MACFARLANES

10 GOOD REASONS TO DO BUSINESS IN THE UK

PRIVATE CLIENT

1 **REDUCING CORPORATION TAX RATES**
From 30 per cent in 2008, the UK corporation tax rate has now fallen to 21 per cent and will fall to 20 per cent from April 2015. This sustained reduction in rate forms a central theme in the UK Government's aim to "create the most competitive corporate tax regime in the G20".

2 **DIVIDENDS RECEIVED ARE EXEMPT FROM UK TAX**
Dividends received by UK companies are usually exempt from UK corporation tax irrespective of the location of the subsidiary.

3 **NO WITHHOLDING TAX ON DIVIDENDS**
The UK does not levy withholding tax on dividends paid by a UK company.

4 **EXEMPTION FOR DISPOSALS OF SHARES IN TRADING SUBSIDIARIES**
The UK's "substantial shareholding exemption" (in effect a participation exemption) provides exemption from tax on capital gains on disposals of shares in trading companies in which the parent company holds a 10 per cent+ stake. The exemption may also extend to disposals of some trading branches.

5 **EU MEMBER STATE WITH A WIDE TREATY NETWORK**
The UK has double tax treaties with over 100 jurisdictions (the widest network of any country) in addition to EU agreements on withholding tax, minimising tax leakage on payments of income to and from the UK.

6 **INTEREST DEDUCTIBILITY**
Financing costs remain broadly deductible for UK companies, subject to the application of transfer pricing and the "debt cap" rules, whether the financing is used to fund trading activities or the acquisition of stakes in other companies.

7 **NEW CFC REGIME AND FOREIGN BRANCH EXEMPTION**
The Finance Act 2012 made major changes to the UK's "controlled foreign company" (CFC) rules. When combined with a tax exemption for the profits of foreign branches, this increasingly moves the UK corporation tax regime to a territorial basis under which corporation tax is charged only on profits that arise from activities or assets located in the UK.

8 **NO CAPITAL DUTY OR NET WORTH TAXES**
Unlike many holding company jurisdictions, the UK does not impose capital duty on the issue of shares and does not have an annual net worth tax.

9 **TAX INCENTIVES FOR INNOVATION**
Enhanced tax deductions are available for expenditure on research and development, at up to 225 per cent of the expenditure for small companies and 130 per cent for large companies.

As a further incentive for innovation, a new "patent box" regime provides an effective 10 per cent tax rate for profits derived from the exploitation of patents and patented products. The regime took effect in April 2013, with the 10 per cent rate being phased in over successive years.

10 **ONSHORE JURISDICTION WITH PRE-EMINENT FINANCIAL MARKETS AND WELL-DEVELOPED LEGAL SYSTEM**
The UK combines the credibility of an onshore jurisdiction and OECD member with an attractive tax regime. The UK is home to one of the world's pre-eminent financial centres in the City of London, providing access to funding and a community of sophisticated advisers. UK law is widely used internationally and the UK courts are increasingly the forum of choice for commercial dispute resolution.

On a practical level, some of the UK's "red tape" operates with a very light touch: for example, it is possible to incorporate a limited company (and have it appear on the official register) the same day.

CONTACT DETAILS
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