COUNTRY
COMPARATIVE
GUIDES 2023

The Legal 500
Country Comparative Guides

United Kingdom
DOING BUSINESS IN

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This country-specific Q&A provides an overview of doing business in laws and regulations applicable in United Kingdom.

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UNITED KINGDOM
DOING BUSINESS IN

1. Is the system of law in your jurisdiction based on civil law, common law or something else?

The legal system of England and Wales is a common law legal system established by caselaw, acts of Parliament, retained European Union law and international law. Note that The Retained EU Law (Revocation and Reform) Bill proposes to automatically revoke most retained European Union law by the end of 2023, with some exceptions.

2. What are the different types of vehicle / legal forms through which people carry on business in your jurisdiction?

There are three main types of business structure:

- the partnership, where individuals share the profits, responsibility, debts and liabilities of the partnership as partners;
- the limited liability partnership ("LLP") which shares features of a partnership and a limited company, as the partners' liability is limited to the amount they invest in the LLP; and
- the limited company, which is most commonly formed as a private company limited by shares, or a public company which has more stringent requirements but through which the company can offer its shares to the public.

3. Can non-domestic entities carry on business directly in your jurisdiction, i.e., without having to incorporate or register an entity?

An overseas company may carry on business directly in the UK but it must register with Companies House if it has some degree of physical presence in the UK, such as a place of business or branch where it carries on business.

Partnerships, limited partnerships, unincorporated bodies and government agencies cannot register in the UK as an overseas company.

4. Are there are any capital requirements to consider when establishing different entity types?

The minimum capital rule requires that those incorporating a business must place assets of at least a specified minimum value into the corporate asset pool. In the UK this has been placed at £50,000 (or the prescribed EURO equivalent) for public limited companies and no minimum capital requirement is imposed on private limited companies.

In a limited liability partnership, there is no concept of share capital but there must be some contribution from a partner which is known as the partner's capital. However, there is no minimum requirement of capital for registering a limited liability partnership.

For completeness, there is no minimum capital requirement for the establishment of a partnership.

5. How are the different types of vehicle established in your jurisdiction? And which is the most common entity / branch for investors to utilise?

A partnership is created by two or more persons coming together with a view to profit – there is no registration requirement. The partnership must choose its name, choose a 'nominated partner' and register with HMRC. The partners may to wish to create their own partnership agreement to govern the partnership. Each partner must register as self-employed and submit a separate tax return.

An LLP must have a name, at least two 'designated members', a registered address, is advised to have an LLP agreement governing the LLP and must register with Companies House.

The most common entity for investors to use is either a private company limited by shares or a public company limited by shares:

- a private company must register the company name, registered address, at least one director, at least one shareholder, details of the company's share capital and articles of association governing how the company is run (if the company does not want to use the model articles which apply unless otherwise provided) at Companies House; and
- in addition to the above requirements of a private company, a public company limited by shares must have two directors and a secretary, and a minimum nominal value of allotted share capital of £50,000, of which each share must be paid up at least as to one-quarter of its nominal value and the whole of any premium.

6. How is the entity operated and managed, i.e., directors, officers or others? And how do they make decisions?

Private companies and public companies are managed by directors who make decisions at board meetings or by written resolutions. However, certain decisions must be made by shareholders at a general meeting or by a written resolution. Shareholder decisions may pass by ordinary resolution (being approved by over 50% of the shareholders) or by special resolution (being approved by not less than 75% of the shareholders) depending on the type of decision, the company's articles of association and the Companies Act 2006. It is important to note that public companies may not make decisions by way of written resolution and instead a resolution of the members must be passed at a meeting of the members.

7. Are there general requirements or restrictions relating to the appointment of (a) authorised representatives / directors or (b) shareholders, such as a requirement for a certain number, or local residency or nationality?

An individual may become a company director unless they are:

- disqualified from being a company director;
- an undischarged bankrupt (unless allowed by the court);
- under the age of 16; or
- instructed otherwise by the courts.

Note that the Economic Crime and Corporate Transparency Bill proposes to require all new and existing company directors to verify their identity.

All private limited companies must have at least one director and may also decide to appoint a company secretary (although this is an optional appointment). At least one director of all companies must be a real person (it is possible for a company to act as a director). One does not need to have any specific qualifications to be appointed as a company director or company secretary, although you should be aware of your responsibilities as a company director before taking the position on – this is different for a public company where a company secretary must be appropriately qualified. There is no requirement for a director to be based in the UK or to be a UK national.

Companies House require at least one shareholder to incorporate a private company limited by shares. There is no maximum number of shareholders a company can have. There is no statutory limit to the number of new members who can join a company after incorporation. You can add new members by transferring existing shares from a current shareholder, or by issuing new shares to new members. As long as the articles of association do not include a provision specifying an authorised share capital amount, you may allot and issue as many additional shares as you like. There are no local residency or nationality requirements placed on shareholders from a UK company law perspective.

8. Apart from the creation of an entity or establishment, what other possibilities are there for expanding business operations in your jurisdiction? Can one work with trade /commercial agents, resellers and are there any specific rules to be observed?

From a corporate law perspective, there are no restrictions on expanding business operations in the UK. Unless specifically noted in the articles or memorandum of association, an entity or establishment is free to work with trade/commercial agents and resellers.

9. Are there any corporate governance codes or equivalent for privately owned companies or groups of companies? If so, please provide a summary of the main provisions and how they apply.

Private limited companies are not required to apply a specific corporate governance code. However, private companies that qualify as 'Very Large Private Companies' are required to report on their corporate governance arrangements. Very large private companies are companies that have more than 2,000 employees or a turnover of more than £200 million and a balance sheet of more than £2 billion (assets). The disclosure, within the annual directors' report, should say which corporate governance code the company applied in the financial year, how the company applied that code, and if the company departed from it, how it departed and why. If the company did not apply any corporate governance code for the financial year, the disclosure must explain the reasons for that decision and explain what corporate governance arrangements were applied.

The Wates Principles were developed as a governance code for private companies by a coalition group to help companies comply with this new reporting requirement. Companies do not have to adopt the Wates Principles if they already have a framework in place. The intention of the Wates Principles is to provide a diverse and flexible approach to corporate governance that isn't too prescriptive.

There are 6 high level principles of the Wates Principles, which are accompanied by guidance to help a company understand how to apply the principles in a way that is appropriate for that company. The principles are intended to be flexible in the context of a variety of ownership structures. A high-level summary of the principles is below:

- Purpose and leadership –– the board should develop and promote the purpose, and ensure values, strategy and culture are aligned;
- Board composition –– the board needs an effective chair, should be balanced in terms of skill set and experience and of a scale suitable to the organization;
- Director responsibilities –– directors should understand their accountability and responsibilities, provide independent thought and challenge, demonstrate effective decision making;
- Opportunity and risk –– long term sustainable success, value creation and preservation and establish oversight for the identification and mitigation of risk;
- Remuneration–– aligned to the long-term sustainable success, taking into account pay and conditions elsewhere in the organisation; and
- Stakeholder relationships and engagement –– directors should foster relationships aligned to the company's purpose and have meaningful engagement with stakeholders and work force.

The Wates principles are an example of a code which very large private companies (that meet the threshold) can follow. However, if appropriate or desirable companies can choose an alternative code including the UK Corporate Governance Code, the IOD Corporate Governance Guidance and Principles for Unlisted Companies, QCA's Corporate Governance Code and Foreign Corporate Governance code for foreign parent Companies.

10. What are the options available when looking to provide the entity with working capital? i.e., capital injection, loans etc.

The shareholders of the company may provide working capital by subscribing for further shares in the company.

A company may also consider a loan to provide further working capital. This could be from the shareholders, another entity within the same company group or from a third party. In addition to this the company may consider overdrafts, revolving credit facilities, debt factoring (or invoice finance), asset refinancing, merchant cash advances, and Tax bill and VAT funding.

11. What are the processes for returning proceeds from entities? i.e., dividends, returns of capital, loans etc.

Private companies can return value to their shareholders in several ways, as set out below. As a general rule, companies are bound by strict maintenance of capital rules and can only return value to their shareholders in certain situations.

Dividends

The most popular method of a company returning value to its shareholders is a dividend.

A dividend is a distribution of a company's post-tax profits to its shareholders. As with all distributions, in order for a company to be able to lawfully pay a dividend, it must have sufficient distributable profits that are justified by reference to relevant accounts.

Dividends are usually paid in cash but can also be satisfied by the transfer of non-cash assets (dividends in specie, also known as dividends in kind) or by shares in the company itself (scrip or bonus dividends).

Any dividend paid out by a company will be either a final dividend (i.e. dividends paid once a year calculated after the annual accounts have been drawn up) or an interim dividend (dividends paid at any time throughout the year calculated before the company's annual earnings have been determined).

Before recommending or declaring a dividend, the company's articles of association should be checked as they usually contain express provisions regarding dividends. Subject to any restrictions in the articles of association, directors can generally resolve to pay interim dividends, however final dividends should be recommended by directors but declared by shareholders by ordinary resolution.

Before paying a dividend, the directors should have regard to their common law and equitable duties, and their statutory duties under the Companies Act 2006. Company directors are under a common law duty to safeguard a company's assets and must also consider the company's future financial requirements before recommending or declaring a dividend.

Share Buybacks

A share buyback is a purchase by a company of its own shares from a shareholder. A limited company is only permitted to purchase its own shares in accordance with Part 18 of the Companies Act 2006.

In summary, Part 18 provides that:

- shares must be repurchased either off-market or on-market;
- shareholder approval is required;
- the shares being repurchased must be fully paid;
- consideration for the share buyback must be paid in cash at the time of the purchase;
- the buyback must be financed out of distributable reserves, the proceeds of a fresh issue of shares or, in the case of a private limited company only, out of capital; and
- following the repurchase, the shares must be cancelled or, if financed out of distributable reserves, can be held in treasury.

Capital reductions

A reduction of capital occurs where a company reduces the amount of its share capital. This may be an option when the company has capital that is surplus to its requirements and that it wishes to return to shareholders.

The amount arising on a capital reduction is treated as a realised profit and, unless otherwise specified, will be credited to the profit and loss reserve of the company. The company may then be able to take further steps to return that value to its shareholders. The company may also opt to return the amount arising on the reduction directly to the shareholders. This is known as a direct payment capital reduction and either cash or non-cash assets may be returned.

A company can reduce its share capital by reducing:

- the number of shares in issue (that is, a certain number of issued shares, whether paid up or unpaid, are cancelled);
- the nominal value of the shares in issue;
- the amount paid up on the shares in issue (that is, the nominal value remains the same but the amount paid up on each share is reduced);
- the share premium account;
- the capital redemption reserve; and/or
- the redenomination reserve.

Private limited companies which are solvent can avail themselves of a simplified, solvency statement (or "self-help") capital reduction whereas public limited companies, companies that are not solvent, or companies which wish to cancel all their shares need to utilize the more complex Court approved capital reduction route.

Bonus Issue

A bonus issue is an issue of new shares (bonus shares) by a company to holders of existing shares in the company, generally in proportion to their existing holdings. No payment is required from shareholders as the bonus shares are paid up using the company's existing profits or reserves. This procedure can be used to return value to shareholders by subsequently redeeming or repurchasing the bonus shares.

Before a company can carry out a bonus issue, the articles of association should be checked to ensure that the directors have authority to capitalise the relevant profits or reserves and issue bonus shares. The company's directors must also have the necessary authority to allot the bonus shares.

The directors' authority to capitalise profits or reserves and issue bonus shares is usually subject to the approval of shareholders by ordinary resolution.

Loans

It is also possible for a company to loan cash to its shareholders. The terms of such a loan should be closely examined to ensure they do not give rise to any tax or legal issues (e.g. disguised distributions). The loan could then be waived at a later date provided this is done in accordance with the Companies Act 2006.

12. Are specific voting requirements / percentages required for specific decisions?

There are two types of resolution which may be put to a general meeting or in certain circumstances be passed as written resolutions: an ordinary resolution and a special resolution. Ordinary resolutions require a simple majority and special resolutions require a 75% majority to pass. The constitutional documents of a company may impose higher percentages than these usual ones.

Corporate actions that require an ordinary resolution include:

- authorising directors to allot new shares (except where the company is a private company with only one class of share);
- approving the payment of a political donation;
- approving a loan to, or a substantial property transaction involving, a director;
- approving a payment for loss of office to a director;
- removing an auditor from office; and
- approving a liability limitation agreement between an auditor and the company.

Corporate actions that require a special resolution include:

- amending the company's articles;
- changing the company's name (unless an alternative procedure is set out in the company's articles);
- approving a reduction of capital or share buy-back out of capital;
- disapplying pre-emption rights; and
- re-registration of a private company as public (and vice versa).

13. Are shareholders authorised to issue binding instructions to the management? Are these rules the same for all entities? What are the consequences and limitations?

Shareholders of a company have the overall power to appoint and remove directors and therefore, if a director does not act in a way the shareholders agree to, they can change the directors.
Shareholders of a company can require the company to circulate a resolution to be voted on at a meeting (or in the case of a private company, by written resolution) where such a request is made by either:

- shareholders representing at least 5% of the total voting rights of all shareholders who have a right to vote on the resolution at that meeting; or
- 100 shareholders who have a right to vote on the resolution at that meeting and hold shares that have been paid up an average of at least GBP100 per shareholder; and
- shareholders can also require the company to circulate to other shareholders a statement of not more than 1,000 words on a matter referred to in a proposed resolution (or other matter) to be dealt with at the meeting. The required levels of shareholding for making such a request are the same as above. Shareholders who require further information must engage directly with the company.

Additionally, a company's articles of association usually provide for shareholders' reserve powers which specify that shareholders may give a direction to the company's directors. Any such direction must be given in the form of a special resolution which can be general in nature, but sufficiently clear and specific to enable the directors to know how they are to act.

14. What are the core employment law protection rules in your country (e.g., discrimination, minimum wage, dismissal etc.)?

Employees hired to work in the UK under a UK contract will be covered by UK employment law. We have set out below a summary of the core employment law rights and protections that employees benefit from in the UK. This is not exhaustive but covers the core areas. All financial figures are the current figures and are subject to review.

Right / Protection	Details
National Minimum Wage	All employees are entitled to be paid at least the national minimum wage for all working hours. The current hourly rates of pay are: • employees aged 23 or more: £10.42; • employees aged 21 – 22: £10.18; • employees aged 18 – 20: £7.49; • employees aged under 18: £5.28; and • apprentice rate: £5.28.
Holiday	Employees are entitled to 5.6 weeks' paid holiday each year (equivalent to 28 days for a full-time employee).
Working Hours	Employees' average hours should not exceed 48 hours per week, unless they opt out of this limit. Opt-out agreements are commonplace.
Rest Periods	Unless an exemption applies, employees are entitled to the following rest periods: • 11 hours' uninterrupted rest per day; • 24 hours' uninterrupted rest per week (or 48 hours' uninterrupted rest per fortnight); and • a rest break of 20 minutes when working more than six hours per day. Where exemptions apply, compensatory rest will usually have to be given.
Pension rights	An employer is required to automatically enrol an eligible jobholder as an active member of an automatic enrolment scheme with effect from the date the jobholder becomes eligible, unless he or she is already an active member of the employer's qualifying scheme or falls within one of the available statutory exceptions. An eligible jobholder has the right to opt out of his employer's scheme if he chooses. The employer of an eligible jobholder who is auto-enrolled (and does not opt out) must pay mandatory minimum contributions (3%) to a defined contribution scheme.
Discrimination	Employees are protected against discrimination on the basis of the following protected characteristics: • age; • disability; • gender reassignment; • marriage and civil partnership; • pregnancy and maternity; • race; • religion or belief; • sex; and • sexual orientation.
Maternity Leave / Pay	Employees are entitled to take up to 52 weeks' maternity leave. Subject to eligibility, employees are entitled to 39 weeks' maternity pay as follows: • for the first six weeks, at 90% of the employee's normal weekly earnings; and • for the remaining 33 weeks, at £156.66 or 90% of the employee's normal weekly earnings, whichever is lower. Some employers pay enhanced maternity pay in addition to the above statutory entitlement.
Paternity Leave	Eligible employees are entitled to take up to two weeks' paternity leave. Subject to eligibility, statutory paternity pay is payable for up to two weeks at £156.66 or 90% of the employee's normal weekly earnings, whichever is lower. Some employers pay enhanced paternity pay in addition to the statutory entitlement.
Shared Parental Leave	Eligible employees are entitled to take up to 50 weeks leave less any weeks spent by the child's mother on maternity leave. The number of weeks of shared parental pay available to be shared between parents is 39 weeks less any weeks spent by the child's mother in receipt of statutory maternity pay (see above for details of pay entitlement). Some employers pay enhanced shared parental pay in addition to the above statutory entitlement.
Statutory sick pay	The statutory sick pay ("SSP") scheme entitles qualifying employees who have been absent from work for four or more consecutive days to receive a minimum weekly payment (up to £99.35). Employees are entitled to up to 28 weeks' SSP in any period of incapacity for work.
Statutory Notice Periods	Employees who have been continuously employed for one month or more, are entitled to receive a minimum period of notice of termination of employment from their employer. If the contract of employment provides for a longer period of notice, then the contractual notice period will prevail over the statutory minimum notice period. The statutory notice periods are as follows: • an employee who has been employed for more than one month but less than two years is entitled to at least one week's notice of termination • where the employee has been employed for more than two years but less than 12 years, they are entitled to one week's statutory notice for each year of continuous employment up to a maximum of 12 weeks' notice; and • an employee is under a statutory obligation to give their employer at least one week's notice that they will be leaving, if they have been employed for one month or more.
Unfair dismissal	Generally, an employee who has two years' service has the right not to be unfairly dismissed (this service requirement is not needed in certain circumstances). The dismissal of a qualifying employee will be unfair unless: • the employer can show that the reason for the dismissal was one of the five potentially fair reasons – capability or qualifications, conduct, redundancy, breach of a statutory duty or restriction; and • the tribunal finds that, in all the circumstances the employer acted reasonably in treating that reason as a sufficient reason for dismissal. Dismissals for certain reasons are deemed automatically unfair and, in most such cases, employees do not need a qualifying period of employment. These include dismissals for reasons connected to pregnancy or childbirth, health and safety activities, whistleblowing, exercising various time off rights, or asserting a statutory right. If an employment tribunal finds that the dismissal is unfair, it can order the employer to re-engage or reinstate the employee or (as is more likely in practice) pay the employee compensation. In most cases, where an employee has been held to have been unfairly dismissed, their remedy will be compensation. This will usually consist of a basic award (up to £19,290) and a compensatory award (capped at the lower of either 52 weeks' gross pay or £105,707).
Statutory Redundancy Payment	Employees who are made redundant and have two years' continuous employment are entitled to a statutory redundancy payment, which is based on age, length of service and pay. The current maximum payment is £19,290.
Statement of particulars	Since April 2020 employers are required to provide employees and workers with a written statement of certain terms of their employment on the first day of employment at the latest. Failure to comply with this requirement may entitle an employee to being a claim in the employment tribunal for a determination of their terms and up to four week's pay.

15. On what basis can an employee be dismissed in your country, what process must be followed and what are the associated costs? Does this differ for collective dismissals and if so, how?

Unfair dismissal

Generally, an employee who has two years' service has the right not to be unfairly dismissed (this service requirement is not needed in certain circumstances).

The dismissal of a qualifying employee will be unfair unless:

- the employer can show that the reason for the dismissal was one of the five potentially fair reasons – capability or qualifications, conduct, redundancy, breach of a statutory duty or restriction; and
- the tribunal finds that, in all the circumstances the employer acted reasonably in treating that reason as a sufficient reason for dismissal.

Dismissals for certain reasons are deemed automatically unfair and, in most such cases, employees do not need a qualifying period of employment. These include dismissals for reasons connected to pregnancy or childbirth, health and safety activities, whistleblowing, exercising various time off rights, or asserting a statutory right.

If an employment tribunal finds that the dismissal is unfair, it can order the employer to re-engage or reinstate the employee or (as is more likely in practice) pay the employee compensation.

In most cases, where an employee has been held to have been unfairly dismissed, their remedy will be compensation. This will usually consist of a basic award (up to £19,290) and a compensatory award (capped at the lower of either 52 weeks' gross pay or £105,707).

Associated Costs

The costs of a dismissal will depend on the reason for the dismissal. Potential costs will include:

- Notice Pay (see above); and
- Redundancy Pay (see above).

Collective dismissals

Where an employer proposes to make 20 or more redundancies in a 90-day period it must consult with appropriate representatives of affected employees for a minimum of 30 days or 45 days (for 100+ redundancies). Appropriate representatives will either be trade union representatives (if there is a recognised trade union) or elected employee representatives if there is not. No decision on the redundancies should be made until the collective consultation is complete.

After the conclusion of collective consultation, a period of individual consultation (no fixed period, say 2-4 weeks depending on employee numbers and circumstances) should be undertaken before notice of termination is served.

16. Does your jurisdiction have a system of employee representation / participation (e.g., works councils, co-determined supervisory boards, trade unions etc.)? Are there entities which are exempt from the corresponding regulations?

There is no general system of employee representation / participation.

If a business chooses to recognise a trade union (or is obligated to do so), a collective bargaining agreement will be signed. The agreement will determine the scope of the issues to which it applies. In very general terms, most trade union arrangements focus on pay, working hours and holidays with factory-management free to decide other matters. Trade unions also have a right to be involved in disciplinary and grievance issues.

17. Is there a system governing anti-bribery or anti-corruption or similar? Does this system extend to nondomestic constellations, i.e., have extraterritorial reach?

Yes, there is standalone anti-bribery legislation in the UK in the form of the Bribery Act 2010. There is also legislation proscribing the facilitation of tax evasion and this is set out in the Criminal Finances Act 2017. In both cases, a corporate entity can be liable for failure to prevent bribery or the facilitation of tax evasion (as the case may be). In addition, there are a number of laws (both common law and statutory) that regulate fraudulent conduct that are likely to be relevant in the context of acts of bribery or corruption. UK law concerning bribery and corruption does, in certain circumstances, have extraterritorial application.

18. What, if any, are the laws relating to economic crime? If such laws exist, is there an obligation to report economic crimes to the relevant authorities?

See responses to question 17, above. In certain circumstances, there may be an obligation to report money laundering to the relevant UK law enforcement agency. In general terms, the obligation applies to individuals and organisations operating in certain regulated sectors, such as banks, law firms, accountancy practices, casinos and estate agents.

19. How is money laundering and terrorist financing regulated in your jurisdiction?

Money laundering and terrorist financing are regulated by The Money Laundering, Terrorist Financing of Funds (Information on the Payer) Regulations 2019 and also the Proceeds of Crime Act 2002. Broadly, the legislation: (i) requires obliged entities to undertake appropriate customer due diligence; (ii) requires obliged entities to establish a money laundering and terrorist financing reporting function and establish appropriate policies, controls and procedures ; (iii) criminalises the handling of or dealing in criminal property (which is very broadly defined).

20. Are there rules regulating compliance in the supply chain (for example comparable to the UK Modern Slavery Act, the Dutch wet kinderarbeid, the French loi de vigilance)?

Yes – the Modern Slavery Act 2015.

21. Please describe the requirements to prepare, audit, approve and disclose annual accounts / annual financial statements in your jurisdiction.

All companies are required to prepare and file annual financial statements at Companies House. There are five sizes of company to consider when preparing the annual financial statements: micro-entity, small, medium, large and very large. It is important to determine the size of company in order to ensure that the relevant regulatory requirements for the preparation and filing of the annual financial statements are applied. The larger the entity the greater the disclosure requirements. Quoted/Listed companies also have additional regulatory requirements.

The Companies Act 2006 recognizes two financial reporting frameworks – IFRS and UK GAAP to be used for the preparation of the annual financial statements. It also requires directors to ensure that the annual financial statements give a true and fair view.

All public companies and state-owned companies are required to have their financial statements audited. Private companies are also required to have their annual financial statements audited unless they are exempt from audit. Exemption from audit is available for micro entities, small companies and dormant companies. Subsidiary companies can apply for an audit exemption.

A company's annual financial statements must be approved by the board of directors and signed on behalf of the board by a director of the company. All companies are required to file a copy of their accounts and reports with the Registrar or Companies. Copies of the annual financial statements must also be sent to the company's shareholders. Companies are required to file the approved annual accounts at Companies House within the following filing deadlines:

- 9 months from the accounting reference date, for a private company.
- 6 months from the accounting reference date, for a public company.

22. Please detail any corporate / company secretarial annual compliance requirements?

In addition to filing their annual financial statements, all companies must, before the end of the period of 14 days after the end of each review period, file a confirmation statement confirming that all information required to be delivered by the company to the Registrar in relation to the confirmation period, has been delivered, or is being delivered at the same time as the confirmation statement. The date of the confirmation statement is unique to the company and falls on the same day each year.

23. Is there a requirement for annual meetings of shareholders, or other stakeholders, to be held? If so, what matters need to be considered and approved at the annual shareholder meeting?

Under the Companies Act 2006, private companies are not generally obliged to hold an annual general meeting. There may however be a requirement in the company's articles of association to hold an annual general meeting.

All public limited companies must, within six months beginning with the day following its accounting reference date, hold an annual general meeting.

A company's articles of association will stipulate which matters are to be approved at the annual general meeting. The typical items approved at the annual general meeting are re-election of directors, remuneration policy, remuneration and appointment of auditors and consideration of the annual accounts, directors' report and auditors' report.

24. Are there any reporting / notification / disclosure requirements on beneficial ownership / ultimate beneficial owners (UBO) of entities? If yes, please briefly describe these requirements.

Yes, there are reporting and disclosure obligations relating to the ultimate beneficial owners. The regime is referred to as Persons with Significant Control ("PSC"). The PSC is a person who ultimately owns or controls a company or group of companies. Companies must take reasonable steps to determine if there is anyone who is a registrable person or a registrable relevant legal entity in relation to that company and, if so, identify them on the PSC register held by the company and at Companies House.

An officer of the company is required to:

- Identify the PSCs over the company and confirm their information;
- Record the details of the PSC on the company's own PSC register within 14 days;
- Provide this information to Companies House within a further 14 days;
- Update the information on the company's own PSC register when it changes within 14 days, and update the information at Companies House within a further 14 day; and
- Confirm to Companies House that information on the public register is accurate, where it has not been updated in the previous 12 months.

PSCs are those who hold:

- more than 25% of shares in the company;
- more than 25% of voting rights in the company; or
- the right to appoint or remove the majority of the board of directors.

25. What main taxes are businesses subject to in your jurisdiction, and on what are they levied (usually profits), and at what rate?

Corporation tax is one the core taxes. The main rate is 25% from 1 April 2023. A UK incorporated and/or tax resident company is subject to corporation tax on worldwide profits and gains with credit granted for foreign taxes paid. Certain foreign profits and losses arising from a permanent establishment may be excluded by making an irrevocable election. Capital gains form part of a company's taxable profits. A non-resident company is subject to corporation tax and/or UK income tax at 20% only in respect of UK-source profits.

A diverted profits tax of 31% applies where multinational companies use artificial arrangements to divert profits overseas to avoid UK tax.

Controlled foreign companies can be brought within the charge to UK corporation tax. There is a "gateway" test and a number of provisions that may apply to exempt a company from the rules.

Certain industry specific surcharges and rates are also applicable.

OECD Pillar Two adoption provisions are included in the Finance (No2) Bill 2022-23 and are expected to be enacted in to law. This will result in a global minimum tax rate of 15% and incorporate qualified domestic minimum top-up taxes (QDMTT) into UK law.

Businesses are generally subject to a wide variety of other taxes as well, such as;

- Business rates, which apply to property;
- Employer taxes, such as national insurance contributions; and
- Indirect taxes, which may or may not be fully recoverable.

26. Are there any particular incentive regimes that make your jurisdiction attractive to businesses from a tax perspective (e.g. tax holidays, incentive regimes, employee schemes, or other?)

Participation exemption: Most dividends, including foreign dividends, are exempt from tax. In addition, capital gains on the qualifying disposal of substantial shareholdings in certain companies are not subject to corporation tax.

No deduction is available for the depreciation or amortization of land, buildings or other tangible fixed assets. However, tax relief is available for qualifying capital expenditure on plant and machinery (including certain integral features in buildings) at an annual writing-down allowance of 6% (special rate) or 18% (main rate) on a reducing balance basis. From 1 April 2023 through 31 March 2026, 100% in-year relief is available for capital expenditure incurred by companies on main rate assets, and 50% for special rate assets, subject to certain exclusions. Relief is also available at a rate of 3% per annum on a straight line basis, for expenditure incurred on non-residential buildings or structures.

Tax relief is available for accounting amortization for certain intangible assets, or alternatively an election can be made for 4% writing down allowances.

SMEs undertaking eligible R&D can claim an additional deduction on qualifying expenditure at a rate of 130%, decreasing to 86% for expenditure incurred from 1 April 2023. Loss-making "R&D intensive" SMEs can claim a payable credit at a rate of 14.5% (or 10% from 1 April 2023 if not an "R&D intensive" SME). Large companies may claim an "above the line" R&D credit at a rate of 20% for qualifying expenditure incurred from 1 April 2023 (increasing from 13% for expenditure incurred during the period 1 April 2020 to 31 March 2023).

A patent box regime allows companies to elect to apply a corporation tax rate of 10% to all profits attributable to qualifying patents.

Certain industry specific tax incentives are also available, and additional tax reliefs are available for business operating within designated Freeport tax and customs sites. From 1 April 2022 a new beneficial funds regime applies to Qualified Asset Holding Companies. The 2023 Budget announced the establishment of 12 tax incentivized UK Investment Zones.

27. Are there any impediments / tax charges that typically apply to the inflow or outflow of capital to and from your jurisdiction (e.g., withholding taxes, exchange controls, capital controls, etc.)?

There are no foreign exchange or capital controls in the UK.

There is a requirement to notify HM Revenue and Customs ("HMRC") with details of certain international transactions whose value exceed £100m under the International Movements of Capital regulations.

There is no branch remittance tax.

Withholding tax apply as follows:

Dividends – 0%

- There typically is no withholding tax on dividends paid by UK companies under domestic law, although 20% withholding tax generally applies to distributions paid by a Real Estate Investment Trust from its tax-exempt rental profits (subject to relief under a tax treaty).

Interest – 0%/20%

- There is generally no withholding tax requirement in respect of interest payments made to individuals from bank deposits, unit trusts, open-ended investment companies, or peer-to-peer lending. A 20% withholding tax may apply to other sources of interest.
- No withholding tax applies to interest paid to a UK resident company.
- Interest paid to a nonresident company generally is subject to 20% withholding tax, unless the rate is reduced under a tax treaty or a domestic exemption applies (e.g., to payments of interest other than "yearly interest" or interest on quoted Eurobonds).
- A reduction of the withholding tax rate under a tax treaty is not automatic; advance clearance must be granted by the UK tax authorities.
- The UK's domestic implementation of rules based on the EU interest and royalties directive previously provided for an exemption from withholding tax on interest paid to EU resident companies if certain conditions were satisfied and advance clearance granted. These provisions have been repealed and no longer apply to interest paid as from 1 June 2021 (3 March 2021 in certain circumstances).

Royalties – 0%/20%

- No withholding tax applies to royalties paid to a UK resident company. Withholding tax at 20% applies to most types of royalties paid to a UK resident individual, with certain exceptions.
- Royalties paid to a nonresident generally are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. Advance clearance is not required to apply a reduced rate of withholding tax under a tax treaty.
- The UK's domestic implementation of rules based on the EU interest and royalties directive previously provided for an exemption from withholding tax on royalties paid to EU resident companies if certain conditions were satisfied. These provisions have been repealed and no longer apply to royalties paid as from 1 June 2021 (3 March 2021 in certain circumstances).

No withholding tax applies to fees for technical services.

The UK has a comprehensive treaty network.

28. Are there any significant transfer taxes, stamp duties, etc. to be taken into consideration?

Stamp duty at 0.5% applies on the transfer of UK shares and is payable by the transferee.

Stamp duty land tax ("SDLT") is charged on transfers of real property (residential and nonresidential) in England and Northern Ireland. Land and buildings transaction tax and land transaction tax are charged instead of SDLT on Scottish and Welsh property, respectively.

For residential property, the SDLT rates are between 0% and 12% (increased to 15% for certain property), depending on the value of the property. The rates for nonresidential property are 0% to 5%. A 15% rate applies to purchases of residential property valued at more than GBP 500,000 by companies and certain other vehicles, although relief from the 15% rate is available for some businesses.

In certain circumstances, transfers within a company tax group may be free from stamp duty/SDLT.

29. Are there any public takeover rules?

Yes. The framework governing public takeovers in the UK comprises:

- the Takeover Code, which sets out how takeovers of companies to which it applies are conducted;
- the Takeover Panel, which is an independent body designated to oversee the enforcement of the Takeover Code;
- the Companies Act 2006, which provides the statutory underpinning of much of the UK's public takeover framework; and
- a number of ancillary regimes depending on the specific situation, such as the listing

regime, the prospectus regime, the disclosure regime, the market abuse and insider dealing regime, financial services legislation (such as the Financial Services and Markets Act 2000), the UK merger control regime and certain court rules (such as schemes of arrangement).

Given the complexity and wide-ranging nature of the UK public takeover rules, any person intending to acquire or dispose of a public company in the UK should obtain professional advice.

30. Is there a merger control regime and is it mandatory / how does it broadly work?

The UK has a voluntary merger control regime which is contained in the Enterprise Act 2002 ("**EA 2002**"). Enforcement of the UK merger control regime is overseen by the Competition and Markets Authority (known as the CMA).

The CMA has jurisdiction over transactions that meet the turnover or share of supply tests set out in section 23 of EA 2002. These thresholds are as follows:

- the value of the turnover in the UK of the enterprise being taken over exceeds £70 million; or
- in relation to the supply of goods, at least one-quarter of all such goods which are supplied in the UK (or a substantial part):
    - are supplied by one and the same person or are supplied to one and the same person; or
    - are supplied by the persons by whom the enterprises concerned are carried on, or are supplied to those persons; or
- in relation to the supply of services, the supply of such services in the UK (or a substantial part), is to the extent of at least one-quarter:
- supply by one and the same person, or supply for one and the same person; or
- supply by the persons by whom the enterprises concerned are carried on, or supply for those persons.

The CMA has the power to open an initial investigation (known as Phase 1) where it is of the view that it may have jurisdiction over a proposed or completed transaction. If, following a Phase 1 investigation, the CMA believes that the transaction has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the UK for goods or services, the CMA will refer the transaction to a detailed investigation (known as Phase 2) unless the parties offer acceptable undertakings.

Notwithstanding that the regime is voluntary, parties to a proposed transaction who are concerned that the CMA may have jurisdiction will usually make completion conditional on receiving clearance from the CMA or the CMA confirming that it will not refer the transaction to a Phase 2 investigation.

Separately, EA 2002 also includes provisions that enable the Secretary of State to intervene on transactions in the case of certain public interest issues (such as maintaining the plurality of news media, the stability of UK financial systems and the UK's ability to combat public health emergencies).

Furthermore, if the jurisdictional criteria of the EU Merger Regulation are met, the relevant parties to a proposed transaction will also be required to seek approvals under the EU merger control regime.

31. Is there an obligation to negotiate in good faith?

Under English law, there is no express obligation on parties which have entered into negotiations (whether in respect of an M&A transaction or otherwise) to conduct such negotiations in good faith. That said, the English courts have recently indicated in a number of cases that a principle of good faith may apply in certain situations; these situations are currently narrowly prescribed and do not include ordinary course negotiations prior to the parties entering into any legally binding agreement. Nevertheless, the principle of good faith (and its extent) is likely to be a feature of English case law for the foreseeable future.

32. What protections do employees benefit from when their employer is being acquired, for example, are there employee and / or employee representatives' information and consultation or co-determination obligations, and what process must be followed? Do these obligations differ depending on whether an asset or share deal is undertaken?

Share sale

There are no specific employee rights / protections relating to a share sale (other than the ordinary employment law rights / protections). From an employee relations perspective, it is best practice to inform the employees about the sale and related information so that they understand the rationale for the sale and to alleviate any concerns about the potential impact of the sale.

Asset sale

The Transfer of Undertakings (Protection of Employment) 2006 ("TUPE") may apply to an asset transfer ("Transfer"). When TUPE applies, it has the following key consequences regarding employees:

Automatic Transfer – the employment contracts of employees who are employed by the transferee and assigned to the business being transferred automatically transfer from the transferee to the transferor on their existing terms, with the exception of certain retirement and pension benefits.

Employees can object to the transfer, in which case they would not become employees of the transferee. Instead, their contracts of employment terminate by operation of law on the transfer date. There is no dismissal. If, however, employees resign in response to a repudiatory breach of contract or to substantial changes in working conditions to the employee's material detriment, they are treated as deemed dismissals to which the enhanced protection against dismissal applies (see below).

Protection against changing terms of employment – transferring employees benefit from enhanced protection against changes to their terms and conditions. Changes to terms of employment will be void if the sole or principal reason for the change is the Transfer itself, unless either:

- The reason for the variation is an economic, technical or organisational reason entailing changes in the workforce (an "ETO reason"); or
- The terms of the contract permit the employer to make the particular variation.

Protection against dismissal – TUPE provides enhanced protection against dismissal over and above general unfair dismissal law for employees with the qualifying period of service. Dismissals will be automatically unfair if the sole or principal reason for the dismissal is the Transfer itself. If, however, the reason for the dismissal is an ETO reason, then the dismissal will be potentially fair and the general unfair dismissal rules will apply.

Obligation to inform and consult – under TUPE both the transferor and transferee must inform and (if necessary) consult with appropriate representatives (recognised trade unions or elected employee representatives (if there is no recognised union)) in relation to any of their own employees who may be affected by the Transfer or any measures taken in connection with it.

Although there will be a duty to inform on every TUPE transfer, the duty to consult only arises where an employer envisages taking measures in respect of affected employees. Measures could involve changes to terms and conditions, headcount reductions or any other change to employees' employment arrangements.

The information and consultation process formally begins with the provision of certain information to the appropriate representatives. The formal notice includes information about: (i) the fact of the Transfer; (ii) the proposed transfer date; (iii) implications for employees; (iv) any measures which the transferee or transferor envisage taking in connection with the Transfer regarding employees; and (v) any agency workers engaged by the transferor or transferee.

The required information set out above must be provided to the appropriate representatives long enough before the Transfer to enable the employer to consult with them about it. There is no definition of what "long enough" means – it will depend on the circumstances and the measures that are envisaged.

There is no set duration for the information and consultation process under TUPE. There is no need to reach agreement with the appropriate representatives, simply to engage in meaningful consultation with them with a view to seeking their agreement to the relevant measures envisaged. In practice, this means that the employer must negotiate in good faith over all areas of the proposed measures it intends to take over the TUPE transfer. Once the employer has satisfied this obligation, it can draw the process to a conclusion.

A failure to comply with the information and (where necessary) consultation obligations under TUPE exposes the transferee and transferor to a protective award claim under which each affected employee could seek compensation equivalent to up to 13 weeks' uncapped pay.

33. Please detail any foreign direct investment restrictions, controls or requirements? For example, please detail any limitations, notifications and / or approvals required for corporate acquisitions.

The National Security and Investment Act 2021 came fully into force in the UK on 4 January 2022 and is the

UK's first standalone national security law. In essence, it requires the notification and approval of certain proposed transactions involving entities operating in any of 17 specified sectors of the economy (including artificial intelligence, military and dual use goods, transport and data infrastructure). Any such notifiable transaction cannot proceed to completion without approval having first been obtained from the Secretary of State. Any transaction that proceeds without such consent will be void as a matter of law and the parties involved could be criminally liable, in addition to the possibility of turnover-based fines being imposed on the proposed acquirer/investor.

34. Does your jurisdiction have any exchange control requirements?

No.

35. What are the most common ways to wind up / liquidate / dissolve an entity in your jurisdiction? Please provide a brief explanation of the process.

The most common method to dissolve an entity is either by way of a members' voluntary liquidation ("MVL") or a strike-off. For insolvent entities, a creditors' voluntary liquidation may be initiated by a creditor, however, that is beyond the scope of this note.

An MVL involves the appointment of a licensed Insolvency Practitioner as liquidator. An MVL is only available to solvent entities as the directors must swear a declaration of solvency and the shareholders will pass a special resolution. The liquidator then proceeds to realise the assets, seek out/pay creditor claims before returning any surplus assets to the shareholders. The liquidator affords the directors protection from creditors/claimants. However, there is a cost implication in terms of liquidator fees, together with advertising and other associated fees.

The strike-off process is undertaken by the directors of the company. The company must have been dormant – no trading, name change or other activity in the past three months.

An application is made to the Registrar of Companies for the company to be removed from the register. Certain interested parties must be notified of the application. The Registrar of Companies advertises their intention to strike the company from the register in the Gazette. Following a period of at least 2 months, a second advertisement is published and upon publication the company is dissolved.

The strike-off procedure is typically completed more quickly than an MVL and can be used in conjunction with the simplified "reduction of capital" mechanism. However, a claimant emerging after dissolution can, for 6 years, make an application to restore a company that has been struck off and can potentially pursue the directors personally. Furthermore, any assets of the company, present or future, are deemed to be 'bona vacantia ' and vest in the Crown.

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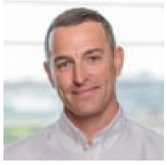

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