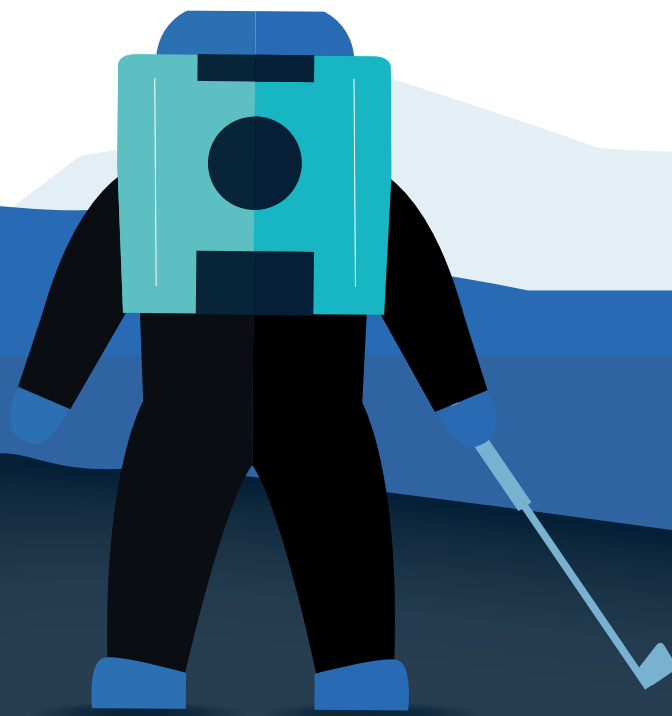


# ESCAPE THE ORDINARY

## Tax and Accounting

We can ensure that you are meeting your filing obligations and mitigating your tax liabilities



**Elemental**

# Services overview

## Efficient and Timely structuring is key

The tax tail should not wag the commercial dog, but the best time to consider the tax implications of a new venture or transaction is before signing on the dotted line.

Our team is able to advise on the full range of tax implications of setting up a business in the UK, whether that is through organic growth or an acquisition.

Going forward we can support you as you grow, pro-actively suggesting planning ideas and assisting with refinancing or restructuring transactions.

Please see the factsheet on the UK taxation and accounting regime at the end of this document.

## Tax investigations

Occasionally things can go wrong and HMRC will investigate a transaction or a tax return by asking for further information. Such investigations can be time-consuming and the uncertainty can be stressful. We are experts at building productive relationships with HMRC and ensuring that any investigations are resolved amicably and in a timely manner.

## Making the most of the available tax reliefs

When last counted in 2011 there were no fewer than 1,042 reliefs, exemptions and allowances available to the UK taxpayer. It is essential to engage a specialist UK tax advisor to make sure that you do not pay any more tax than is absolutely necessary.

A handful of the more popular and useful reliefs are:

- an annual investment allowance which permits writing off 100% of the cost of capital expenditure up to a certain limit against corporation or income tax;
- loss relief between companies in the same group in the UK and occasionally across Europe
- 100% capital allowances on certain energy saving equipment plant and machinery;
- very generous research and development tax credits available for innovation and research;
- a Patent Box regime reducing the corporation tax rate on income derived from licencing intellectual property;
- creative industry reliefs to reduce the tax burdens on companies involved in high-end television production, animation, video games and films.

## Contact us to discuss your needs

As a new client of Elemental CoSec we would be happy to offer you a free 1 hour phone call with a member of our tax department to discuss how the UK tax regime will apply to your business. To take us up on this offer or to discuss this or any other tax or accounting issue please do not hesitate to contact:

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# An introduction to the UK taxation and accounting regime

When Prime Minister David Cameron and Chancellor of the Exchequer George Osborne delivered their first budget speech in 2011 the clear message was that 'the UK is open for business'. Elemental CoSec can help you navigate the paperwork and take advantage of the available tax reliefs, claims and elections.

We can ensure that you are meeting your filing obligations and mitigating your tax liabilities. A brief summary of the UK tax and accounting regime can be found over the following pages.

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## Annual accounts

The Companies Act 2006 imposes an obligation to file accounts on:

- UK incorporated companies,
- UK Branches of overseas companies, and
- UK registered Limited Liability partnerships

The accounts are available for public inspection and many smaller businesses may take advantage of provisions allowing only abbreviated accounts to be filed (although full accounts must still be prepared and retained by the company).

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## Audits

The basic premise is that all UK companies must have their accounts audited. Specific exemptions are available in certain circumstances for:

- Standalone small companies or small groups
- The subsidiaries of EEA parent companies
- Dormant companies
- Non-profit making companies subject to a public sector audit

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## Corporate / Income tax returns

Companies and branches must submit corporation tax returns and computations together. These are transmitted to HMRC electronically along with a copy of the full accounts tagged using Inline Extensible Business Reporting Language (iXBRL).

Partnerships and Limited Liability partnerships must file partnership tax returns. In addition the partners must file UK tax returns in respect of any UK-source income.

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**Transfer Pricing**

The UK transfer pricing regime ensures that transactions between connected parties are taxed at the values which would have arisen had they been carried out on an arm's length basis by third parties.

The regime does not apply to small or medium sized businesses and cannot be used to decrease profits or increase a tax loss.

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**Deducting tax on payments of interest, royalties and other 'annual payments'**

Interest, royalty fees and other annual payments made by UK businesses are deemed to be 'UK source' and therefore may fall within the UK tax net. The payer is often obliged to deduct income or corporation tax from the payment and remit this to HMRC. Special returns must be filed quarterly and certificates of tax deduction should be provided to payees.

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**Claiming double tax treaty benefits**

Business and individuals must normally apply to HMRC in order to avail themselves of any double tax treaty benefits, largely a reduced rate of withholding tax on interest and royalties. Overseas lenders may apply under the 'Double Taxation Treaty Passport' scheme to avoid having to make multiple applications in respect of each borrower.

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**VAT (sales tax) registration**

A business operating with a UK place of business is obliged to register for VAT if its turnover of VAT taxable goods exceeds the VAT registration threshold for the previous 12 months or is expected to exceed the threshold in the next 30 days alone. The threshold is currently £81,000.

VAT registered business must charge VAT at 20% on their supplies and may reclaim the VAT they suffer on their purchases. It is also possible to register for VAT voluntarily.

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**VAT returns and the EC sales list**

VAT returns are normally filed quarterly, but various schemes are available to allow for VAT accounting annually or on a cash basis.

Additionally, businesses supplying goods or services to other EU countries must submit their 'EC sales list' to HMRC. Depending on the value of the supplies EC sales lists are submitted on a monthly, quarterly or annual basis.

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**Payroll**

Employers are responsible for the collection of payroll taxes from employees and also pay 'employer national insurance contributions' at 13.8%. Payroll taxes are paid over monthly and employers submit monthly returns to HMRC along with pay slips to employees. Employers must also submit an annual return to HMRC and provide end of year certificates and summaries of benefits provided to employees.

HMRC will consider the substance over the legal form of an arrangement and so it is important to verify whether a 'subcontractor' should be treated as an employee for tax purposes to avoid the risk of an unexpected tax liability.

<b>Real estate taxes ('rates')</b>	Local councils collect property taxes known as 'business rates' from the owners or (depending on the lease) tenants of a business property.
<b>Stamp Duty, Stamp Duty Reserve Tax and Stamp Duty Land Tax</b>	<p>Stamp duty is charged at 0.5% on the transfer of UK shares. Stamp Duty Reserve Tax becomes due at 0.5% upon the conclusion of an unconditional agreement to transfer UK shares for money or money's worth.</p> <p>Stamp Duty Land Tax is charged upon the transfer of real property (land, buildings and leases thereon). Rates are on a sliding scale from 1–15%.</p>
<b>Annual Tax on Enveloped Dwellings</b>	An annual tax charge is levied where a company, a partnership with a corporate member or a collective investment scheme owns residential property in the UK valued at £2m upon acquisition. The tax charge depends on the value of the property and owners must pay the tax and complete the relevant returns annually in advance.
<b>Customs and Excise Duties</b>	<p>Customs duties are irrecoverable taxes paid upon importing goods into the European Union. The rates are set centrally and are uniform across the EU and range from 0–85%.</p> <p>Excise duties are irrecoverable taxes levied on certain products (such as cigarettes, alcohol and fuel), usually at the point of consumption or importation.</p>
<b>Disclosure of Tax Avoidance Schemes</b>	Anybody who uses or promotes arrangements that do or are intended to provide a tax advantage must report the arrangements to HMRC. HMRC will provide a reference number which is to be used in the relevant tax return. Note that the reference number does not represent acceptance that the arrangements work – just that HMRC are aware of them!
<b>Other</b>	<p>Other taxes include:</p> <ul style="list-style-type: none"> <li>• Vehicle Excise Duty (due annually and based on the CO2 emissions of a vehicle)</li> <li>• Climate Change levy (charged on the use of taxable commodities by KW/h or kg)</li> <li>• Aggregates Levy charged at £2/ton on the exploitation or importation of aggregates,</li> <li>• Landfill tax charged based on the quantity of waste disposed</li> <li>• Insurance premium tax of 6% or 20%.</li> <li>• Various gambling duties</li> </ul>

#### Disclaimer

This document is provided for general information only and should not be relied upon. Specific advice should always be obtained if you are unsure as to your legal obligations.

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