of traditional and festive British Culture.



A final note and plug from the author...

I hope you enjoy these resources; they are a great starting point for most U.S. companies looking to do business in the UK.

I've tried to be accurate in all I describe, so please don't get upset with me if any of the numbers are wrong or website links are out of date – this is a rapidly changing business landscape.

My firm, Atlantric (atlantric.com), specializes in getting U.S. companies into new international markets. We provide international strategic support and practical implementation services, cross cultural management and preparation. We offer strategic business development and innovative marketing solutions.

I also serve as the chair of British-American Business Connections (babcpnw.org). Through our organization, we foster a regional network for U.S. and British professionals to connect, share, and build business networks.

The Pacific Northwest chapter has been successfully engaged in business, trade and transatlantic interests for more than 20 years. The organization works to promote transatlantic engagement, connections and professional relationships through:

- Professional opportunities to facilitate business opportunities.
- Access to regional, transatlantic and industry expertise.
- Engagement with the greater transatlantic community.

If you're not already a member, you should be. It's a great way to engage and connect with other international business professionals, and the member rates are extremely reasonably priced. Learn more about our opportunities at babcpnw.org/join and consider membership with our association as a starting point.

Richard Biggs is the managing partner of Atlantric (atlantric.com), an international consultancy that loves to collaborate and create. He also serves as the current chair for the Pacific Northwest Chapter of British-American Business Connections (babcpnw.org).

