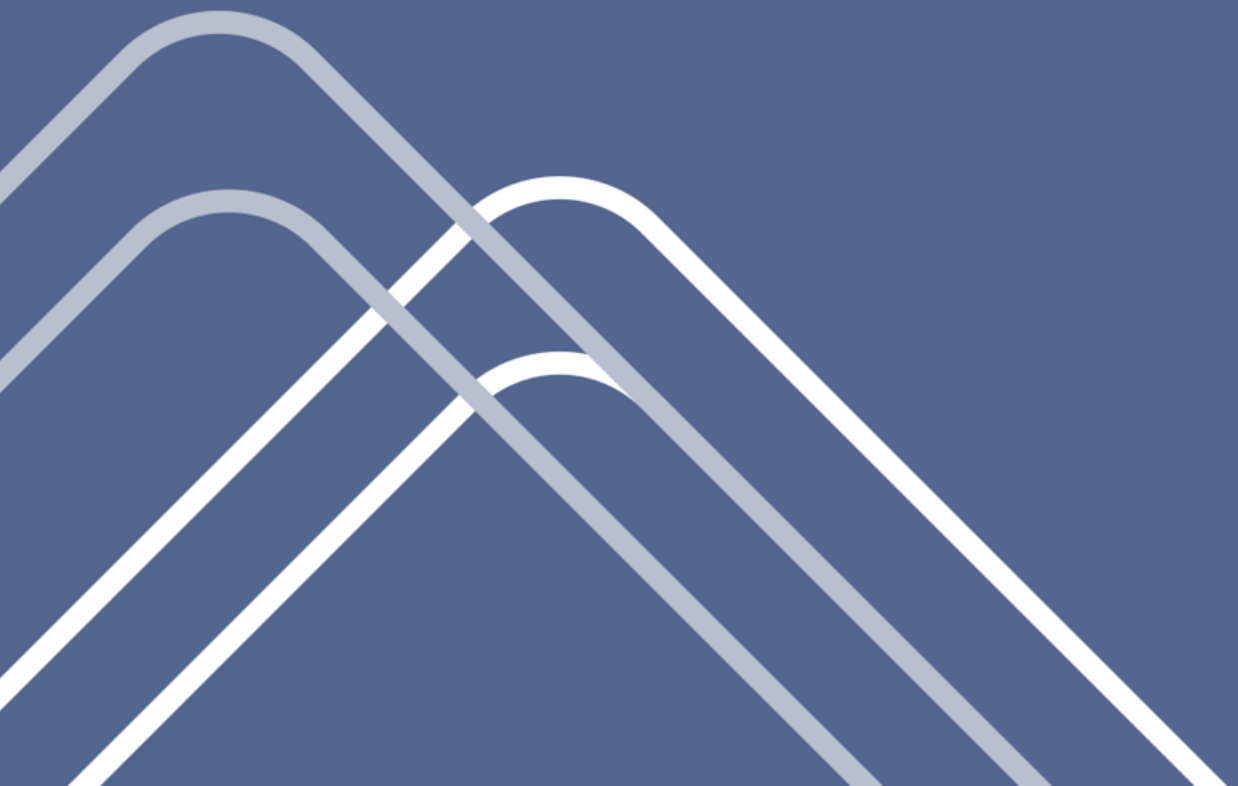
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DOING BUSINESS IN
THE UNITED KINGDOM



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INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in nearly 100 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in the UK has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at April 2026.

We look forward to helping you do business in the UK.

BUSINESS ENVIRONMENT

BACKGROUND

The UK has a business environment considered to be one of the world's most established and sophisticated. It benefits from a stable regulatory framework, strong corporate governance standards, and globally recognised research and innovation capabilities, making it an attractive destination for businesses of all sizes.

The UK remains one of the world's leading economies, consistently ranking among the largest global economies by GDP[1], supported by a diverse economic base and a globally significant services sector. While growth in recent years has been relatively modest compared to historical trends, the UK continues to demonstrate resilience, particularly within its services, financial and professional sectors.

The UK has actively participated in global climate initiatives and was the first major economy to halve its greenhouse gas emissions, achieving a 50% reduction between 1990 and 2022[2]. This commitment continues through its net zero strategy. This is shaping investment opportunities across energy, infrastructure and technology, while also driving increased private and public investment into renewable energy, green finance and sustainable infrastructure projects[3].

Following Brexit, the UK has established a new framework for its relationship with the European Union. The UK–EU Trade and Cooperation Agreement (TCA), which came into force on 1 May 2021, enables tariff-free and quota-free trade in goods, although administrative requirements have increased. The Windsor Framework is intended to simplify trade between Great Britain, Northern Ireland and the EU[4].

While trade between the UK and EU became more complex post-Brexit, the EU remains a key trading partner, accounting for a significant proportion of UK exports and imports[5]. At the same time, the UK has expanded its global trade relationships, including accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), alongside agreements with Australia,

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[1] **Global GDP rankings (World Bank data)** - https://data.worldbank.org/indicator/NY.GDP.MKTP.CD

[2] **UK Net Zero Strategy (UK Government)** - **https://www.gov.uk/government/publications/net-zero-strategy**

[3] ibid

[4] **Windsor Framework (UK Government)** - **https://www.gov.uk/government/publications/the-windsor-framework**

[5] **UK trade statistics (ONS)** - **https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments**

New Zealand, Japan and Singapore[6]. This shift reflects a broader strategy to diversify trade and reduce reliance on any single economic region.

Global economic conditions continue to influence the UK's outlook. Recent trade policy developments, including the introduction of tariffs by the United States in 2025, have added further uncertainty to global markets[7]. Ongoing geopolitical tensions, including the conflict in Ukraine and the Middle East and broader global trade fragmentation, continue to influence international investment flows, energy markets and business confidence.

Economic sanctions imposed following the invasion of Ukraine in 2022, alongside energy price volatility and supply chain disruption, contributed to a sharp rise in inflation, which peaked at 11.1% in October 2022[8]. Inflation has since moderated from its peak but remains variable, with the Consumer Prices Index (CPI) increasing by approximately 3.3% in the 12 months to March 2026[9]. Monetary policy has begun to ease, with the Bank Rate at 3.75% in early 2026, following a period of sustained tightening[10].

Reforms to company law, including those introduced through the Economic Crime and Corporate Transparency Act 2023, are transforming Companies House into a more active regulatory body. These changes are designed to enhance transparency, strengthen corporate governance, and improve trust in UK businesses.

It is important that businesses considering investment in the UK remain informed of evolving requirements relating to company formation, taxation and reporting obligations, as well as broader expectations around corporate governance and Environmental, Social and Governance (ESG) considerations. ESG is increasingly moving from a voluntary consideration to a regulatory and commercial expectation.

GEOGRAPHY

The United Kingdom (UK) comprises Great Britain (England, Wales and Scotland) and Northern Ireland. It occupies an area of approximately 243,000 square kilometres.

POPULATION

The UK population was estimated at approximately 69.5 million in mid-2025[11].

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[6] **UK trade agreements (overview)** - **https://www.gov.uk/guidance/uk-trade-agreements-with-non-eu-countries**
[7] **Global tariffs/trade developments (WTO)** - **https://www.wto.org/english/tratop_e/tariffs_e/tariffs_e.htm**
[8] **UK inflation peak data (ONS CPI historical)** - **https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23**
[9] **ONS CPI latest** - **https://www.ons.gov.uk/economy/inflationandpriceindices**
[10] **Bank of England base rate** - **https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate**
[11] **UK population estimates (ONS) - https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates**

A substantial proportion of the population lives in urban areas, with London the largest city, followed by Manchester, Birmingham, Leeds and Glasgow[12]. Urban centres continue to act as key drivers of economic activity, innovation and inward investment.

LANGUAGE AND ETHNICITY

The official language is English. According to census data, over 90% of residents in England and Wales speak English as their main language[13].

The UK is a diverse and multicultural society, with a wide range of ethnic backgrounds contributing to its workforce and consumer base. This diversity supports a broad talent pool and enhances the UK's attractiveness as an international business location.

TRANSPORT

The UK has a well-developed transport infrastructure, with rail and road networks primarily oriented north–south.

High-speed rail services enable journey times between London and Birmingham of approximately 76 minutes and London to Manchester of just over two hours[14]. The HS2 programme remains under development, and is subject to an ongoing programme reset, with regular updates provided on funding, schedule and delivery progress[15].

Motorways allow speeds of up to 70 mph, and vehicles are driven on the left-hand side of the road.

The UK government has created 12 Freeports across the UK. A UK Freeport is a geographical area that is closely linked to a seaport, airport or rail port. They are allowed to import goods temporarily without the payment of tariffs, excise duties and other taxes before the goods are shipped on. The port areas also benefit from tax breaks to encourage construction, private investment and job creation.[16]

The Channel Tunnel provides a direct rail link between the UK and mainland Europe, with journey times from London to Paris of approximately 2 hours 20 minutes[17].

The UK is well served by airports, with over 40 in operation. London Heathrow remains the busiest, alongside other major airports including Gatwick, Stansted and Manchester[18].

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[12] **UK major cities (ONS data) https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates**

[13] **Census 2021 language data (ONS) - https://www.ons.gov.uk/peoplepopulationandcommunity/culturalidentity/language**

[14] **UK rail travel times / infrastructure (National Rail / DfT)** - **https://www.nationalrail.co.uk**

[15] **HS2 project updates (UK Government)** - **https://www.gov.uk/government/organisations/high-speed-two-limited**

[16] **https://ukfreeports.campaign.gov.uk/**

[17] **Channel Tunnel / Eurostar travel information** - **https://www.eurostar.com**

[18] **UK airport statistics (Civil Aviation Authority) - https://www.caa.co.uk/data-and-analysis/uk-aviation-market/airports/**

TELECOMMUNICATIONS

The UK has a highly developed telecommunications infrastructure.

There are four major mobile network operators: EE, O2, Three and Vodafone. Following regulatory approval, the Vodafone-Three merger investigation was closed in June 2025, with regulators monitoring delivery commitments and network investment obligations.

The sector is regulated by Ofcom, which provides oversight and ensures competitive and reliable services across the UK[19]. The continued rollout of high-speed broadband and 5G networks is supporting digital transformation across industries.

THE ECONOMY

CURRENCY

The currency is pounds sterling (GBP).

Interest Rates

The Bank of England uses the Consumer Prices Index (CPI) as its primary measure of inflation.

As of 30 April 2026, the Bank Rate is 3.75%[20], with inflation at 3.3%[21].

GROSS DOMESTIC PRODUCT

Recent data indicates that GDP increased by approximately 0.5% in the three months to February 2026 and around 0.9% year-on-year[22].

EMPLOYMENT

Latest labour market data indicates that the UK employment rate was approximately 75.0%, unemployment was 4.9% and economic inactivity was around 21.0% in the period December 2025 to February 2026[23].

The labour market remains relatively tight, with ongoing challenges around skills shortages in certain sectors, which may influence recruitment and wage pressures[24].

[19] **Ofcom (telecoms regulator)** - https://www.ofcom.org.uk
[20] **Bank of England base rate -** https://www.bankofengland.co.uk/monetary-policy/the-interest-rate-bank-rate
[21] ibid
[22] **UK GDP data (ONS)** - https://www.ons.gov.uk/economy/grossdomesticproductgdp
[23] **Employment and labour market (ONS) -** https://www.ons.gov.uk/employmentandlabourmarket
[24] **ibid**

SOURCES OF FINANCE

BANKS AND BUILDING SOCIETIES

Deposit-taking institutions may be broadly divided into two sectors: banks and building societies. Both sectors are currently regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). These regulatory organisations are independent, non-governmental bodies responsible respectively for conduct and prudential supervision.

The main institutions within the British banking system are the Bank of England, retail banks, investment banks and overseas banks.

The Bank of England is the UK's central bank and is responsible for setting the UK's official interest rate and for maintaining a stable and efficient monetary policy and framework. As at early 2026, the bank rate is 3.75%, following a series of cuts from a peak of 5.25% in 2024, although policy remains finely balanced amid inflation and geopolitical uncertainty. Although independent from the government, it remains the government's banker and chief banker to the banking industry generally.

The UK retail banking market is dominated by a few large retail banks, most notably HSBC, Lloyds Banking Group, Barclays, NatWest Group and Santander UK[25]. Retail banks offer a wide variety of financial services to both companies and individuals.

Investment banks manage investment portfolios and corporate finance on behalf of their clients, primarily corporate companies.

Many overseas banks have subsidiary operations in the UK which offer retail banking services. However, these tend to be niche operations and generally do not provide comprehensive geographic or service coverage.

The British Business Bank is a UK Government-owned, independently run development bank that encourages diversity and competition in both equity investment markets and debt finance markets. Its focus is towards making finance markets work better for smaller UK businesses. It does this by working with new market entrants and supporting the growth of alternative lenders and committing capital to equity programmes investing in large-scale, private sector managed funds or funds providing later stage capital, and alongside business angels and other early-stage equity investors.

FINANCING OPTIONS

There are many sources of finance for businesses and choosing the right finance is an important decision.

One of the key factors in determining the best source(s) of finance will be the stage of development of the business so far. For a start-up business, finance borrowed from or invested by family and friends may be sufficient to get the business started, but more substantial funds will be needed later as the business grows. For more established businesses, there may be a range of finance options, either debt-based or equity-based (ora combination of both).

[25] Top 10 UK Banks. FinTech Magazine, 24 September 2025, https://fintechmagazine.com/news/top-10-uk-banks

DEBT FINANCE

Banks are a traditional source of debt finance, but have always been and continue to remain, risk averse. Lending conditions have been influenced by higher interest rates between 2022 – 2025, though conditions have seen gradual stabilisation as inflation moderates. A clear business plan, strong credit profile and security continue to be important.

ALTERNATIVE FINANCE

Alternative finance refers to a broad range of funding options provided by non-bank institutions, offering businesses access to capital outside traditional bank lending. These sources have grown significantly in recent years and are increasingly used alongside, or in place of, conventional finance. Typically characterised by greater speed, flexibility and the use of technology in credit assessment, alternative finance can provide viable solutions for businesses at different stages of development, particularly where traditional lending criteria may be restrictive.

Challenger banks

Challenger banks are sometimes confused with alternative finance providers, owing to their size and distribution system used, as many of these newer banks have an online digital presence rather than a physical one. These lenders are relatively small retail banks and have been set up with the intention of competing for business with the large, long- established national banks. However, there is a significant difference between the challenger banks and alternative finance as the challenger banks must comply with the same rules and regulations as traditional banks, and deposits will still be protected under the Financial Services Compensation Scheme. In order to be defined as a bank, the company must be authorised to accept retail deposits by the UK financial regulator, the Prudential Regulation Authority (PRA).

Some challenger banks were created following divestment from larger banking groups, others are smaller subsidiaries of larger banking or retail groups, a wind-down of a failed large bank or a new Fintech based platform. Crucially, these new banks still rely on customer deposits to build their balance sheets and lend money to people. Some better-known examples include Metro Bank, Aldermore/Abacus bank, Charter Savings Bank, Shawbrook and Atom Bank, but there are many others.

Asset Based Lending

Asset based lending (ABL) is often provided by specialised companies (including challenger banks) and can be a source of funds for capital equipment and/or debt factoring facilities.

Asset finance

Asset finance includes leasing and hire purchase and is used to obtain the use of equipment, without acquiring or to spread the cost. Finance is secured fully or partly on the asset being financed.

A lease is where the finance company buys and owns the equipment, which is then rented to the leaser for an agreed term and fee, whereas in a hire purchase a business wants to own the equipment but spreads the capital and interest payments over a predetermined period. Asset finance is provided by specialist providers but can be provided indirectly through the equipment suppliers and brokers.

Corporate Bonds

An option increasingly accessible to larger and more established companies may be to issue corporate bonds. These are usually long-term debt instruments issued directly by the company and these can be

listed on stock exchanges and may be traded. However, this market is still not generally available to smaller businesses.

There are many variations of these basic sources of finance, and you should seek advice from someone with experience to gain a full understanding of the advantages and disadvantages of each type.

EQUITY FINANCE

Equity finance can be raised from a range of different providers. The main providers are the stock markets, venture capital/private equity firms and business angels.

Larger businesses can seek to raise equity on a public stock market, such as the Main Market of the London Stock Exchange (LSE), AIM (the LSE's Alternative Investment Market) and the Aquis Stock Exchange. These equity markets provide the means of raising capital from the public for UK and international companies through equity, debt and depository receipt issues. The UK IPO (Initial Public Offering) market has seen reduced activity and ongoing headwinds, but there is an expectation that IPO activity will increase.

The UK remains a leading equity market globally, encouraging overseas companies to utilise UK equity markets to raise capital. UK advisers and investors are also active on many other European exchanges which are another option for companies seeking equity fundraising while still engaging UK advisers.

Companies can use platforms in the UK to trade their shares, typically as a pre-IPO fundraising or for to enable share trading for their shareholders without the requirements of a full stock market listing.

The UK's private share trading market is an emerging space that sits between traditional private ownership and full stock market listing. New venues such as PISCES, alongside more established platforms like JP Jenkins and Asset Match, provide regulated ways for shareholders in private companies to buy and sell existing shares without the company going public. PISCES (the Private Intermittent Securities and Capital Exchange System) is a government-backed framework introduced by the FCA to enable intermittent trading events, where investors and existing shareholders trade shares during scheduled windows rather than continuously. Platforms such as JP Jenkins and Asset Match operate within this ecosystem, typically using auction-based or matched trading models to provide liquidity and price discovery for unlisted shares in a controlled, transparent environment. Together, these platforms give private companies and their investors a practical route to realise value and access secondary liquidity, while retaining the flexibility and lower regulatory burden of remaining private

As with debt finance, there are many variations within the equity markets, and you will need to seek advice from someone with relevant experience to gain a full understanding of the advantages and disadvantages of each.

ACCELERATORS/INCUBATORS

Accelerators/incubators are companies or organisations that help start-ups develop. They are similar to each other so there is often a crossover in services provided such as financial and technical support, management training and coaching or office space with the intent of creating an early-stage community. The difference between the two is that most incubators charge rent or fees for physical space and support, whereas some accelerators will provide services but will take a small amount of equity. They do this with the aim of identifying 'support networks' that help to commercialise and develop start-ups, often with the ultimate goal of finding additional investors.

Accelerators/incubators are often sponsored and supported by private companies, municipal entities and public institutions, such as colleges and universities, and can be used as a catalyst tool for either regional or national economic development.

BUSINESS ANGELS

Angel investors are usually wealthy individuals who provide their own money for start-up or early-stage companies in exchange for equity and/or convertible debt. They sometimes work together with other angel investors or with other finance providers. There is an increased focus on diversity and inclusion, including funding for underrepresented founders[26].

CROWDFUNDING

Smaller companies are increasingly turning to equity crowdfunding to raise capital, primarily for early-stage finance needs but increasingly for development capital as well. This can be a means to connect companies with many hundreds or thousands of potential investors and can be a viable alternative to angel or venture capital finance.

PEER-TO-PEER LENDING

Peer-to-peer (P2P) lending platforms enable individuals and businesses to lend and borrow directly through online marketplaces, removing the need for traditional financial intermediaries such as banks. These platforms act as facilitators, matching lenders with borrowers and managing the administration of loans, including credit assessment, payments, and collections.

Loan funding is typically spread across multiple investors and borrowers, allowing participants to diversify risk and access more flexible funding solutions. For borrowers, P2P lending can provide faster and more accessible financing, while lenders may benefit from higher potential returns compared to traditional savings products. However, as P2P lending is an investment rather than a deposit, capital is at risk and returns are not guaranteed, with platforms in the UK regulated by the Financial Conduct Authority (FCA).

OTHER SOURCES OF FINANCE

These can include government-sponsored initiatives. If funds are needed to help with exports, then export finance may be used to mitigate risk of default or delayed payments.

TURNAROUND, RECOVERY AND INSOLVENCY

There is a strong rescue culture in the United Kingdom, which, in the appropriate circumstances, includes options for dealing with a company in financial distress as alternatives to winding up. UK legislation promotes a rescue culture and encourages a company to seek those alternative solutions to its financial predicament and survive as a going concern. However, should the need arise, there is an established legal framework that enables the closure of a business if a company is insolvent or creditors, entitled to do so, wish to enforce their debt.

There are several legislative frameworks that are relevant to Turnaround, Recovery, and Insolvency in the UK. For the purposes of this summary, we focus on the two primary pieces of legislation being:

[26] **Angel investment network on diversity drive to help it make better decisions - UK Business Angels Association**

- The Insolvency Act 1986 (IA 1986); and
- Corporate Insolvency and Governance Act 2020 (CIGA 2020)

TURNAROUND

The CIGA 2020 introduced temporary measures to insolvency laws to assist businesses facing financial difficulties during the COVID pandemic. These temporary measures were phased out over the following two years and are no longer in place, albeit measures to remove the threat of wrongful trading may still be relevant where a company, which enters administration or liquidation, was insolvent during the prescribed period.

However, the CIGA 2020 also created permanent legislation promoting business rescue, which provides a company facing financial distress with alternatives to formal insolvency. These are:

- A Court sanctioned restructuring plan that, if it is fair and equitable, binds creditors. While the plan is voted on by creditors, the Court can impose the plan on dissenting creditors.
- A moratorium ring fencing a company from creditor enforcement action, except without leave of the Court, while it pursues a rescue or restructuring plan. While the moratorium is overseen by a monitor (a licensed insolvency practitioner) the day-to-day operation of the company remains with the directors.
- A prohibition on contractual termination clauses being enforced when a company enters an insolvency process, a moratorium, or begins a restructuring plan. This includes preventing suppliers from ceasing supply to a company going through a rescue process, except where hardship is caused to their own businesses through that continued supply. The CIGA 2020 includes safeguards for suppliers to ensure that the costs of the continued supply are met.

FORMAL INSOLVENCY

While the legislation introduced by the CIGA 2020 offers a reasonable alternative to formal insolvency, the associated costs of Court sanctioned restructuring and moratorium make them restrictive and therefore it is unlikely to be a process affordable and therefore utilised by the majority of Small to Medium Sized Enterprises. Where such restriction applies, or where the circumstances require, the IA 1986 offers a range of formal insolvency legislation that either allows a company's rescue or, where necessary, enables its winding up. These processes can be company/director or creditor driven.

The range of formal insolvency processes available are summarised in the following table:

	Who can initiate?	Objective	Moratorium
Administration	Directors/company Floating charge holder The Court [27]	Rescuing the company as a going concern; or Achieving better outcome than liquidation; or Realising the property of the company to make a distribution to secured or preferential creditors.	Yes
Company Voluntary Arrangement	Directors Administrator	Negotiate and enter a binding arrangement with its creditors for the payment of its debts. Allow for the survival of the company as a going concern.	No, but creditors cannot commence action for liabilities included within the CVA
Creditors' Voluntary Liquidation	Directors initiate but requires the passing of a special resolution by shareholders	Sell the Company's assets. Investigate affairs of company. Bring or defend legal actions. Pay dividends, where monies are available for creditors.	No, but liquidator can apply for stay of any proceedings
Administrative Receivership	Holder of floating charge pre-Enterprise Act [28]	Realise the assets of the company, subject to the security under which appointed, for the benefit of the appointing creditor.	No
Compulsory Liquidation	The Court [29]	Sell the Company's assets. Bring or defend legal actions. Investigate affairs of company. Pay dividends where fund available to creditors.	Yes

MEMBERS VOLUNTARY LIQUIDATION (MVL)

Where the directors of a company consider that it can pay all of its debts plus statutory interest within 12 months of the commencement of the winding up, it may be placed into MVL. Predominantly, the decision to place a company into MVL is made due to:

- the retirement of existing directors/owners with no succession arrangements;
- reorganisation or restructuring strategies;
- the purpose for which the company was established has come to an end; and
- the realisation of the company's assets to enable distribution to its shareholders.

[27] The Court on application by its directors, a creditor(s), its liquidator, or it's supervisor if subject to company voluntary arrangement.

[28] Following the introduction of the Enterprise Act 2002, the scope of the Administrative Receivership has much diminished and generally only can be initiated by holders of qualifying floating charges that existed prior to 15 September 2003.

[29] On application by a creditor, the company, or the Secretary of State

DIRECTORS DUTIES

There are various duties and obligations mandated by the Companies Act 2006 on directors, which include to:

- act within the powers as set out in the company's Articles of Association and the Companies Act 2006;
- promote the success of the company;
- exercise independent judgement;
- exercise reasonable care, skill, and diligence;
- avoid conflicts of interest; and
- declare any interest in proposed arrangements with the company.

Directors may incur personal liability and face potential disqualification from acting as a director of a company in the UK for their acts or omissions in directing a company.

Under the Insolvency Act 1986, a liquidator or administrator of a company can make an application to court to seek a remedy against a director for the following actions:

- Wrongful trading - failure to minimise the potential loss to creditors once a company becomes insolvent and the director knew, or ought to have known, that there was no prospect of avoiding insolvent liquidation.
- Transactions at an undervalue - execution by a director of a transaction where the consideration paid for an asset is less than its value.
- Preferential transactions – where there is a desire to put a third party in a better position than they would have been on liquidation.
- Transactions defrauding creditors – where the intention of the transaction is to put property of the company beyond the reach of its creditors.
- Fraudulent trading – similar to wrongful trading, but with a criminal aspect as it is evidenced that there was an intent to defraud.
- Misfeasance/breach of duty – breach of fiduciary duty by misapplying, retaining, or becoming accountable for any money or property of the company.

In circumstances where directors are concerned as to the financial stability of a company, they should seek immediate advice from a qualified insolvency practitioner in order to avoid or mitigate any consequences to the issues set out above.

The information contained within this section of the guide is intended to be a summary of the relevant processes in the UK and should not be construed as advice or relied upon for the purposes of providing advice. Should any issue relevant to issues set out herein arise, please contact our office for further and better particulars relevant to the circumstances.

FOREIGN INVESTMENT

The Global Picture

Global foreign direct investment (FDI) has experienced a period of volatility in recent years. The World Investment Report 2025 noted that, excluding volatile financial flows, global FDI fell by approximately 11% in 2024, marking a second consecutive year of decline. This slowdown has been driven primarily by geopolitical tensions, rising interest rates and increased economic uncertainty.

The impact has been particularly pronounced in project finance, with investment into sectors aligned to the UN Sustainable Development Goals (SDGs) falling by more than 10%, especially in areas such as infrastructure, agrifood and water[30].

Global trade dynamics continue to evolve. The introduction of tariffs by the United States in 2025 has created additional uncertainty in international markets[31]. While baseline tariffs of around 10% have been applied broadly, higher rates of up to 25% on sectors such as automotive and steel have the potential to disrupt supply chains and investment decisions.

More broadly, the global investment environment is increasingly shaped by geopolitical fragmentation, regionalisation of supply chains and a shift towards economic security, with countries placing greater emphasis on domestic resilience and strategic industries. Early indications suggest that while global FDI showed signs of recovery in 2025, growth has been uneven and concentrated in developed economies[32].

Despite these challenges, global investment activity remains resilient in key sectors, particularly those linked to technology, energy transition and digital infrastructure, which continue to attract significant capital.

The UK

The UK continues to be an attractive destination for foreign investment, supported by its stable legal system, transparent regulatory environment and global financial centre in London.

The United States remains the UK's largest trading partner, accounting for approximately 17.8% of total UK trade in 2024 and around 17.5% in the four quarters to Q3 2025. Other major

[30] **UN World Investment Report 2025** - **https://unctad.org/publication/world-investment-report-2024**
[31] **WTO – Tariffs and global trade developments** - **https://www.wto.org/english/tratop_e/tariffs_e/tariffs_e.htm**
[32] **IMF/OECD – Global economic outlook and fragmentation trends** - **https://www.imf.org/en/Publications/WEO**

partners include; Germany, the Netherlands, France, China and Ireland[33]. This diverse trading base supports the UK's position as a globally connected economy with strong international linkages.

More recent data indicates that non-EU trade now accounts for a slightly larger share of total UK trade, reflecting a continued shift towards a more globally diversified trading position following Brexit[34].

While recent US tariff measures may influence trade flows, the long-standing economic relationship between the UK and the US remains significant. At the time of writing, the full impact of these measures is still emerging.

Trade and investment context

The UK's trading environment has been shaped by several structural and global factors, including:

- Supply chain disruption and energy price volatility following the war in Ukraine and the conflict in the Middle East with businesses increasingly prioritising resilience, diversification and regional supply networks[35]
- The UK's evolving relationship with the European Union
- The longer-term effects of the COVID-19 pandemic
- Changes in data collection methodologies for trade statistics post-Brexit.

These factors have contributed to increased volatility in trade data, making direct comparisons with pre-2021 periods more complex.

Recent ONS data indicates that in the three months to February 2026, the UK's trade in goods deficit widened to approximately £57.1 billion, while the services surplus increased to around £54.2 billion, highlighting the continued importance of services to the UK's external trade position[36].

Key trading partners

The UK's top trading partners (exports and imports combined) remain broadly consistent, with the United States leading, followed by major European economies and key global markets[37].

[33] **ONS UK trade statistics (2026)** - **https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments**
[34] **Ibid**
[35] **IMF/OECD – Global economic outlook and fragmentation trends** - **https://www.imf.org/en/Publications/WEO**
[36] **ONS trade balance data (2026)** - **https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments**
[37] **ONS UK trade statistics (2026) https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/uktrade/latest**

The balance between EU and non-EU trade reflects the UK's increasingly global outlook, with non-EU trade now accounting for a slightly larger share of total activity[38].

Sector opportunities and industrial strategy

The UK government's Industrial Strategy, published in November 2025, sets out a 10-year plan to increase business investment and support long-term economic growth[39]. The strategy focuses on sectors identified as having the greatest potential for expansion and innovation.

Eight priority sectors have been identified:

- Advanced manufacturing
- Clean energy industries
- Creative industries
- Defence
- Digital and technologies
- Financial services
- Life sciences
- Professional and business services.

In addition to sector focus, the strategy emphasises place-based investment, targeting high-potential regions, city clusters and strategic industrial sites across the UK.

These sectors align closely with global investment trends, particularly in areas such as energy transition, digital transformation and advanced technologies, where the UK is seeking to strengthen its competitive position[40].

Investment outlook

While global uncertainty and sector-specific risks remain, the UK continues to present significant opportunities for investors.

Strengths include:

- A highly developed financial services sector
- Leadership in sustainability and energy transition
- A strong technology and innovation ecosystem
- Access to international markets through established trade relationships.

In addition, the UK's legal framework, regulatory transparency and depth of capital markets continue to underpin investor confidence, particularly for long-term and institutional investment[41].

UHY has observed continued investor interest across these areas, particularly where organisations are seeking to align commercial objectives with sustainability and long-term

[38] **Ibid**
[39] **Industrial Strategy** - **https://www.gov.uk/government/publications/industrial-strategy**
[40] **Department for Business & Trade – Sector growth and investment priorities** **https://www.gov.uk/government/organisations/department-for-business-and-trade**
[41] **https://www.business.gov.uk/invest-in-uk/investment/sectors/financial-services/**

growth strategies. Overall, the UK remains a stable, mature and forward-looking investment environment, well positioned to attract both domestic and international capital.



SETTING UP A BUSINESS

Several legal structures are available for carrying out business in the UK.

The most popular choice for foreign investors is to set up a private limited liability company either as a standalone company or as a subsidiary of a foreign-owned holding company.

The main advantage of a limited company is that it offers the shareholders limited liability. However, other options may suit individual circumstances and a summary of each is detailed below. The taxation treatment is explained in section six and accounting requirements in section seven.

PRIVATE LIMITED COMPANY

Most companies in the UK are registered as limited companies and regulated by the Companies Act 2006. A limited company is a legal entity in its own right and has a separate and independent legal personality, distinct from its directors and shareholders.

COMPANIES LIMITED BY SHARES

The most popular form of limited company is a company limited by shares which means that the shareholders' liability is limited to the amount outstanding (if any) on their shares in the company.

COMPANIES LIMITED BY GUARANTEE

A company can be limited by guarantee whereby every member of the company undertakes to contribute a fixed amount (such as £1) to the company's assets if it should be wound up, for payment of the company's debts and liabilities. These are mainly used for not-for-profit organisations such as charities, trade associations and clubs, and the company's Articles of Association (its constitution) would usually have a clause ensuring that any profits are retained to further the objects of the company.

A new limited company can be incorporated within a few hours, to meet the exact name and share capital requirements from the outset.

DIRECTORS' RESPONSIBILITIES

The Companies Act 2006 includes a statutory statement of the general duties of directors, replacing the previous regime of case law and statute. This is intended to make it easier for directors to understand what is expected of them. Directors must manage the company with reasonable care, skill and diligence and have a duty to act within their powers, to promote the success of the company and to exercise independent judgement. Additional duties include the duty to avoid conflicts of interest, not to accept benefits from third parties and to declare any interest in a proposed transaction or arrangement. This is particularly significant if the company has financial problems and may be insolvent. If a director fails in his duties, breaches the Companies Act or acts fraudulently, he may be fined, disqualified from acting as a director or even imprisoned. He may also be held personally liable for the company's debts.

REGISTRATION REQUIREMENTS FOR PRIVATE COMPANIES

In order to register a company, also known as 'incorporation', the following information must be provided on the Form IN01 – 'Application to Register a Company', available on the government website, to Companies House:

- A suitable company name which is not the same as or too similar to the name of an existing company and does not contain sensitive or offensive words, as this will not be accepted. The full name of a limited company must also end with the word 'Limited' or 'Ltd'. On formation and on annual confirmation statements Companies are required to confirm that their future activities will be lawful.
- Details of the registered office address of the company to where official correspondence will be sent. This is usually the address of the company's accountant, solicitor, or the trading address of the company. Following the enactment of Economic Crime and Corporate Transparency Act 2023 (the Act), Companies are required to ensure that the registered office address is an 'appropriate address' where documents can be delivered, acknowledged and will come to the attention of the Company. A registered email address is also required on formation or when filing the annual confirmation statement. The email address will not be made public and can be a generic email address where notices from the Registrar can be expected to come to the attention of the Company.
- Details of at least one director (and a company secretary if desired), including personal details such as residential address, service address (this can be at the company's registered office address to prevent the director's residential address being made public), date of birth, nationality and a unique code known as the director's personal code which is issued by Companies House on verification. The use of corporate directors is being significantly restricted under Companies House reform measures, although implementation remains phased and certain exemptions may apply. Regulations to limit the use of corporate directors or only permit corporate directors who in turn only have natural persons as directors, are expected to be introduced but there is no time scale specified at the time of writing. A new website has been established by Companies House to assist with timescales and information on incoming changes: https://changestoukcompanylaw.campaign.gov.uk/.
- Verification of ID for directors and Persons of Significant control. The Act introduces Companies House reform: a significant part of this is that all directors and Persons of Significant Control (PSC) will have to verify their details. Directors and PSCs are able to voluntarily verify their IDs directly with Companies House using the gov.uk login web service. There are three possible methods of verification; digitally by submission of the biometric passport using a face recognition and scan facility, attendance at a UK post office, or via a third party appointed agent (known as Authorised Corporate Service Provider (ACSP)), who must be supervised by HMRC for anti-money laundering purposes For further details please see: Verifying your identity for Companies House - GOV.UK
- Details of people with significant control over the company: this is in addition to the name of the registered shareholders and directors.
- Details of the company's shares and the rights attached to them.
- The above must be accompanied by the memorandum and articles of association:
- Memorandum – this is a brief statement of the intention of the subscriber(s) to be incorporated. There must be at least one subscriber to the memorandum who agrees to take at least one share in the company.
- Articles – these are the internal rules of conduct of the company.

If all is in order, the registrar of companies will issue a certificate of incorporation confirming the company name, the date of incorporation and the registered number. A company does not legally exist until the certificate has been issued. A private company may commence business as soon as it has been incorporated.

REPORTING REQUIREMENTS

Incorporation brings various filing and reporting obligations.

STATUTORY BOOKS

In the first instance, a company must maintain statutory registers (or statutory books as they are known) containing the memorandum and articles of association, as well as other company information, including:

- The Register of Members,
- The Register of Directors and Secretaries,
- The Register of Persons with Significant Control,
- Minutes of General Meetings,
- Minutes of Directors Meetings and
- The Register of Written Resolutions.

A further change expected as part of the Companies House reform will be that the register of directors and Persons of Significant Control will be 'live' on Companies House records although the register of members will remain as it is currently and will be held at the registered office of the Company.

The statutory books must be maintained in the UK and should be available for inspection at the registered office or, in some cases, at the Single Alternative Inspection Location (SAIL) address.

Any changes to the directors or secretary (or their personal details), to the registered office or any allotment of further shares, must be reported to the Registrar of Companies on the prescribed form.

Other instances where prescribed forms or copies of resolutions passed by the members must be filed with the Registrar of Companies include changes to the articles of association and the registration of mortgages and charges.

ANNUAL ACCOUNTS

Annual accounts must be prepared and filed for every financial year, regardless of whether or not a company is trading. The accounts filed at Companies House must be in accordance with the Companies Act 2006. Failure to deliver accounts on time is a criminal offence and the law imposes a civil penalty for late filing.

EXTERNAL AUDIT

An annual audit by external auditors of the accounting records of the business should be carried out if it is over the minimum size (see Appendix III).

CONFIRMATION STATEMENT

A confirmation statement includes details about the company, its officers and members. An annual confirmation statement must be completed each year, reflecting any changes and delivered to Companies House. If a company does not submit a confirmation statement, the Registrar may take steps to strike off the company or issue a penalty if filed late.

TRADING DISCLOSURE REQUIREMENTS

The Companies Act requires a company to display its full registered name in all forms of business correspondence and documentation, whether in hard copy or electronic format, including:

- business letters, notices and other official publications;
- business emails;
- bills of exchange, promissory notes, endorsements and order forms;
- cheques purporting to be signed by or on behalf of the company;
- orders for money, goods or services purporting to be signed by or on behalf of the company;
- bills of parcels, invoices and other demands for payment, receipts and letters of credit;
- applications for licences to carry on a trade or activity; and
- websites (not necessarily on every page but it must be displayed so it can be easily read).

PUBLIC LIMITED COMPANY

In order to offer its shares to the public, a company must be a Public Limited Company ('plc'). A plc can also (but does not have to) list its shares on a stock market. If it is a listed company, it must, in addition, adhere to the rules of the stock market in which its shares are traded.

Public Limited Companies are regulated by the Companies Act 2006 (see Private Limited Company above) and the same registration and reporting requirements apply. Additionally, a plc must have a minimum of two directors, an appropriately qualified secretary and at least GBP 50,000 issued share capital (or the equivalent in another currency), a quarter of which must be paid up. The full name of a plc must end with 'Public Limited Company' or 'plc'. A plc is also obliged to hold an annual general meeting (AGM) of its shareholders each year. Unlike a private company, a public company cannot immediately commence business on the issue of the Certificate of Incorporation. The company must first apply for a trading certificate which confirms that the company complies with the capital requirements for public companies.

Each UK stock market has its own listing and reporting requirements, procedures and rules of conduct, which can be onerous and time-consuming. For shares to become listed on any of the stock markets, the company will need a team of advisers, including stockbrokers, solicitors and accountants to carry out the necessary procedures.

SOLE TRADER

An individual can be in business on their own account. This option is often used by craftsmen, professionals and people setting up a small business, because it involves minimal paperwork and formalities.

There are no audit requirements, but certain minimum records are required for personal tax, VAT and PAYE purposes, and the individual is liable for all the debts of the business. Any official paperwork, such as letters or invoices, must include the name of the owner of the business as well as any business name.

PARTNERSHIP

Defined by the Partnership Act 1890, a partnership does not exist as a separate legal entity. The partners in the business have joint and several liability for any liabilities of the business, so their personal property is at risk if the business faces large claims against it.



Profits from the business are taxed as the income of each partner. Certain minimum records must be kept for VAT and Pay As You Earn (PAYE) purposes. Usually, a partnership agreement is drawn up by lawyers which determines how the partnership is governed and how the profits are shared. This option is common for professional firms and is also widely used by small business start-ups.

LIMITED LIABILITY PARTNERSHIP (LLP)

An LLP exists in law as a body corporate, subject to aspects of company law, with the personal assets of LLP members being protected; it has a mix of corporate and partnership characteristics. There must be at least two members and they can be individuals, and or, corporate entities. Profits are taxed as if it were a partnership, provided it is carrying on a trade or profession. The business name must end with the letters LLP. The registration procedure and reporting requirements are similar to that of companies and an LLP is registered at Companies House.

An agreement is essential to formalize the relationship between members in respect of capital share, exit provisions, management and other important matters. There is no requirement to file the LLP agreement with the Registrar of Companies so it can remain confidential to the partners.

OTHER OPTIONS FOR TRADING IN THE UK

UK ESTABLISHMENT OF AN OVERSEAS COMPANY

Within one month of opening a UK establishment, an overseas company must deliver to Companies House a completed application form for the registration of an overseas company opening a UK establishment (Form OS IN01). This will need to contain details of the directors and company secretary (if any), details of the UK establishment and the names and addresses of any permanent representatives of the company and/or a person resident in the UK authorised to accept notices on the company's behalf. The Form OS IN01 must be accompanied by certified copies (and certified translations if appropriate) of the constitutional documents and a copy of the latest disclosed accounts. The company must also notify the Registrar of Companies of any changes to the above information. As with UK registered companies all directors will be required to verify their ID and obtain a unique code from Companies House prior registration. This also applies to existing UK branches/establishments, as it is now compulsory to submit the ID codes to Companies House on a form known as OSV01. As advised above the unique ID code is received from Companies House on completion of successful ID verification, which can be done directly or via an ACSP.

JOINT VENTURE

It is possible to set up a joint venture with an existing UK business by forming a business which is part-owned by them and part-owned by an overseas business. The exact arrangements can vary depending on circumstances, the balance of finance and/or practical involvement. Every case is different, so it is important to obtain professional advice to ensure that the two parties are clear about respective responsibilities and obligations, and that arrangements can be made if one party wishes to withdraw from the arrangement.

AGENTS

It may be preferable, certainly at an early stage of trading, to appoint an agent to act on behalf of the supplier business. This avoids having any UK corporate presence, but enables the supplying business, as a result of the agent's efforts, to sell its products or services in the UK. The agent may wish to negotiate an exclusive contract, which may or may not suit the supplier business.

Professional advice should be taken to ensure that the contract with the agent is lawful and unbiased and that payments are made in the most tax-efficient form.

FRANCHISES

Buying a franchise allows you to set up your business without starting from the very beginning. You buy a licence from an existing business in order to use their trade name, business name or product idea. This will involve paying ongoing fees or royalties on sales. In return, you receive support and advice from the franchisor.

REGISTRATION WITH AUTHORITIES – FOR ALL BUSINESSES

TAXATION

Businesses must register with the HM Revenue & Customs (HMRC) for PAYE (Pay As You Earn – Income Tax deducted from employees' wages) and National Insurance payments for employees, and for Corporation Tax for registered companies.

VAT (SALES TAX)

A business must register with HMRC for VAT if the taxable turnover of the business is more than GBP 90,000 in any 12-month period or if taxable turnover exceeding this level is expected in the next 30 days alone. A business can register for VAT on a voluntary basis if its taxable turnover is below this threshold where there is an intention to trade or if it has sales to non-UK customers that would otherwise be taxable in the UK. Registering for VAT can be advantageous for many types of business.

Non-resident businesses supplying goods or services in the UK and subject to UK VAT have a zero-registration threshold and must register for VAT immediately they commence trading. If the non-resident business sells goods to consumers, the goods are outside the UK at the time of sale, and the consignment value is less than £135, a mandatory VAT registration is required.

Thereafter, quarterly returns to declare VAT invoiced on sales and reclaim VAT paid out on expenditure must be submitted although some businesses may choose to file monthly or annual VAT returns subject to certain conditions. There are several simplified arrangements for smaller businesses.

There are three rates of VAT in the UK – 20%, 5% and 0%. Many types of business activities are exempt from VAT. It is important to use the correct VAT treatment, or both the supplier and customer can encounter problems.

Most businesses are able to reclaim VAT paid out on business expenditure, although there are many conditions and types of expenditure on which VAT cannot be reclaimed. Also, businesses that have both taxable and exempt income may not be able to reclaim all the VAT they incur on expenditure.

There are a number of special rules relating to online marketplaces, online sales direct to the public when the goods are outside the UK at the time of sale and digital services are provided direct to a non-business customer.

The tax authorities level penalties and interest for any errors. These can be significant.

LICENCES

Depending on the nature of the business, it may require licences from local or central authorities or from providers of software etc. Trading licences are required for consumer credit, sale of alcohol and tobacco, gambling and other restricted activities.

DATA PROTECTION

Data protection requirements are covered by both the Data Protection Act 2018 and the UK GDPR (which incorporates into UK law the provisions of EU GDPR). Businesses need to register with the Information Commissioner's Office to hold and process information on living individuals, including employees and customers.

INSURANCE

Compulsory cover is needed for employer's liability (personal injury and damage to personal property of employees). Any business vehicles must have motor insurance, and it is advisable to have insurance against public liability, property (fire and theft) and business interruption. In rented property, occupier's liability insurance may also be required.

COPYRIGHT, PATENTS AND ROYALTIES

The Intellectual Property Office is the UK government body which oversees all matters relating to intellectual property including the registration of copyrights, patents, designs and trademarks.

COLLECTIVE INVESTMENT SCHEMES

Special rules apply to collective investment schemes, details of which are covered at: https://www.gov.uk/money/business-tax-investment-schemes-collective-investment-schemes.

LABOUR

EMPLOYMENT

Employment rules in the UK are designed to ensure that there is no discrimination or unfair treatment of employees and they can work in relative safety and comfort. Key pieces of legislation include:

Employment Rights Act 1996

Provisions include, but are not limited to:

- contracts of employment
- the right to parental leave
- Notice of dismissal – employees must be given a valid reason for dismissal and employees can challenge unfair dismissal
- right to request flexible working

Employees who claim unfair dismissal or discrimination can take their case to an employment tribunal which may order the employer to pay compensation if the case is proved. The amount of compensation awarded can vary significantly based on several factors including an employee's loss of earnings. The maximum award will be capped to £115,115 or a year's gross pay - whichever is the lower. However, certain claims such as those related to automatic unfair dismissal like whistleblowing have no compensation limit.

Where an employer is found to have discriminated against a member of staff, on the grounds of sex, race, gender reassignment, disability, sexual orientation, religion or religious belief, or age, they may also face a potentially unlimited award of damages against them for both loss of earnings and injury to feelings.

Equality Act 2010

This is a major piece of employment legislation. Provisions include, but are not limited to:

Protected characteristics – the act introduced nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

Support for disabled employees - Employers are required to make reasonable adjustments to accommodate disabled individuals.

Equal Pay – employers are required to pay men and women the same for the same or equivalent roles. Since 2017, any employer with 250 or more employees on a specific date each year (the 'snapshot date') is required to report and comply with regulations on gender pay gap reporting.

The Worker Protection (Amendment of Equality Act 2010) Act 2023, also known as the Worker Protection Act, came into force on October 26, 2024. It places a legal duty on employers to take reasonable steps to prevent sexual harassment of their employees. It is important to seek specific advice on how reasonable steps are applied within your organisation.

Neonatal Care (leave and Pay) Act 2023

This came into force on 6 April 2025 and provides a right of up to 12 weeks additional leave and pay for parents of babies who require neonatal care, without impacting their existing parental leave entitlements and benefits.

For further details on eligibility and pay or more information, please see the resources from Acas[49], as well as the relevant government websites[50][51].

Changes Introduced under the Employment Right Act 2025

Employment Rights Act 2025 – Key Changes for Employers

A significant programme of employment law reform is being implemented in the UK under the Employment Rights Act 2025. The reforms introduce a number of measures aimed at improving job security, pay, and working conditions, and will be brought into force on a phased basis during 2026 and 2027.

Key changes include:

From April 2026

- Introduction of day-one rights to paternity leave, parental leave, and bereavement leave
- Removal of the Lower Earnings Limit and the four-day waiting period for Statutory Sick Pay (SSP)
- Enhanced whistleblowing protections, including specific protection for workers who report sexual harassment

From January 2027

- Reduction of the qualifying period for ordinary unfair dismissal protection from two years to six months (subject to final commencement regulations and implementation).

The majority of these reforms will take effect from April 2026 onwards. Employers are advised to monitor commencement dates carefully, as implementation timings differ across provisions.

Employment law remains a complex and rapidly evolving area. Businesses should therefore review existing policies, procedures, and management practices to ensure readiness and compliance, and consider seeking specialist HR or legal advice where appropriate.

Many provisions of the Employment Rights Act 2025 are subject to phased implementation and secondary legislation, with commencement dates potentially subject to change.

CHECKING THE RIGHT TO WORK IN THE UK

Employers are only able to employ individuals who have permission to live and work in the UK. Individuals fall into various different categories for immigration purposes depending upon their

[49] **Neonatal care leave and pay, Acas**
[50] **Neontal Care Pay and Leave, gov.uk**
[51] **Statutory Neonatal Care Pay and Leave:employer guide, gov.uk**

citizenship or nationality. Some individuals are automatically entitled to live and work in the UK, whereas others are required to seek permission to work.

Once you have offered someone a job, you must ask for proof that they have the right to work in the UK. **Rules relating to the categories of individuals who require a visa or corporate sponsorship to work are complicated and advice should be sought for individuals where there is any doubt concerning their right to work in the UK.**

Companies need to hold a sponsorship licence granted by the UK Border Agency before they can sponsor a non-UK employee to work in the UK

Generally, the following workers have the right to work in the UK without seeking additional permission to work:

- British and Irish citizens (conferred by birth, descent, naturalisation or registration)
- Commonwealth citizens with leave to remain in the UK on the basis of a grandparent born in the UK
- People with a right of abode or settled status in the UK
- People with exceptional or indefinite leave to remain in the UK for humanitarian reasons, or who have limited leave to remain on the same basis, provided this has not expired
- Spouses, dependants and unmarried partners (including same sex partners) of people in some of the above categories allowing them to work.

Employers are required to make basic document checks on every worker they take on, before employment commences. Employers should seek advice about which combinations of documents are acceptable because failure to demonstrate adequate steps have been taken can result in a fine of up to GBP 45,000 per worker (for a first breach), GBP 60,000 per worker (for repeat breaches) or a criminal prosecution

CONTRACTS OF EMPLOYMENT

From 6 April 2020, both workers and employees are entitled to receive written particulars from day one of their employment. Failure to do so can result in an award of two weeks wages (or four weeks' pay at the tribunal's discretion) being made by an employment tribunal. The statement of particulars needs to cover certain information including amongst other things remuneration, hours and place of work, holidays and notice.

There are statutory requirements covering many aspects of employment such as maximum working time, minimum hourly wage, maternity pay and leave, parental leave, sick pay, redundancy pay and others with which employers need to be familiar.

PERMANENT, TEMPORARY AND PART-TIME EMPLOYMENT

A permanent contract of employment will usually have a probationary period of three months (although this is not necessary) depending on the seniority of the post, with a minimum notice period. After the probationary period, the notice period for both employer and employee is usually lengthened. An employer is required to give one week's notice to employees with up to two years' continuous service, and thereafter, one week for each completed year of service up to a maximum of twelve weeks unless the provision in the statement of particulars is longer. The statutory minimum notice an employee must give to terminate their employment is one week in the absence of a contractual agreement.

Part-time workers must be given the same rights as full-time workers but proportionate to their hours of work and length of service. In addition to this, with effect from 1 October 2011, temporary agency workers have the right to equal treatment in comparison with permanent workers or employees as regards certain basic working and employment conditions after completing a 12-week qualifying period in the same job role with the same hirer. The requirement is to afford the agency worker the same basic working and employment conditions as they would have received if they had been directly recruited by the hirer to that job role. The terms and conditions affected are pay, the duration of working time, night work, rest periods, rest breaks and annual leave.

Furthermore, from the first day of their assignment, agency workers are now entitled to the same access to certain collective facilities provided by the hirer (such as a canteen, childcare, car parking and transport facilities) and to the same information on job vacancies as comparable permanent workers or employees.

It is also possible to employ staff on a temporary, fixed-term contract. The Fixed Term Employees (Prevention of Less Favourable Treatment) Regulations 2002 and Part-Time Workers (Prevention of Less Favourable Treatment) Regulations 2000 (as amended) make it unlawful to treat temporary or part-time workers less favourably than full-time permanent staff.

GRIEVANCE AND DISCIPLINARY POLICY

Companies are required to act in a reasonable manner, good practice being to investigate the need for a hearing, to invite the employee to a meeting to discuss the issue and to allow the right of appeal against any disciplinary action. Workers have the right to be accompanied at any formal hearings.

When deciding whether an award is due to employees, employment tribunals are guided by the Advisory, Conciliation and Arbitration Service (ACAS) Code of Practice in determining whether employers have acted in a fair and reasonable manner. These tribunals have the authority to increase or decrease an award by 25% if either party fails to follow the Code.

WAGES – PAYROLL RESPONSIBILITIES

Employers must deduct Income Tax and National Insurance contributions (NICs) from the wages/salary of their employees according to the tax coding given to the individuals by HMRC. This is known as Pay As You Earn (PAYE). In addition, employers are required to pay employers' NICs. All the tax and NICs deductions and payments must be sent to HMRC promptly, and returns must be filed both monthly through online payroll reporting and annually stating total payments and the taxable value of any benefits in kind (see below).

In April 2024, the National Living Wage (NLW) was introduced for employees aged 21 and over. These rates are reviewed annually and changes implemented on 1 April each year (see Appendix IV).

Employers will need to automatically enrol all staff into a qualifying pension scheme, although there is an optional three-month postponement period. Staff may opt out, of their own volition, within a four-week window if they wish their contributions to be refunded. Minimum employee and employer contributions are set.



Any data concerning payroll is classed as sensitive data under the General Data Protection Regulation (GDPR) and employers are required to take adequate steps to ensure that the data is secure.

The number of different taxes, benefits and other calculations can make payroll tasks time-consuming and complex for employers, but there are payroll service providers available who will contract to do these tasks for a fee.

BENEFITS IN KIND (BIK)

Benefits in kind provided to employees are taxable.

From April 2026, employers are required to report benefits in kind through real-time on the payroll submission, with traditional annual P11D reporting no longer applying. Employers should ensure payroll systems are appropriately configured for this change

For further details advice should be taken.

REDUNDANCY, UNEMPLOYMENT, SOCIAL SERVICES

When there is a closure of the employer's business, an employee's place of work or a diminished need for employees, usually caused by a downturn in business or restructuring, employees can be made redundant. If an employee has been working for more than the minimum period (currently two years), he or she is legally entitled to a statutory redundancy payment, which is calculated according to age, length of service and salary, subject to a maximum of GBP 719.00 per week for each continuous year of service (up to the last 20 years of service).

There is also a strict obligation placed upon employers to consult with their workforce before implementing redundancies. Depending upon the number of redundancies, employers may be required to consult for up to 45 days and notify the Department for Business and Trade (DBT) of the impending redundancies.

INDUSTRIAL RELATIONS/TRADE UNIONS

Membership of trade unions has declined in recent years and scope for industrial action has also become more limited. However, every employee has the right to be a member of a trade union. Where an industry remains heavily unionised, trade unions are likely to be involved in pay negotiations, training needs and grievance and disciplinary proceedings, working closely with personnel/human resources staff.

HEALTH AND SAFETY

The Health & Safety Executive (HSE) requires all employers to ensure the health and safety of their employees. The HSE issues directives on all aspects of safety and can prosecute businesses which do not comply. HSE inspectors visit employers' premises to ensure compliance, and they have the power to close a business if it is deemed dangerous.

Under the Corporate Manslaughter and Corporate Homicide Act 2007, companies and organisations can be found guilty of corporate manslaughter on the basis of gross health and safety management failings. The legislation focuses on the corporate liability of an organisation as a whole. There is no limit on the level of fine which a court can impose under the legislation, nor is it possible for employers to obtain insurance against a fine. Employers must therefore be satisfied

that their health and safety management procedures are appropriate, effectively managed throughout the workplace and regularly reviewed.

ALTERNATIVES TO EMPLOYMENT

SUBCONTRACTORS AND OUTSOURCING

It is common in some industries (e.g. construction) for businesses to use a subcontractor (either a business or a self-employed person) instead of employing someone with particular skills for a specific task. Many businesses and public bodies also outsource some non-core activities of their business (such as catering, facilities management, security and accounts) to external suppliers in return for a fixed price. In both cases, the business has a contract with another business (or self-employed person) for the supply of a service or component product, rather than having to employ people directly. This can reduce costs and administrative time and provide higher quality skills for specific tasks, whilst at the same time relieving the business of the liabilities and responsibilities related to being an employer.

SELF-EMPLOYMENT

It is possible to set up a business as a self-employed person. HMRC use different methods for assessing and collecting Income Tax and National Insurance, both of which are generally lower than for someone who is employed.

Disputes between businesses and individuals over employee status can be relatively common given the rights afforded to employees as opposed to workers (i.e. non-employees). Employment tribunals are required to apply a series of tests in order to establish whether a person has employee status. When seeking to engage individuals on a self-employed basis, it is advisable to obtain advice from a solicitor specialising in employment law who can assist you in establishing whether an individual would be treated as an employee by an employment tribunal. However, it should be noted that tax treatment as a self-employed person for taxation purposes is not decided upon on exactly the same basis as for employment rights and it is possible for a worker to be treated as self-employed for tax purposes yet still have some employment rights as a worker. Again, specialist advice should be obtained.

Special regulations can apply where an individual uses a company structure to sell his/her services to a client (often referred to as off-payroll working or IR35), requiring an assessment of whether a contract is one of employment or self-employment. If the contract is one of employment, income receivable by the company is taxed as if it was salary with the consequential effect upon Income Tax, and employers and employee NIC rates applying. Managed service companies are subject to similar regulations. Otherwise, company income is taxed under corporation tax rules, leaving the owners of the company to decide how to reward themselves in the most tax efficient way.

TAXATION

TAX AUTHORITIES AND RESPONSIBILITY

The administration and collection of taxes within the UK is undertaken by HM Revenue & Customs (HMRC).

HMRC are responsible for administering and collecting all national taxes which include Corporation Tax, Income tax, National Insurance, Capital Gains Tax, VAT, Annual Tax on Enveloped Dwellings (ATED), Stamp Duty and Stamp Duty Land Tax. Land and Buildings Transaction Tax applies instead of the latter in Scotland and is administered by Revenue Scotland.

In addition to the above taxes, which are collected on a national basis, local town, city or county authorities are able to collect Council Tax, which is levied by reference to the value of business or residential property rather than profits or income.

BASIS OF TAXATION

Liability to UK taxation depends upon the residency status of the company, individual or trust, and the location of assets and source of income. Companies and individuals who are residents in the UK typically pay tax on their worldwide income and gains, whereas non-residents are subject to tax only on UK-source income.

The previously implemented non-domiciled regime has now been abolished, following the announcements made in the Spring Budget 2024, and replaced by a new residence-based system which has been in effect since 6 April 2025.

Under the new rules, new UK tax residents who have been non-UK resident for at least 10 consecutive tax years may qualify for the four year Foreign Income & Gains (FIG) regime, which provides full UK tax relief on foreign income and gains arising during those first four years of UK residence, even if those funds are brought to the UK. After the four-year period, individuals are taxed on their worldwide income and gains in line with the standard UK rules.

An important change to note is that the FIG regime (unlike the previous remittance basis regime), will apply equally to both UK domiciled and non-UK domiciled individuals. There is, therefore (for the first time), the opportunity for UK domiciled individuals returning to the UK after an extended period of at least 10 tax years of non-UK residence (who were not historically eligible for the remittance basis) to benefit from this new regime.

For existing non-domiciles, several transitional provisions apply, including the Temporary Repatriation Facility (TRF), which allows certain foreign income and gains (accrued prior to 6 April 2025), to be remitted to the UK after 6 April 2025 at a reduced rate. This relief will only be available for a limited period of three tax years.

To utilise the TRF, taxpayers will be required to designate the FIG to which the relief will apply in their self-assessment return. Designations made for 2025/26 and 2026/27 will be taxed at a flat rate of 12%, rising to 15% for designations made during the 2027/28 tax year.

The TRF charge is payable on designation, and no further tax will be payable once the designated FIG funds are actually remitted to the UK. It is, therefore, possible to make advance designations of amounts which a taxpayer wishes to remit in the future. There is currently no requirement to declare remittances of designated FIG amounts which are made in subsequent years.

It is important to note that it will not be possible for individuals to claim a credit for foreign tax paid against the TRF charge, so any FIG designated under the TRF should be net of any foreign taxes paid.

Where foreign income of UK residents is taxable, a credit for foreign tax paid may be given in accordance with double tax arrangements.

BUSINESS TAXES

RESIDENT COMPANIES

There are two tests that need to be considered when determining whether a company is tax resident in the UK. Firstly, any company which is incorporated in the UK is automatically considered to be UK tax resident.

In addition to this, any company, regardless of the location of its incorporation, will be considered to be UK tax resident if it is managed and controlled in the UK.

It is therefore possible for a company to be UK resident by virtue of its management and control, but also resident in an overseas jurisdiction by virtue of their tax law. The residence status of these companies can be resolved with reference to the relevant tax treaty, if one exists.

Companies incorporated outside the UK but not managed and controlled in the UK, will only have a liability to Corporation Tax based on the profits of their UK branch or permanent establishment.

CORPORATION TAX

Companies resident in the UK pay Corporation Tax on their worldwide trading profits, income and capital gains (see Appendix II for current rate of Corporation Tax).

The rate of Corporation Tax is 25% for companies with profits over £250,000, and 19% for companies with profits of £50,000 or less. Companies with profits between £50,000 and £250,000 will pay tax at the main rate (25%) reduced by a marginal relief providing a gradual increase in the effective rate.

These limits are proportionately reduced for short accounting periods and where there are associated companies. Associated companies are those under the control of the same person or persons.

Large companies (usually those with profits greater than £1.5m, adjusted for short periods and associated companies) are obliged to pay tax in four instalments. Based on a 12-month accounting period, the first payment is due on the 14th day of the seventh month of their accounting period and then quarterly thereafter, with the final payment made on the 14th day of the sixteenth month following the start of the accounting period. Companies who are not defined as large normally pay their Corporation Tax liability nine months and one day after the end of the accounting period. Accelerated



payment rates apply to very large companies (where taxable profits exceed £20m) by imposing instalments in months three, six, nine and twelve.

Interest is chargeable in the event of tax payments or instalments being paid late and is repayable if payments are excessive.

A company has 12 months from the end of their accounting period to file their tax return. Generally, HMRC then has 12 months to open an enquiry into the return. Penalties are levied for both late filing and for filing an incorrect return.

Loans to shareholders or other participators are likely to incur a special tax (35.75% for loans made after 6 April 2026 and 33.75% for loans prior to that date), which is payable nine months after the accounting period in which the loan is provided. However, once the loan is repaid or forgiven, the tax should become repayable to the company nine months after the relevant accounting period in which the loan is repaid.

DIVIDEND EXEMPTION

Subject to certain anti-avoidance rules, dividends received from both UK and overseas subsidiaries (located in most treaty countries) will not normally be taxed in the UK. This is one of the measures which make the UK an attractive location for a holding company.

LOSSES

In general, trading losses may be carried back for 12 months or carried forward indefinitely, subject to changes in ownership and the nature or conduct of the trade. Current year losses may also be surrendered between group members to offset against their profits for the same period. Different rules apply to excess interest costs and management expenses of investment companies which generally may not be carried back.

Losses brought forward can be offset against income subject to a restriction of 50% where profits are above the £5 million group allowance. Capital losses brought forward can be offset against capital gains and are included as part of the £5 million group allowance.

CAPITAL ALLOWANCES

Book depreciation or amortisation of tangible assets is not allowable for tax purposes; instead, relief by way of capital allowances is often available. Purchases of plant and machinery are eligible for writing down allowances (WDA), typically 14% (18% prior to April 2026) on the reducing balance. Integral assets (IA) within a commercial building (e.g. lighting, heating, ventilation etc.) and long-life assets only qualify for 6% WDA per annum. However, a 100% annual investment allowance (AIA) is available for the first GBP £1,000,000 of expenditure on any plant and machinery or IA.

A structure and buildings allowance (SBA) of 3% is available on qualifying costs for new non-residential structures and buildings as well as businesses constructing or renovating structures.

From 1 April 2023 companies can claim a 100% first year allowance (“full expensing”) for main rate expenditure, and a 50% first year allowance for special rate expenditure. Following the Spring Budget 2024, this policy has now been made permanent.

The government has also stated its intention for full expensing to also apply to leased assets where the lessor is treated as the owner of the asset for capital allowance purposes.



Full expensing has the benefit that as long as the asset qualifies there is no upper limit unlike the AIA which is restricted to expenditure up to £1,000,000.

An initial allowance of 100% is available for certain types of energy efficient expenditure or on cars with very low CO2 emissions. By contrast, assets leased abroad are only eligible for 8% WDA.

A 100% Enhanced Capital Allowance (ECA) will be available to companies for qualifying expenditure on plant and machinery for use within Freeport sites. The plant and machinery must be new or unused and be for the purpose of a qualifying activity carried out within a Freeport between 2021 and September 2026. The allowance will be available on the qualifying expenditure in the tax year it is incurred but could be clawed back if within five years of the acquisition/usage it is used outside of the Freeport site. In addition to the ECA, a 10% rate of structures and buildings allowance will be available for business constructions or renovating structures and buildings used for non- residential use.

INTANGIBLE FIXED ASSETS

Relief is available for expenditure incurred in the creation, acquisition or enhancement of intangible assets (typically goodwill, patents, trademarks, copyrights and the like) based on the profit and loss account charge. Conversely, credits to the profit and loss account and profits on disposal will be taxable as income. Assets created or acquired before 1 April 2002 or from a connected party other than a group company will remain chargeable as capital gains and so are not eligible for the above relief. Major restrictions apply to goodwill and customer related intangible assets acquired on or after 8 July 2015.

RESTRICTION FOR INTEREST DEDUCTIONS

With effect from 1 April 2017, tax relief is limited to 30% of 'tax-EBITDA' (taxable profits less interest, tax depreciation and amortisation and all losses but after adding back chargeable gains). A de minimis allowance of £2m will exclude a large number of companies from this restriction.

The UK also has both thin capitalisation rules which may restrict the extent to which interest paid to connected parties will qualify for a tax deduction and the normal arm's length interest rate restrictions.

HYBRID MISMATCH

Hybrid mismatch rules applied from 1 January 2017 to deny a tax deduction in the UK where there is a deduction available in another country, or where the corresponding receipt is not treated as taxable income. In addition, the rules will ensure that income is taxable in the UK where a deduction arising from a hybrid arrangement has not been denied in another country. Legislation has been introduced to ensure that the regime operates proportionately and as intended; this has included an amendment to the definition of dual inclusion income to reduce the number of occasions where the anti-avoidance rules will apply. A company is required to make disclosures in the tax return if it is a hybrid entity and any anti-hybrid adjustments are made in the tax return.

DIVERTED PROFITS TAX

From April 2015 a company could be charged to a separate tax, 31%, which is not covered by the UK's double tax treaties. This applied if contrived arrangements had avoided UK tax by avoiding a UK permanent establishment or certain other arrangements between connected parties.

From 1 January 2026, the government has repealed the diverted profits tax and replaced it with a new Unassessed Transfer Pricing Profits charge. This reform has been incorporated into the main

Corporation Tax regime. As a result, diverted profits arising in periods beginning on or after that date are taxed at the standard Corporation Tax rate rather than as a separate 31% charge.

GENERAL ANTI-ABUSE RULE (GAAR)

In addition to extensive targeted anti-avoidance legislation, the UK operates a GAAR for most taxes, excluding VAT. The GAAR seeks to adjust the results which fail the so called 'double reasonableness' test as being avoidance through abusive use of tax rules. The 'double reasonableness' test attempts to restrict the use of this by deeming that arrangements are abusive if the entering into them cannot reasonably be regarded as a reasonable course of action.

GROUPS OF COMPANIES – CAPITAL GAINS

Special arrangements exist for a group of UK companies to elect for the gain or loss realised on the disposal of a capital asset to be taken by another group member, thereby enabling them to mitigate tax. This is, in effect, a form of group relief for capital losses, but pre-acquisition losses or gains of companies joining the group are ring-fenced to prevent abuse.

Disposals of substantial shareholdings in trading subsidiaries may be exempt if the shareholder continues to be a parent of a trading company, or a trader in its own right immediately after the disposal. The definition of a substantial shareholding for this exemption to apply is a holding of no less than 10%. The condition requiring the investor to still be trading after the disposal is abolished for disposals after 1 April 2017.

This exemption, coupled with the dividend exemption referred to previously, have combined to make the UK an attractive jurisdiction to locate a holding company.

CAPITAL GAINS AND LOSSES

Normally companies are chargeable for Corporation Tax (see Appendix II) on the excess of the sale proceeds or disposal value for chargeable assets over their cost, after taking into account indexation relief, which is based on published rates linked to inflation over the period of ownership. Indexation allowance was frozen with effect from 1 January 2018 – so that there will be no further relief for the gains attributable to inflation. Losses arising from the disposal of assets in the same period or losses brought forward may be offset against the gain. Since 1 April 2020, capital losses carried forward can only be used to offset 50% of any net capital gain subject to the annual £5m deductions allowance.

GROUPS OF COMPANIES – OVERSEAS BRANCH

Companies with an overseas branch of a UK company are generally liable to taxation in the UK with a credit provided for any foreign tax incurred. In practice this means that profits in branches with a lower tax rate than the UK would incur additional tax in the UK.

Companies can in certain circumstances elect to have the profits of their overseas branches excluded from being taxed in the UK under the foreign branch exemption regime. The effect of opting into this legislation restricts the losses of overseas branches being utilised against any profits arising in the UK.

GROUPS OF COMPANIES – CONTROLLED FOREIGN COMPANY RULES

A Controlled Foreign Company (CFC) is a non-resident company controlled by UK resident persons. Any UK resident company may be assessable on the CFC profits if it holds a 25% or more interest in the CFC. However, if one of the following statutory exemptions applies to the CFC then no assessment can occur:



- Temporary period – normally up to 12 months
- Excluded territories - typically treaty countries
- Low profits – less than £500K trading or £50k otherwise
- Low profit margin – less than 10% of relevant operating expenditure
- Local tax – at least 75% of corresponding UK tax.

TAXATION OF BRANCHES OF FOREIGN COMPANIES

UK profits of a branch or other permanent establishment of a non-UK resident company are normally subject to Corporation Tax in the same way as a UK company. Allocated head office expenses need to be arm's length and justified in the same way as other expenditure with connected parties. This is subject to hybrid mismatch rules. Interest on debt due to the head office may not be allowed. Gains realised on assets used in the UK trade are also chargeable.

Special relief is available for the conversion of the branch into a UK resident company, although relief for losses carried forward may be restricted where the head office has also obtained relief for the loss.

SPECIAL RULES – OIL AND GAS ACTIVITIES

Companies undertaking a petroliferous trade in either the UK or in UK territorial waters are subject to an additional tax regime, whereby profits arising from exploration are isolated from other profits such as refining and marketing. The key effect is that losses from other trades cannot be used against these ring-fenced profits.

This regime imposes a supplementary tax on UK profits. With effect from 1 January 2016, ring-fenced profits are taxed at a main rate of 30% and a supplementary charge of 10%.

The Energy (Oil & Gas) Profits Levy announced in May 2022 applies a temporary tax levy on ring fenced profits on oil and gas companies. Currently taxed at 35%, the levy is scheduled to remain in force until 31 March 2029. This measure also reduces the investment allowance from 80% to 29%. However, the investment allowance will remain at 80% for investment expenditure on upstream decarbonisation.

The government has introduced the Energy Security Investment Mechanism ("ESIM") for the early termination of the EPL before 31 March 2030 if oil and gas prices were to return to historically normal levels. The ESIM will trigger if, over a six-month rolling reference period, the average prices of both oil and gas fall to, or below, the ESIM threshold prices. The original thresholds were set at $71.40 per barrel for oil and £0.54 per therm for gas, based on a 20-year historic average to the end of 2022, though these are adjusted annually in line with the preceding December's CPI figure. If the ESIM is triggered, the EPL will cease to apply, and the total headline tax rate on upstream oil and gas profits will reduce from 78%[42] to 40%[43] under the permanent regime. These thresholds will be adjusted for annually based on the Consumer Prices Index figure. This is intended to give the oil and gas sector certainty to raise capital and invest in new and existing projects. The ESIM legislation will take effect following Royal Assent.

CREATIVE INDUSTRY TAX RELIEFS

From 1 April 2025, qualifying UK visual-effects expenditure for film and TV receives either a 34%, 39% or 53% Audio-Visual Expenditure Credit (AVEC). The rate at which the credit is given will depend on the

[42] Further changes to the Energy (Oil and Gas) Profits Levy announced*, BCLP,* bclplaw.com
[43] Budget: Oil and gas windfall tax and decommissioning relief changes*, KPMG*, kpmg.com

nature of the production. The 80% cap on qualifying expenditure has been removed, but this is only for UK VFX costs.

Additionally, a 40% relief from business rates has been introduced for eligible film studios in England until 2034.

RESEARCH AND DEVELOPMENT

Another measure making the UK a favourable tax territory for companies is a tax credit available in respect of a company's spend on qualifying research and development expenditure.

Since its introduction in 2000, there has always been targeted tax relief to encourage UK companies to increase their spending on Research & Development.

Historically this incentive was split into two different schemes, for either SMEs or Large companies but for accounting periods beginning on or after 1 April 2024 there is now one single merged scheme.

The merged scheme is operated in a similar way to the previous RDEC scheme available to large companies and enables all companies who incur qualifying R&D expenditure to claim an 'above the line' credit of 20%, which represents a net cash benefit of 15%.

For loss making companies, and companies paying Corporation Tax at small profits rates (profits chargeable to Corporation Tax < £50,000 excluding any RDEC claimed) the tax credit obtained is calculated at 19% as opposed to 25% i.e. the small profits rate of tax.

The UK Government is however conscious that loss-making companies could be significantly impacted by the new merged scheme as they do not pay tax to offset, and so they also introduced the Enhanced R&D Intensive Support scheme ("ERIS") as an effective extension of the new merged scheme.

Where a company is deemed to be R&D intensive, this will allow loss making companies to continue to claim at a rate of 186% (as within the old SME scheme), and if desired, claim a payable tax credit of 14.5% of the surrenderable loss.

A company meets the intensity condition (for accounting periods beginning on or after 1 April 2024), if its relevant R&D expenditure is at least 30% of its total relevant expenditure including that of any connected companies. Total relevant expenditure includes the expenditure brought into account under GAAP in calculating the profits of a trade i.e. any expenditure that feeds into the profit before tax in a company's P&L account or income statement. It does not include any expenditure which consists of a payment, or other transfer of value to connected companies.

Since 1 April 2023, R&D activity has to be physically located in the UK, or the relevant staffing costs must be included on a UK payroll to be included in an R&D tax relief claim. UK companies who currently claim R&D costs paid to overseas group companies or third parties may therefore no longer be able to include these costs in their claims.

The rules do however recognise that there can be cases where it is necessary for the R&D to take place overseas. Legislation does allow expenditure on overseas R&D activities to still qualify where there are material factors such as geography, environment, population or other conditions that may not be present in the UK and are required for the research or there are regulatory/other legal requirements that activities must take place outside of the UK e.g., deep sea ocean projects or clinical trials.

PAYE AND NATIONAL INSURANCE RESTRICTION

The research & development credit claimed is limited to £20,000 plus three times the company's relevant expenditure on workers, being the company's own PAYE and NIC liabilities for the period plus some PAYE and NIC liabilities of any connected persons doing subcontracted R&D work for the company.

There is an exemption to the cap if the employees are creating, preparing to create or managing Intellectual Property and less than 15% of its R&D qualifying expenditure is spent with connected persons.

Where certain capital expenditure is incurred on a qualifying project(s) then Research and Development Allowances may also apply at 100%.

This reform will support sectors where the UK has a comparative advantage such as Artificial Intelligence, quantum computing and robotics while also supporting strong sectors such as manufacturing and design.

ADMINISTRATION

Companies will need to notify HMRC if they plan to make an R&D claim if the following applies:

- They are claiming for the first time.
- They have claimed for the previous tax year but did not submit that claim until after the last date of the claim notification period (the claim notification period ends 6 months after the end of the period of account).
- The last claim was made more than 3 years before the last date of the claim notification period.

The latest date that the claim notification form needs to be submitted is 6 months after the end of the period of account that the claim relates to. If the notification is not submitted by this deadline, the claim may not be valid.

In addition to this, companies must submit an additional information form to support the R&D claim. This includes company details as well as information relating to the qualifying expenditure and the project details.

PARTNERSHIPS

A partnership will be resident in the UK if most of the individuals or companies which comprise the firm are resident here. However, such entities are not taxed as such but merely have to report the profits and income derived by their members. Each member is taxed on their share, together with their non-partnership income or gains. Thus, a non-resident member of a resident partnership is taxable on their share of the profits arising in the UK.

LIMITED LIABILITY PARTNERSHIP (LLP)

Strictly speaking, this is an incorporated body registered at Companies House. However, where it conducts its business with a view to profit, it will be treated as a look-through for tax purposes. Thus, the same concepts as for a partnership (see above) will apply in taxing the profits or gains of the members. Where the LLP is not conducting business with a view to profit (e.g., it is in the process of being wound up), then it will be treated as a limited company and any income will be chargeable for Corporation Tax.

Members of an LLP need to pass at least one test relating to profit share, capital, or control, otherwise they will be treated as an employee rather than a partner for tax purposes. Where the LLP has both individual and company members, the profits allocated to the company member may be attributed to an associated individual and taxed accordingly.

NATIONAL INSURANCE CONTRIBUTIONS (NICS)

Sole traders and partners (self-employed individuals) are required to register their business activity and pay National Insurance Contributions based on their profits (see appendix II). This is now collected through the tax self-assessment.

In addition to collecting employees' Income Tax and NICs by withholding the relevant amount from their wages or salary payments, an employer has to bear the cost of a further employers' NIC (see appendix II) on both remuneration and benefits in kind provided to employees. The collection and remittance of these taxes by the employer is done under a system known as Pay As You Earn (PAYE). Favourably reduced rates apply for apprentices as well as those under 21 and most employers will be eligible for an NIC rebate which allows employers to reduce their NIC liability by up to the annual employment allowance amount, £10,500 from 6 April 2025. This amount is set against employers annual Class 1 NIC.

AUTO-ENROLMENT

A workplace pensions regime applies to employers who do not provide a qualifying pension scheme. All eligible jobholders will need to be automatically enrolled into a pension scheme with contribution rates of up to 8% (including at least 3% from the employer).

UK REAL ESTATE

Resident individuals' or companies' rental income from UK property is not subject to withholding tax, but the surplus is chargeable at their marginal rate of tax. They are also chargeable upon the gain realised on the disposal of UK property. Non-UK resident individuals who receive income from letting out UK property are subject to the provisions of the Non-resident Landlord Scheme (NRLS). The NRLS requires Income Tax at basic rate (currently at 20%) to be withheld on the rent, either by the tenant or the letting agent as appropriate. However, the landlord can receive the rental income gross (without the deduction of tax) if they receive permission from HMRC. HMRC will normally grant permission for this provided the landlord satisfies the relevant conditions. Where gross status is granted, the NRL will need to complete and submit annual self-assessment tax returns and ensure that their tax liabilities are settled on time under the self-assessment regime.

Companies owning residential property that is not let on commercial terms or used by connected parties are subject to an annual tax on enveloped dwellings (ATED) if the value of the property is above £500k. Certain companies can claim relief from the ATED charge, but nevertheless need to file the claim by the same deadline. The deadline for submission of the ATED return is 30 April in advance for the chargeable year starting on 1 April.

Both non-resident individuals and companies owning UK residential property, whether occupied by connected parties or otherwise, will be taxable upon the relevant gain realised on disposal. These rules also applied to non-residential property from 6 April 2019, with gains accrued after this date being brought into charge.

Non-resident landlord companies that have a UK property business or have UK property income are charged to Corporation Tax rather than Income Tax. They are assessed using the Corporation Tax rules



including the corporate interest restriction rules on the deductibility of financing costs, hybrid mismatch rules, use of losses etc. and will be required to register, prepare and file Corporation Tax returns and accounts annually.

Overseas entities transacting with property or land in the UK must register with Companies House and identify their beneficial owners.

REPATRIATION OF PROFITS

Pre-tax profits may be repatriated by companies in the form of tax-deductible interest, rent, royalties or management charges, provided the cost can be justified as being arm's length. However, the first three items may be subject to withholding taxes, except where clearances are obtained in accordance with a relevant double tax treaty.

The application of withholding taxes to interest or royalties is at 20%, however royalties may now be self-assessed by the UK payer, but the liability remains due if the overseas entity was not eligible for relief. Excessive payments may be treated as both disallowable for Corporation Tax purposes and also as a distribution for double tax treaty or income purposes.

Post-tax profits may be distributed in the form of dividends to the overseas shareholder without a further tax charge or withholding in the UK and the recipient may be entitled to a repayable tax credit under certain treaties.

DOUBLE TAX TREATIES

The UK has entered into more double tax treaties than any other country in the world. These double tax treaties cover such matters as residence status, permanent establishments, business profits, income from land and property, dividends, royalties and interest, personal direct and indirect income and capital gains. These agreements enhance the already favourable UK tax regime. HMRC maintains details of the UK's Tax Treaties on gov.uk.

TRANSFER PRICING

The UK operates a universal system of transfer pricing in accordance with the Organisation for Economic Co-operation and Development (OECD) guidelines so that all business transactions between connected parties need to be at arm's length prices, not just those with persons abroad. It is the company's responsibility to ensure that these rules are adhered to and that records are maintained evidencing and justifying the position taken.

There are potential exemptions for smaller and medium sized groups where they do not employ more than 250 employees and their group annual turnover/gross assets do not exceed EUR 50m/EUR 43m respectively. However, in practice these exemptions are extremely limited.

Since 1 April 2023, companies with group consolidated revenue exceeding €750m are legally required to maintain a master file which sets out the group's business, nature of global operations and overall transfer pricing policies and its global allocation of income and expenditure activity. They also need to maintain local country files which incorporate details of material intragroup transactions for the local taxpayer for the year and supporting pricing analysis for each entity.

PERSONAL TAXES

RESIDENT/NON-RESIDENT STATUS

Since 6 April 2013, The UK has a statutory test for tax residence. To determine whether a person has sufficient ties to be regarded as UK resident for the relevant tax year, a number of factors are considered in conjunction with the number of days a person spends in the UK.

Someone who spends 183 days or more in the UK in a tax year will be automatically treated as tax resident.

NON-RESIDENTS OWNING UK PROPERTY

Special tax regimes apply to non-resident individuals, trusts and companies that own UK property (residential or commercial). These have been subject to significant change over recent years. Advice should always be taken in respect of ownership structures and the tax implications.

A non-UK resident must report all sales of UK land and property to HMRC, even if there is no CGT to pay. The sale needs to be reported within 60 days from the completion date (not the date of exchange) by submitting a stand-alone return to HMRC and any Capital Gains Tax is due by the same date.

INCOME TAX

Income Tax and National Insurance contribution (NICs) rates, and reliefs applicable to individuals, are set out in Appendix II. Salary (including benefits in kind), trading profits, dividends, investment and property income are subject to Income Tax at various rates, based on the income arising in the fiscal year ending 5 April. Employment taxes are collected at the time of payment. Credit will normally be given for withholding taxes suffered in respect of overseas income. UK property income paid to non-residents may be subject to basic rate withholding tax, currently at the rate of 20%, (unless an application is made with HMRC) under the non-resident landlord scheme for rents to be paid gross.

Higher rate tax on investment income and tax on profits of self-employment are normally payable by instalments due on 31 January in the fiscal year and the following 31 July. These instalments are based on the liability of the previous tax year and calculated at 50% each, with any outstanding balance of Income Tax due being payable on the following 31 January, together with any Capital Gains Tax due for that year. Instalments may be reduced or overpayments claimed as soon as the claim is processed and agreed with HMRC.

BENEFITS IN KIND

The provision by an employer to an employee (or their relative) of an asset (e.g. accommodation, furniture or a car) or other benefits (e.g. entertainment, domestic or other services, medical insurance, interest free or low interest loans) are taxable on the employee and give rise to employers' NICs. Nevertheless, such benefits continue to play a significant role in attracting and retaining key employees. With effect from April 2027 employers will be required to payroll all benefits with the exception of those benefits relating to loans and living accommodation.

CAPITAL GAINS TAX

Sales of an asset such as property (unless exempt), shares or a business may give rise to, Capital Gains Tax (CGT) on any profits (gains). After the deduction of an annual exempt amount and all reliefs, if applicable, tax will be due at the relevant rates (shown in Appendix II).

Provided the various conditions are met, Business Asset Disposal Relief allows a lifetime limit of up to £1million of gains on qualifying business disposals to be taxed at 18% and Investors' Relief allows up to a lifetime limit of £1million of gains on disposals of qualifying shares in an unlisted trading company

to be taxed at 18% with the remainder subject to Capital Gains Tax at the prevailing main rate of 24%.

INHERITANCE TAX

Historically, exposure to IHT was based on a person's domicile status and the situs of the assets held. A person who had a domicile in the UK was within the scope of IHT in respect of their worldwide assets, but a non-UK domiciled individual was subject to IHT only in respect of their UK situated assets and indirect interests in UK residential property (such as interests held via a company or other entity).

However, with effect from 6 April 2025 all non-UK assets are within the scope of IHT if an individual has been resident in the UK for at least 10 out of the last 20 tax years immediately preceding the tax year in which a chargeable event (including gifts, the creation of trusts or death) arises.

SALES TAXES/VAT

BASIS OF TAXATION

Most businesses must account for Value Added Tax (VAT) on their sales of goods and services. Depending on the nature of the goods or services, they can be taxed in a variety of places depending where the supplier and customer are established, where the goods are located, where the services are performed or 'used and enjoyed', or where any relevant interests in land are situated. In addition, for cross border transactions, complex rules apply in many instances to determine whether the tax is payable by the supplier or the customer under the reverse charge provisions and whether a non-resident supplier is required to register for VAT in the UK. In accounting to HMRC for the VAT collected, a business is normally allowed to deduct the VAT it has accrued on expenditure, with some exceptions.

STANDARD-RATED OR REDUCED RATED SUPPLY

Most sales are subject to VAT at the standard rate of 20%. Some, however, can be subject to the reduced rate of 5%. It is important to charge the correct rate – failing to do this may result in HMRC issuing penalties and imposing interest charges. It can also be difficult to correct the error at a later date and there is a strict process to follow.

EXEMPT RATED SUPPLY

A VAT-exempt business (e.g. in real estate or finance) should be contrasted with one where VAT is due at 0% (e.g. selling food, books, children's clothing). No VAT is charged to the customer in either case, but the business can claim a repayable VAT credit if the sales are 0% rated, though not if it is exempt.

PARTIAL EXEMPTION

Where a business has activities that are both taxable and exempt for VAT purposes, it is partly exempt and must perform calculations for every VAT return to work out how much input VAT can be reclaimed. These calculations can be complex and are frequently challenged by the tax authorities. Partial exemption is also common in various European Union countries: Although similar to the UK, the necessary calculations and legal obligations can differ, so the position needs to be considered on a country-by-country basis.

VAT RETURNS

Returns declaring income, expenditure and associated VAT need to be completed frequently. All VAT returns and other declarations are now filed online, and the UK authorities introduced a new electronic filing system ('Making Tax Digital') on 1 April 2019. Returns are normally filed on a quarterly basis, although some businesses can choose to file monthly or annual VAT returns instead. Any VAT due is normally payable no later than 1 month and 7 days following the VAT return period end although certain businesses may be allowed or required to pay by monthly instalments or place a sum on deposit. The UK operates a penalty points system for late submissions and in some cases, significant penalties and interest may be incurred for late or incorrect payments/returns.

PROPERTY TRANSACTIONS

The VAT treatment of transactions in property can vary considerably. Sometimes they will be subject to the standard-rate of VAT compulsorily or by election, whilst in other cases zero rated, reduced-rated or exempt, with or without a credit for VAT paid on costs. This topic is extremely complicated with often significant sums at stake and the possible outcomes for suppliers and customers can be significantly different with complex interactions with other taxes. It is therefore beyond the scope of this report and specialist advice should be sought.

OTHER TAXES

CUSTOMS DUTIES

Customs import duties are levied on goods imported into the UK although goods originating in the EU can be imported without tariffs. Other reliefs may be available (e.g. inward processing relief). Import duty is chargeable on most goods including agricultural products, raw materials and manufactured goods. The rate of duty can vary. It is calculated by applying the relevant percentage to the value of the imported goods. HMRC have specific methods for valuing imports. Other things to consider include anti-dumping provisions to protect home markets: this can increase the duty payable.

Preferential treatment, and sometimes complete exemption from duty, is granted when goods are imported into the UK from certain countries such as members of the European Free Trade Association. The UK has many trade agreements with different countries worldwide.

Customs duties are often overlooked – businesses who import into the UK should take care to ensure that the import process is managed and that the correct amount of duty is being paid. As Customs duties are not recoverable, this results in an absolute cost for the importer, unless the cost can be passed onto customers.

BREXIT

The UK left the EU with effect from 1 January 2021 when the transition period ended. This means the UK is no longer part of the EU common customs area or single market for VAT purposes. The Trade and Cooperation Agreement with the EU introduced a number of simplifications intended to limit the damage to UK / EU trade. If you act as an importer of record for UK goods you will need a GB EORI number. You are likely to incur import VAT which can be recovered via your UK VAT return if Postponed VAT Accounting is utilised. Otherwise import VAT is due either at the time of importation or through a

deferment account if one is in place, in which case such import VAT can be recovered through the VAT return once the appropriate supporting evidence (e.g. C79 certificate) is held.

ONLINE TRADE

New rules came into effect on 1 January 2021 which impacted the sale of goods purchased online outside of the UK. For business to consumer sales with a consignment value less than £135, the overseas seller must register for VAT in the UK. If the consignment value exceeds £135 then any VAT accounting obligations are determined by reference to the importer of record and the normal VAT rules apply.

There are also new rules for online marketplaces that must be considered. These result in joint and several liability for the online marketplace.

INWARD PROCESSING RELIEF

Inward Processing Relief (IPR) is where goods are imported into the UK from a destination outside of the UK to undergo some form of processing. On completion, the goods are re- exported to a destination outside of the UK. IPR works by relieving the importer from paying import VAT and duties on arrival.

The procedures to apply for IPR can be complicated because there are various authorisations. There can be significant cash flow differences between not paying the duty and VAT at all, as opposed to paying it initially and reclaiming it later. This regime is naturally controlled very tightly by the UK tax authorities.

BONDED WAREHOUSES

The bonded warehouses system may be used by importers of goods liable to customs and excise duties, to postpone payment of duties until goods are removed from the warehouse for UK use. Duty is not charged if the goods are re-exported from a bonded warehouse to a destination outside of the UK.

ENVIRONMENTAL AND OTHER TAXES

A range of environmental and other taxes are levied on different industry sectors such as Air Passenger Duty [APD], Insurance Premium Tax [IPT], Climate Change Levy [CCL], Landfill Tax, Aggregates Levy and others (such as Vaping Products Duty starting from 1 October 2026).

These are too numerous to be included in any detail in this report but advice should be sought to ensure that any legal requirements or obligations are met.

STAMP DUTY

Contracts for the sale or transfer of shares or securities, including the purchase by a company of its own shares, are subject to a rate of duty (0.5%) for every GBP 1,000 of consideration or part thereof.

STAMP DUTY LAND TAX (SDLT)

Conveyances or transfers of other property (e.g. land and buildings or related goodwill) are subject to various rates up to 12% based on the value of the transaction, nature of the property or the purchaser (see Appendix II). The standard residential property rate may be increased by 5% if additional residential properties are acquired which could increase the rate to a maximum of 17%.



Instruments granting leases over non-residential land or buildings are chargeable at 1% times the net present value of the rent over the whole term of the lease, including upward reviews, minus GBP 125,000. A licence, or tenancy at will, is exempt from SDLT.

COUNCIL TAX AND RATES

Local councils levy a charge on businesses occupying premises within their area, based on a notional value of the property, to fund local services including law and order, education, refuse collection etc. A single business rate is normally set for each fiscal year ending 31 March and the amount payable varies with the rate and the value of the premises.

Reduced rates are available for charities or unoccupied premises. A similar system is in place for residential property.



ACCOUNTING AND REPORTING

The accounting regulations and disclosure requirements applicable to UK companies are extensive, detailed and complex. Except where otherwise stated, this guidance relates to businesses incorporated in the UK. The following is only a brief summary, and reflects the law as at April 2026.

APPLICABLE REGULATION

LIMITED COMPANIES

Limited (or incorporated) companies, including subsidiaries of parent companies incorporated outside the UK, are governed in the first instance by the Companies Act 2006 which includes provisions relating to:

- the maintenance and retention of accounting records,
- the maintenance of registers and minutes relating to directors and shareholders and their meetings,
- the form and content of annual accounts,
- the publication to shareholders and the public filing of annual accounts,
- the requirements for annual accounts to be audited, and
- voluntary and enforced corrections of unsatisfactory annual accounts.

The Act makes provision for various classes of company. The most important of these are:

- Public limited companies (plcs) – plcs are those companies authorised to issue shares to the public.
- Large, medium and small private limited companies – medium-sized and in particular small companies are subject to some exemptions from, and some simplifications to, the accounting requirements applicable to larger companies.
- Micro-entities – The UK permits very small companies that qualify to be treated as “micro—entities” to prepare highly simplified annual accounts.

LIMITED LIABILITY PARTNERSHIPS (LLPS)

Limited liability partnerships are governed in the first instance by the Limited Liability Partnerships Act 2000. Detailed regulations for accounting and reporting are similar to those for ordinary limited companies, but there are some differences.

OVERSEAS COMPANIES

Overseas companies are businesses incorporated outside the UK but operating within the UK through a branch or representative office, and not through a UK subsidiary company. They are also required by the Companies Act to register their place of business and to file annual accounts of the company (not the branch) with the Registrar of Companies.

OTHER BUSINESS STRUCTURES

There is no regulation directly governing the accounting practices of unincorporated businesses, such as sole traders or partnerships. However:

- Various aspects of tax legislation require that vouchers are kept for a number of years to support any required tax computations.
- Subject to any particular adjustments required by legislation, unincorporated businesses are taxed on profits determined on a 'true and fair' basis.
- Unincorporated businesses operating in some particular fields, such as the provision of investment advice, are subject to specific accounting and auditing regulations equivalent to those applying to companies.

ACCOUNTING STANDARDS

Public companies with shares traded on the London Stock Exchange, or on AIM or the Aquis Stock Exchange, are required to prepare their consolidated accounts in accordance with UK adopted International Accounting Standards (IAS). Other companies are also permitted to adopt IAS.

For companies and LLPs that have not adopted IAS, generally accepted accounting practice in the UK (UK GAAP) is determined by the Financial Reporting Council (FRC). Although most routine transactions and balances are accounted for in the same way under IFRS and under the UK GAAP, there are some differences.

PERIOD END ACCOUNTS

Every UK company registered under the Act is required to prepare a set of accounts that gives a true and fair view of its profit or loss for the year and of its state of affairs at the year end. Annual accounts generally include:

- A directors' report (Large and medium-sized companies must also give a separate "Strategic report")
- An auditor's report
- An income statement (profit and loss account)
- A statement of financial position (balance sheet)
- A statement of other comprehensive income
- A statement of changes in equity
- A cash flow statement (not required for small companies)
- Comprehensive notes to the accounts (micro-entities give only the notes specified in the applicable accounting standard).

Most of these notes present in more detail the figures in the balance sheet, profit and loss account and cash flow statement. In addition, and where applicable, the notes to the financial statements may include:

- A statement concerning any significant doubts surrounding a business' ability to continue as a going concern.
- Details of significant post balance sheet events.
- Details of material transactions with related parties including the directors.
- The identity of parent companies that prepare group accounts, and the ultimate controlling party of the company.
- For quoted companies, details of policies on, and exposures to, exchange rate, interest rate, liquidity and market value risks.

If a UK company is a parent company, consolidated accounts must also be prepared, although there is an exemption from this requirement for qualifying small private companies. In addition, in certain

circumstances, if an overseas parent prepares and publishes group accounts that include the UK holding company, the UK parent can be exempted from preparing consolidated accounts for the UK sub-group.

Comparative figures should also be given for almost all items and analysis given in the year-end financial statements.

All of the above requirements apply equally to LLPs except that the members' report replaces the directors' report.

The accounts must be provided to each shareholder or member of a limited company or LLP, although there are regulations permitting a company to send only summary financial information to its members.

AUDIT REQUIREMENTS

The Act requires that the annual accounts include a report from suitably qualified, registered auditors to the shareholders (or members of an LLP) stating in particular whether or not, in the auditors' opinion the financial statements: give a true and fair view of the state of the company's [or group's and of the parent company's] affairs as at [date] and of the company/group's [profit/loss] for the year then ended;

- give a true and fair view of the state of the company's [or group's and of the parent company's] affairs as at [date] and of the company/group's [profit/loss] for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- the strategic and directors' report (of a company) are consistent with the financial statements

In appropriate circumstances, dormant companies, subsidiary companies and some small private companies (and similarly LLPs) may be exempt from the requirement to have their accounts audited (see Appendix III for further information).

Audits are nevertheless often required by:

- Providers of finance.
- Business owners preferring to obtain the assurance of an audit.
- Regulatory or trade bodies.

FILING OF THE ACCOUNTS

All limited companies and LLPs must place a copy of their annual accounts on the public record by filing them with the Registrar of Companies.

Generally, the filed accounts must be identical to those sent to the members the 'file what you prepare' model, i.e. accounts filed at Companies House are the same as those prepared for the members. However, small companies can choose not to file the profit and loss account and/or the directors' report, so-called 'filleted accounts'. While the effective date of the legislation is as yet unknown, it is intended that at some point small companies will no longer have the option to prepare and file 'filleted accounts'.

The accounts on the public file must bear the manuscript or digitally generated signatures of a director (essentially to confirm that these are an accurate copy of, or extract from, the shareholder accounts).

There are time limits starting from the end of a company's accounting reference period for the filing of the accounts with the Registrar of Companies. These are:

- for a public company – six months, or
- for a private company or an LLP – nine months.

Penalties are incurred when there is a breach of these time limits and directors may be prosecuted.



APPENDIX I – SOURCES OF INFORMATION

BUSINESS ENVIRONMENT
Bank of England
Companies House
Department for Business, Energy & Industrial Strategy
Financial Conduct Authority
The Insolvency Service Local Government London Stock Exchange
Aquis exchange
Ministry of Justice

FOREIGN INVESTMENT
Department for Business, Innovation and Skills
General business advice
British Chambers of Commerce
Department for International Trade
Department for Environment, Food and Rural Affairs
Companies House

SETTING UP A BUSINESS
Companies House
London Stock Exchange
Aquis exchange
HM Revenue & Customs
Information Commissioner's Office
UK Intellectual Property Office
The Association of British Insurers
Chartered Insurance Brokers directory
The Law Society (for England and Wales)
The Law Society of Scotland

EMPLOYMENT
Chartered Institute for Personnel and Development
Department for Business, Innovation and Skills
Health & Safety Executive

TAXATION
HM Revenue & Customs
Chartered Institute of Taxation

ACCOUNTING AND REPORTING
The Institute of Chartered Accountants in England and Wales
Companies House
Accountingweb

APPENDIX II – UK TAX RATES

For a full list of current tax rates please see the **UHY Hacker Young website**.

MAIN INCOME TAX RELIEFS

Allowed at top rate of tax	2026/27	2025/26
Personal allowance GBP	GBP 12,570	GBP 12,570

Where you have income over the personal allowance income limit, for every £2 of income over the limit, you will lose £1 from your personal allowance, until it is reduced to £nil for income levels above £125,140.

Married couples and civil partners can transfer up to 10% of their personal allowance between themselves each year, as long as neither are higher or additional rate taxpayers. This is known as a 'marriage allowance' (new addition).

INCOME TAX RATES AND BANDS

Tax rates	2026/27	2025/26
Basic rate tax 20%	GBP 0-37,700	GBP 0-37,700
Higher rate tax 40%	GBP 37,701-125,140	GBP 37,701-125,140
Additional rate tax 45%	GBP over 125,141	GBP over 125,141

The higher rate threshold is frozen at £37,700 and the personal allowance is fixed at £12,570 for the years 2025-26 to 2027-28.

The additional rate threshold is lowered to £125,140 with effect from 6 April 2023 and fixed at that amount up to and including 2027-28.

DIVIDENDS/ INTEREST/OTHER

Tax rates 2026/27	Dividends	Interest	Other
Basic rate	10.75%	20%	20%
Higher rate	35.75%	40%	40%
Additional rate	39.35%	45%	45%

A personal savings allowance (PSA) lets you earn a certain amount of interest tax-free. This allowance is available to basic rate taxpayers (currently £1,000) and higher rate taxpayers (currently £500) but not to additional rate taxpayers. A 0% rate of income tax applies to savings income covered by the PSA.

You may be eligible for the starting rate for savings if your non-savings income is less than £17,570 per year. The starting savings rate allows you to earn up to £5,000 in savings interest completely tax-free. This is in addition to your personal income tax allowance and personal savings allowance.

Every £1 of other income you earn above your personal allowance (£12,570 for most people) reduces your savings starting rate by £1.

A dividend allowance, £500 for 2026/27, is available to all taxpayers. A 0% rate of income tax applies to dividends covered by the allowance.

DISCRETIONARY TRUSTS

Discretionary trust rate	2026/27	2025/26
For dividend income	39.35%	39.35%
All other income	45%	45%

NATIONAL INSURANCE CONTRIBUTIONS

NATIONAL INSURANCE CONTRIBUTIONS FOR EMPLOYEES

As an employee, you pay primary Class 1 National Insurance Contributions (NICs). The monthly thresholds and rates are as follows:

Employees' Class 1 NICs	2026/27	2025/26
Lower earnings limit (LEL)	£559	£542
Primary threshold (PT)	£1,048	£1,048
Upper earning limit (UEL)	£4,189	£4,189
Earnings between the LEL and the PT	0%	0%
Earnings between the PT and the UEL	8%	8%
Earnings above the UEL	2%	2%

Earnings below the LEL are not subject to primary Class 1 NICs and do not accrue entitlement to state benefits. Earnings between the LEL and the PT do accrue entitlement to state benefits and are subject to primary Class 1 NICs, albeit at the 0% rate.

NATIONAL INSURANCE CONTRIBUTIONS FOR EMPLOYERS

As an employer, when you pay wages, you need to pay secondary Class 1 National Insurance Contributions (NICs) on top. You will also need to pay Class 1A NICs on most employment benefits (see above) that you provide to your employees. The monthly thresholds and rates are as follows:

Secondary Class 1 NICs (on each employee's wages)	2026/27	2025/26
Secondary threshold (ST)	£417	£417
Earnings below the ST	0%	0%
Earnings above the ST	15%	15%
Class 1A NICs (on employment benefits)		
Total benefit value	15%	15%

Higher STs apply for employees who are under 21 and apprentices under 25. Other variations also apply.

Employment Allowance

Eligible employers can claim an employment allowance to reduce their secondary Class 1 NIC liability. Eligibility is based on several factors, although the requirement for the previous year's employer's Class 1 NIC liability to be less than £100,000 was removed for 2025/26.

	2026/27	2025/26
Employment allowance	£10,500	£10,500

Connected employers are only entitled to one allowance between them. Sole director companies without other employees may not be able to claim the allowance.

NATIONAL INSURANCE CONTRIBUTIONS FOR THE SELF-EMPLOYED

In addition to paying income tax on your self-employed profits, you may also need to pay Class 2 and Class 4 National Insurance Contributions (NICs). Class 2 NICs provide you with entitlement to certain state benefits. Class 4 NICs are effectively an additional tax. The relevant rates and thresholds are:

	2026/27	2025/26
Class 2 NICs per year – voluntary*	£189.80	£182.00
Small profits threshold (SPT)	£7,105	£6,845
Lower profits limit (LPL)	£12,570	£12,570
Upper profits limit (UPL)	£50,270	£50,270
Class 4 NICs on profits below the LPL	0%	0%
Class 4 NICs on profits between the LPL and the UPL	6%	6%
Class 4 rate on profits above the UPL	2%	2%

* Since 2024/25, Class 2 NICs are effectively abolished. If your trade profits exceed the SPT, you will accrue entitlement to state benefits. However, if your trade profits fall below the SPT, you will need to pay Class 2 NICs voluntarily if you need the tax year to qualify for state benefit purposes.

EMPLOYMENT BENEFITS AND EXPENSES

If you are an employee and you receive employment benefits, such as a company car or private health insurance, you will pay tax (currently 13.8%) on the value of the benefit, as though it were additional salary paid to you. The taxable value of the benefit is generally the cost to your employer, and they will notify you each year what this is. You will not need to pay National Insurance Contributions (NICs) on the benefit value, but your employer will.

INHERITANCE TAX

Inheritance tax (IHT) is paid on the value of a deceased person's estate (their property, money and possessions) that falls above the nil-rate band. The value of the deceased person's estate is computed after exempt gifts to their spouse or civil partner, or to a charity, are deducted.

As such, most estates in the UK are not liable to IHT.

	2026/27	2025/26
Nil-rate band	£325,000	£325,000
Residence nil-rate band	£175,000	£175,000
Threshold for residence nil-rate band	£2million	£2million
IHT rate	40%	40%
Reduced IHT rate for estates leaving 10% or more to charity	36%	36%

The residence nil-rate band is available if a deceased person leaves their home to specified family members. It is reduced by £1 for every £2 that the estate value exceeds the £2 million threshold.

Lifetime chargeable transfers are payable at half the death rate, i.e. 20%.

Significant changes to Business and Agricultural Property Relief (BPR/APR) are in effect from 6 April 2026:

- A new £2.5 million allowance will apply to the combined value of qualifying business and agricultural property eligible for relief at 100%;
- The value of qualifying relievable property in excess of £2.5 million will attract relief at the lower rate of 50%, resulting in an effective 20% IHT rate on the excess;
- Any unused allowance can be transferred between spouses and civil partners, allowing couples a combined allowance of up to £5 million (or £5.65 million if the full combined nil rate band is also available);
- AIM listed and other unlisted shares will only qualify for 50% relief, with no access to the £2.5 million 100% band.

In addition to the above reforms, with effect from 6 April 2027 most unused pension pots and death benefits will be included in an individual's estate for IHT purposes.

There are a number of IHT exemptions available to lifetime transfers including gifts of up to £3,000 per tax year, gifts to spouses and charities and regular gifts out of income.

A reduced tax charge applies on transfers within seven years of death

Years between gift and death	% of full charge at death rates
0-3	100
3-4	80
4-5	60
5-6	40
6-7	20
Over 7	Nil

CAPITAL GAINS TAX

If you sell an asset such as property, shares or even your business, you may be liable to capital gains tax (CGT) on any profit (gain) you make. After the deduction of an 'annual exempt amount', you will be taxed on gains at the following rates, based on whether you have any income tax basic rate band (see above) remaining, after all of your income has been taxed:

	2026/27	2025/26
Annual exempt amount	£3,000	£3,000
Rate of CGT on assets other than residential property and qualifying business disposals		
Within the basic rate band	18%	18%
Outside the basic rate band	24%	24%
Rate of CGT on residential property disposals		
Within the basic rate band	18%	18%
Outside the basic rate band	24%	24%
Rate of CGT on qualifying business disposals		
Business Asset Disposal Relief (BADR) lifetime limit	£1million	£1million
Rate of CGT on gains qualifying for BADR	18%	10%

With effect from 6 April 2026, gains qualifying for Business Asset Disposal relief (subject to the lifetime limit on gains of GBP 1million) or Investors' Relief (subject to a lifetime limit of GBP 10 million) are taxed at 18%.

Gains in excess of the lifetime limits are charged at the main rate, currently 24%.

From 6 April 2026, carried interest will be taxed as deemed trading profits, subject to income tax and class 4 NICs (rather than being taxed based on the underlying investment return). For 'qualifying' carried interest only 72.5% of the total amount will be subject to tax and NICs (resulting in effective tax rate of 34.75% for an additional rate taxpayer). Qualification will depend on several conditions being met, including conditions relating to the average holding period.

The treatment of carried interest as trading income may also have implications for the annual allowance tapering rules relating to pension contributions and should be managed carefully.

The new rules for carried interest also apply to non-UK residents, to the extent that it is attributable to UK workdays.

CORPORATION TAX

From 01 April 2023	Rate
Profits above £250,000	25%
Profits below £50,000	19%
Profits between £50,000 and £250,000	Marginal tax rate

Main capital allowances	2026/27	2025/26
Corporation Tax super deduction (on certain new plant and machinery)	-	-
Full Expensing (on certain new plant and machinery)	100% main rate assets 50% special rate assets	100% main rate assets 50% special rate assets
40% First year allowance (FYA) – with effect from 1 January 2026	40% for main rate capital expenditure	40% for main rate capital expenditure w.e.f 1.1.26
Plant and machinery		
writing down allowance	14%	18%
Integral assets and long-life assets (certain new)	50%	50%

certain energy efficient plant, zero emission cars	100%	100%
other plant and machinery	14%	18%
cars over 50g/km CO2,	6%	6%
integral assets writing down allowance	**6%**	6%

Annual Investment Allowance (excludes cars): This increased to £1,000,000 from 1 January 2021 (previously £200,000).

VALUE ADDED TAX in 2026

VAT	
Standard rate (1/6 of VAT-inclusive price)	20%
Registration level	GBP 90,000 per annum
Deregistration level	GBP 88,000 per annum

STAMP DUTY in 2026

Land and buildings in England and Northern Ireland (Stamp Duty Land Tax):

Residential	Rate	Non-residential	Rate
Up to £125,000	0%	**Up to £150,000**	0%
The next £125,000	2%	**The next £100,000**	2%
The next £675,000	5%	**Over £250,000**	5%
The next £575,000	10%		
Over £1,500,000	12%		

A surcharge applies if you buy an 'additional' residential property, meaning you own more than one. The surcharge applicable is 5%.

First-Time Buyer relief may effect a 0% rate on the first £300,000 of residential property purchases, provided that conditions are met and the price is not over £500,000.

Land and buildings in Scotland (Land and Buildings Transaction Tax in 2026):

Residential	Rate	Non-residential	Rate
Up to £145,000	0%	**Up to £150,000**	0%
The next £105,000	2%	**The next £100,000**	1%
The next £75,000	5%	**Over £250,000**	5%
The next £425,000	10%		
Over £750,000	12%		

If you buy an 'additional' (see above) residential property, an 8% supplement will apply to the residential rates above.

First-Time Buyer relief may effect a 0% rate on the first £175,000 of residential property purchases, provided that conditions are met.

Land and buildings in Wales (Land Transaction Tax):

Residential	Rate	Non-residential	Rate
Up to £225,000	0%	**Up to £225,000**	0%
The next £175,000	6%	**The next £25,000**	1%
The next £350,000	7.5%	**Over £750,000**	5%
The next £750,000	10%	**Over £1million**	6%
Over £1.5million	12%		

If you buy an 'additional' (see above) residential property, higher rates of Welsh Land Transaction Tax apply.

Different rates apply in Scotland under the Land and Buildings Transaction Tax. See www.revenue.scot/land-buildings-transaction-tax for rates and information.

Different rates also apply in Wales under the Land Transaction Tax. See **https://gov.wales/land-transaction-tax** for rates and information.

APPENDIX III – ACCOUNTING THRESHOLDS

QUALIFYING FOR REDUCED OBLIGATIONS AS A SMALL OR MEDIUM-SIZED COMPANY

Certain disclosures and statutory exemptions are available to small and medium-sized companies. There are, however, a number of qualifying conditions that have to be met before a company can be classified as small or medium-sized, not just relating to size.

The size criteria are shown in the table below. The monetary thresholds were increased for financial years starting on or after 6 April 2025.

At least two out of three of these conditions must be met in the year in question for a company to qualify as small or medium-sized, as the case may be. After a company's size has been established (by reference to these criteria) the company does not qualify for any smaller category, unless it meets the more stringent criteria for two consecutive years. Similarly, a company does not move up to a new category until it has exceeded two or more of the thresholds for two consecutive years.

	Turnover		**Balance Sheet Total**		**Number of Employees**
	Pre 6 April 2025	**Thresholds From 6 April 2025**	**Pre 6 April 2025**	**Thresholds From 6 April 2025**	**Unchanged on 6 April 2025**
Micro entity	Not more than £632,000	Not more than £1m	Not more than £316,000	Not more than £500,000	**Not more than 10**
Small entity	Not more than £10.2m	Not more than £15m	Not more than £5.1m	Not more than £7.5m	**Not more than 50**
Medium entity	Not more than £36m	Not more than £54m	Not more than £18m	Not more than £27m	**Not more than 250**
Large entity	Above £36m	Above £54m	Above £18m	Above £27m	**More than 250**

In addition, there are no exemptions available to a company which:

- is a public company,
- is an authorised insurance or banking company,
- carries out an insurance market activity or one of several other regulated financial businesses, or
- is, or was in the year concerned, a member of an ineligible group.

A group is ineligible if any of its members is a public company or a body corporate not registered under the Companies Act whose shares are traded on a regulated market (stock exchange) in the EU (for a small company) or anywhere (for a medium-sized company), or which carries out one of the regulated financial activities specified in the legislation.

AUDITING EXEMPTIONS

A small or micro entity, as defined by the limits above, is not required to be audited. Where the company is part of a group, the group as a whole must be “small” for the audit exemption to apply. Members with 10% or greater shareholdings may insist that an audit is carried out.

In certain circumstances, a subsidiary is not required to be audited if it is consolidated into the accounts of a parent that gives a public and binding guarantee of the subsidiary’s liabilities. As above, members can insist on an audit being carried out. The subsidiary must nevertheless prepare and file “true and fair accounts” and the auditors of the parent company may well require that some or even extensive audit procedures are undertaken in order to complete their audit of the group accounts.



APPENDIX IV – NATIONAL MINIMUM WAGE AND NATIONAL LIVING WAGE RATES

The National Minimum Wage (NMW) is the minimum pay per hour almost all workers are entitled to by law. It varies depending on a worker's age and whether they are an apprentice. Workers must be school leaving age or over to get the minimum wage.

The National Living Wage (NLW) applies to adults over 21 from April 2024 and replaces the NMW that was in place last year for adults aged 21-22 years.

NATIONAL MINIMUM WAGE AND NATIONAL LIVING WAGE RATES PER HOUR FROM 1 APRIL EACH YEAR

	2026 (GBP)	2025 (GBP)
Adults (21+) (NLW)	£12.71	£12.21
18 to 20 (NMW)	£10.85	£10.00
Under 18 (16 and 17) (NMW)	£8.00	£7.55
Apprentice*	£8.00	£7.55

*This rate is for apprentices aged 16 to 18 and those aged 19 or over who are in the first year of their apprenticeship. All other apprentices are entitled to the National Minimum Wage for their age.

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- Blog: http://www.uhy-uk.com/insights
- Facebook: https://www.facebook.com/pages/UHY-Hacker-Young/274738021690
- LinkedIn: http://www.linkedin.com/company/uhy-hacker-young
- X: https://twitter.com/UHYHackerYoung
- YouTube: https://www.youtube.com/channel/UCJblexyw49HV1pYb-mYaYQA

Year established:	1925
PCAOB revistered?	No
Number of partners:	32
Total staff:	307

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UHY Hacker Young

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UHY Hacker Young

United Kingdom

BRIEF DESCRIPTION OF FIRM

UHY Hacker Young, one of the UK's leading groups of chartered accountants, is a network of independent accounting and consultancy firms operating from 24 locations around the country. With more than 100 partners and almost 800 professional staff, the Group provides a wide range of accounting, tax and business advisory services to clients ranging from high net worth individuals (HNWIs) and owner-managed businesses, to public limited companies (PLCs) and multinational organisations. The Group has established specialisms in corporate finance, turnaround and recovery, VAT planning, tax structuring, international tax planning, litigation support, interim and project management and financial services.

SPECIALIST SERVICE AREAS

AIM admission and support services
Specialist corporate finance services
FCA compliance services
Turnaround and recovery support
US business desk
India business desk
China business desk
Gulf business desk
German business desk

PRINCIPAL OPERATING SECTORS

Property
Natural resources and mining
Charities and not-for profit
Legal
Financial services
Shipping
Academy schools and education
Automotive
Hospitality
Healthcare
Franchising
Chemicals & pharmaceuticals
Rural & agriculture
Drinks
Sports
Telecommunications, Media and Technology

LANGUAGES

Afrikaans, Bengali, Cantonese, Chinese, Creole, Croatian, Czech, French, German, Gujarati, Hindi, Hokkien, Katchi, Malay, Mandarin, Portuguese, Punjabi, Russian, Serbian, Slovak, Spanish, Swahili, Ukrainian, Urdu, Welsh.

CURRENT PRINCIPAL CLIENTS

AIM LISTED
Bezant Resources PLC
Comptoir Group PLC
Croma Security Solutions Group plc
EnSilica PLC

Fonix Mobile plc
Iofina PLC
Tower Resources PLC

AQUIS LISTED
Hydro Hotel, Eastbourne PLC

ISE
Minerva Lending plc
Rail Capital Markets plc

TISE
Majority Kingdom Investment Limited

VMTF
Wealth Dragons Group plc

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Czech Republic, France, Germany, Spain, US, China, Malaysia, Russia, Brazil, Israel, Argentina, India, the Gulf region.

BRIEF HISTORY OF FIRM

Our 100+ partners and almost 800 professional staff operate from 24 offices across the UK. In almost 100 years since our inception we have grown to become one of the leading national groups of chartered accountants.

In the UK, you'll recognise members of the UHY Hacker Young Group because we either operate under the UHY Hacker Young name, or we use UHY at the start of our names. Increasingly, so will other firms around the globe who are also members of the UHY international network.

The benefits of working with our group offices:
Our cohesive network of offices allows us to share knowledge and solutions and maintain high quality standards across the group. At UHY all of our member firms and our teams within them are driven by our purpose of helping you prosper, and this applies across all that we do for our clients, our teams and our communities. All our teams are trained internally and focused on helping you to determine what prosperity means for you. We have the capability to be flexible and to ensure we always find the right solutions for each client. You can be assured that you will receive the best advice and close personal attention from any of our offices around the UK.

Every office supports its clients by providing a full range of audit, accounting and tax services. In many cases we support a client's business and personal needs, in our holistic approach to helping you prosper, providing a host of services from audit and general business advice through to personal financial planning and personal tax advice.

Access to specialist technical advice - Clients also benefit from our technical centres in London and Manchester, where some of the countries top accounting specialists are located. Whether you are seeking international tax planning advice, assistance with a complex VAT transaction, guidance through a fundraising process or support for an ailing business, you will have access to the best technical advice available.

What our clients value:

If we're coming in to undertake your audit or to support with all the commercial accounting needs for your business, we will invest time with you and your team from the outset and throughout to ensuring we truly know the business and your long-term goals. As well as ensuring you receive a robust and high-quality service with a pragmatic and commercial approach, we will want to support you by sharing our insights and experiences to add real value to our engagement with you. We will be looking for improvements to efficiencies through tweaks to your systems and processes, but also looking to contribute to your strategic decision-making.

We are immensely proud of the longevity of our client relationships, having grown with many of our clients over decades. We understand the troughs and peaks you are likely to encounter as your business evolves, and can guide you on your journey, bringing potential issues to your attention – often before you've even realised they exist.

If we're helping you with your personal tax affairs, we will ensure we have a holistic picture of your financial position, both personally and commercially, but also of your definition of prosperity, so that we can provide the most tailored advice to help you on the pathway to achieving those goals.

Ultimately, we want you to see us as a trusted adviser, a port in storm and a sounding board, throughout the year, who you can turn to for advice, support or just a second opinion on an issue or development.

Our goal is to help you to get where you want to be.

UHY
Connect to possibility

Let us help you achieve further business success

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