

# Inward Investment



## Getting the right advice

Typically, the first issue we deal with is to ensure the business structure in either the UK or overseas is right for the business and tax efficient. We report on the tax, transfer pricing, VAT, employment taxes, accounting and commercial issues involved in using corporate and branch structures, and recommend the most beneficial route. Our KS International firms can provide further support to offshore operations.

## Review of the business structures for trading in the UK

The UK business can grow very quickly from preliminary research to a representative office, to a branch and then a subsidiary. At each stage of the business development the taxation, accounting and legal effects of operating in the UK vary considerably.

## Employee secondment packages

If a secondment package is structured in the correct way, the UK income tax and National Insurance liabilities can be reduced drastically or, in some cases, eliminated. In the absence of any planning the basic rule in the UK is that employees seconded to work in the UK are subject to UK income tax on their salary at rates of up to 40%. Reliefs available are:

- Exemption from UK tax where employees are seconded to the UK for less than six months.
- Detached duty allowances for those seconded to the UK for less than 24 months.
- Salary in respect of days working outside of the UK is only taxable if received in the UK.
- Exemption from UK National Insurance (social security) for 52 weeks.

## Corporation tax structuring

Where a company carries on a business within the UK it is not always straightforward to determine what its turnover and expenses should be for UK tax purposes. Identifying the 'turnover' of the UK business may require a transfer pricing analysis to be undertaken if the UK business is providing services to the offshore company. This would involve establishing what an 'arm's length' price should be for the services provided and could require a functional and risk analysis of UK activities to be carried out.

## VAT analysis

When dealing with VAT on transactions between the UK and other countries (or vice versa) the position is not always straightforward and advice should be sought to ensure regulatory compliance.

## About Kingston Smith

As a top 20 UK firm of chartered accountants, we have the capabilities to support you as your business develops both in the UK and overseas. As a founding member of KS International, an association of independent accountancy firms in some 56 countries with 140 offices around the world, we can also meet your international business needs. We have helped many overseas businesses to set up operations in the UK, as well as supporting our UK clients' expansion abroad.



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