

UNITED KINGDOM

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0- SYNOPTIC TABLE: TAXATION OF RESIDENTS AND NON-RESIDENTS

	RESIDENTS	NON-RESIDENTS
CORPORATE INCOME TAX	25% With profits of £50,000 or less: 19%	
TAXES ON CAPITAL GAINS	Same tax rate as corporate income	Only on activity performed by PE
WITHHOLDING TAXES		
Dividends	Exempt	Exempt
Interest	20%	20% reducible by treaty
Royalties	20%	20% reducible by treaty
PERSONAL INCOME TAX	20% - 45%	
OTHER TAXES		
Stamp duty on land and buildings	Different kinds with different rates	
Tax on insurance premiums	12%, 20%	
Tax on digital services	2% on annual income (500 million £ worldwide; 250 million £ in the UK)	
VAT	20%, 5%, 0% Exports exempt	
LOSSES		
Carried forward	Unlimited	
Carried back	1 - 3 years	
DEPRECIATION		
Fixed assets	Plant and machinery: 6%, 18% Private vehicles: 20% Industrial buildings: not applied Hotel buildings: not applied Office buildings: not applied but 6% on plants and equipment that are an integral part of the building	
Intangible assets	Copyright, know-how and scientific research: special rates	

1 - AN OUTLINE OF COMPANY LAW

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Private limited company	It's a legal identity separate from its owners. Liability is limited to the capital subscribed by the members. It is managed by a board of directors, but can have only one director, there is no maximum number of board members and at least one director must be a natural person. There is no prescribed minimum share capital for a private limited company.	One or more persons associated for a lawful purpose may, by subscribing their names to a memorandum of association and otherwise complying with the requirements of the Companies Act 2006 in respect of registration, form an incorporated company, with or without limited liability.	The company's memorandum and articles (if any) must be delivered to the Registrar of Company. Once the Registrar is satisfied that all the requirements have been met, the Registrar retains and registers the memorandum and articles (if any).
Public limited company	A public limited company has a board of directors and is a legal identity separate from its owners. It has capital divided into a distinct number of shares. The shareholders are its owners. Each share has a nominal or par value and may be denominated in any currency. There is an initial minimum authorised share capital of £50,000. There may be different classes of ordinary share, some of which may be non-voting. Shares may be registered shares, which have a named shareholder and are recorded in the company's share register.	A public limited company may be founded by a single natural or legal person. On incorporation, the founding member or members must sign the company's memorandum of association.	All public limited companies must file annual financial statements with the Registrar of Companies. Companies are required to keep a register of ultimate beneficial ownership of the company and must file a report with Companies House annually. The report must contain details of people with significant control (PSC), who are defined as individuals with an interest in more than 25% of shares or voting rights in a company, or who otherwise control the way a company is run.
General partnership	A general partnership is a body of persons carrying out business together with a view to profit. A general partnership does not have a separate legal identity, except in Scotland. In a general partnership, all partners (who may be legal or natural persons) have joint and several liability for the partnership's financial obligations.		A general partnership deed does not need to be filed with a government authority.
Limited partnership	In a limited partnership there are 2 types of partners. There are one or more general partners (who have unlimited liability) and one or more limited partners (who are liable only to the extent of their capital contribution to the partnership). A limited partnership has no separate legal identity, except in Scotland.		
Limited liability partnership	A limited liability partnership (LLP) is a hybrid entity, with its own legal identity, and it is managed by its partners or members, whose liability is limited to the assets of the partnership.		For an LLP to incorporate, it must file an incorporation document with the Registrar.
Sole proprietorship	An individual may carry out a business as a sole proprietorship, in which the individual is the sole owner of the business and has unlimited liability for its debts. There is no nationality or residence requirement.		Sole proprietors must register with HMRC within 3 months of starting business

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Branch/ Permanent establishment</i>	A foreign company or entity may carry on business in the UK as a branch, without forming a subsidiary company.		A foreign company that has a UK branch must register with the Registrar of Companies within one month of establishing a place of business in the UK.
<i>Joint ventures</i>	Joint ventures have no distinct legal form. Most joint ventures are carried on through the vehicle of a partnership or limited company.		
<i>Mutual organisation</i>	It is an organisation set up by members where the income is derived solely from members' contributions and subscriptions. Typical examples would be a member's club or working men's club. It is taxable on any income that is not derived from its members, eg bank interest, income from stocks and shares.	A mutual organisation may be established as a limited company (often by way of a company limited by guarantee), but it may be a mere group of people forming a club.	

2- WHEN UK COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT?

A company that is resident in the UK is liable to corporation tax on its worldwide income and gains. A company that is not resident in the UK is liable to UK corporation tax if, and to the extent that, it carries on a trade in the UK through a permanent establishment in the UK. A non-resident company without such a permanent establishment in the UK is liable to UK income tax on any income derived in the UK.

3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHASING OFFICES, ETC.)

Administration or liaison activities in the UK do not cause the administered non-UK companies to be taxed as UK-residents, provided crucial board level decisions are not made in the UK.

As a general rule, the tax law and most of the UK's tax treaties with other countries provide that a UK office used for buying goods, collecting information or advertising products does not constitute a UK taxable permanent establishment of the overseas entity.

4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN THE UNITED KINGDOM: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?

A non-resident company is chargeable to UK corporation tax on its trading profits and capital gains only if it has a permanent establishment (PE) in the UK through which it carries on the trade. A company is considered to have a PE in the UK only if: it conducts a portion or all its business through a fixed place of business in the UK, or an agent acting on the company's behalf has authority to do business.

A fixed place of business may be a place of management, a branch, an office, a factory or workshop, an installation or structure for the exploration of natural resources, a mine, oil or gas well, a quarry or any other place where natural resources are extracted, a building site or construction or installation project.

A UK PE's taxable trading profits and capital gains are calculated on the same basis as those of a UK-resident company and taxed at 25% rate (from 1 April 2023; 19% previously).

When a non-UK company has no PE or no other UK source income connected to a PE, interest, royalties, rents, etc., are liable to UK income tax, which is withheld at the rate of 20%, but may be reduced under a tax treaty with the UK.

5- CALCULATING TAXABLE INCOME

Trading profits are calculated for UK tax purposes by reference to the financial statements drawn up in accordance with generally accepted accounting practice, but they are adjusted for certain income and expenditure. Trading profits are calculated as turnover less direct costs, indirect costs and overheads. These profits are then adjusted to take account of items that are treated differently under tax and accounting rules. Expenditure not wholly and exclusively incurred for trading purposes is not deductible, but if incurred for both trading and other purposes, the portion of the amount related to trade may be deducted. Losses that are not connected with trade are not permitted to be set off against trading profits.

Small unincorporated businesses (including sole proprietorships and partnerships) with an annual turnover of up to £150,000 for 2023-2024 may elect to account for their income in a simplified manner.

The following are not deductible: business entertainment expenses, capital expenditures, including incorporation expenses, penalties, interest and VAT surcharges dividends paid, national insurance contributions and revenue expenditure incurred more than 7 years before the trade commenced, royalties or other amounts paid for the use of patents.

Interest is deductible on an accruals basis.

No amortisation allowance is available for goodwill or other intangible assets.

A company can make an unlimited number of tax-deductible charitable donations and claim tax relief in its tax computation.

Discounts on deeply discounted or zero-coupon borrowings are generally deducted over the term of the borrowing.

Rents are taxed when accrued. Interest is assessed to tax on an accrual basis. Where intangible assets are acquired after 31 March 2002, credits relating to those intangible assets are generally assessed to tax on an accruals basis.

The profits of a UK company's foreign branch are fully taxable.

Employee and director compensation is deductible.

Pre-production expenditure on films may be written off when incurred. The animation, high-end television and theatre production sectors are eligible for corporate income tax relief.

Business gifts are tax-deductible. Fees for management of properties within a trading company are allowable expenses.

A partial deduction is allowed for the hiring of cars or motorcycles for business purposes.

PRT (petroleum revenue tax) is deductible.

6- TREATMENT OF LOSSES

For UK tax purposes, trading losses may in general:

1. be offset against other income and capital gains of the same accounting period
2. be carried back for offset against income and capital gains of the previous 12 months (increased to 36 months for losses incurred in the 2020–21 and 2021–22 tax years, subject to a maximum carry-back of £2 million per year)
3. be carried forward against future income and capital gains for an unlimited amount of time; from 1 April 2017, for companies with profits exceeding £5 million, carried forward losses may only be offset against 50% of profit exceeding £5 million, and
4. when trade ceases, be offset against the income and capital gains of the previous 36 months. This applies to losses of the last 12 months.

Where, within a period of 3 years, there is both a change of more than 50% in a company's ownership and a major change in the nature or conduct of its trade, loss carry-forwards and carry-backs will be denied.

7- IS INTEREST DEDUCTIBLE?

Interest is normally deductible on an accrual basis. The main exception is when interest is payable to a connected party and remains unpaid for more than 12 months after the end of the accounting period.

Interest on a debt taken out for the purposes of a trade, net of any trading interest received, is allowed as an expense of trade.

Interest paid to a foreign lender by a UK company is normally deductible, provided the loan is for a business or commercial purpose in respect of an activity that is within the charge to UK corporation tax and the lender is an independent third party.

In general, a 20% UK withholding tax is deducted at source from interest paid to non-residents as well as residents.

8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?

Plant, machinery and equipment

An annual writing-down allowance of 18% (6% for certain items of plant which are integrated into a building) on the reducing balance for plant, machinery and equipment is normally available. A fairly wide definition of plant and machinery includes items such as films and designs as well as tangible equipment, computer software and licences to use software.

Expenditure on zero-emissions cars and goods vehicles qualifies for a 100% first-year capital allowance. This allowance expires on 31 March 2025.

Private cars

Expenditure on a private car that is a car first registered before 1 March 2001, or a car with "low CO2 emissions", qualifies for full 20% allowances, regardless of the price of the car.

Industrial and hotel buildings

There are no annual writing-down allowances for industrial or hotel buildings.

Office and shop buildings

In general, capital allowances are not available on the structural cost of office and shop buildings, whereas, plant, machinery and equipment within the structure may qualify for the plant and machinery allowance, but where it is integral to the building (central heating, elevator, air conditioning), the rate of the allowance is 6% rather than the standard 18%.

Enterprise zones

For 8 years following the designation of an enterprise zone, capital allowances of 100% for first-year qualifying expenditure on new plant and machinery are available to businesses in the area.

Other items

Patent rights, industrial know-how, scientific research, dredging, mine workings and agricultural buildings qualify for special rates of capital allowance.

Leased assets

Lessors do not generally benefit from the use of first-year allowances, except where providing a service that involves use of a leased asset, in the case of a low-emission car, or for designated energy saving or water-efficient plant or machinery forming part of a building

Business premises renovation allowance

A 100% allowance is available for capital expenditure on the renovation or conversion for business use of business premises that have been vacant for at least a year, and which are located in designated disadvantaged areas.

9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?

The UK tax year for companies runs from 1 April to 31 March.

Trading profits and capital gains are subject to UK corporation tax at 25% for 2023-2024.

From 2023–24, companies with profits of £50,000 or less are instead subject to a standard small profits rate of 19%.

“Ring-fence” profits (defined in law as those arising from oil and gas extraction and rights in the UK and the UK continental shelf) are taxed at 30% (or 19% for profits up to £50,000). There is currently a supplementary charge of 10%, giving a total tax rate of 40%. A tax allowance applies to qualifying expenditures incurred on or after 2013 by companies engaged in onshore exploration.

For tax years beginning on or after 26 May 2022 and ending on or before 31 March 2028, a 35% energy profits levy (25% before 1 January 2023) applies to the profits of oil and gas companies operating in the UK. An investment allowance of 29% of qualifying expenditure (80% before 1 January 2023) is available to offset profits subject to the levy.

A reduced UK corporation tax rate of 10% applies for income from patents or certain medicinal or botanic innovation rights.

The UK has a non-resident landlord scheme for the deduction of tax from rental income payable to landlords of UK property who are not residents of the UK.

Authorised unit trusts are treated as companies for corporation tax purposes. They are permitted to deduct from profits expenses incurred in the course of management of the investment funds (management expenses). The corporation tax charge on income arising in a unit trust is taxable at the basic rate of income tax for individuals (currently 20%). Gains are exempt from tax.

Unit trusts that are not authorised unit trusts are not treated as companies and any income is treated as the income of the trustees of the trust and subject to the basic rate of income tax for individuals. The trustees may claim capital allowances, but are not permitted to claim relief for management expenses.

The real estate profits are taxable only in the hands of the recipients of distributions, whereas the residual income and gains are taxed in accordance with the normal corporation tax rules.

10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FISCAL PURPOSES?

The UK tax system recognises groups of companies, and provides several types of tax relief for transactions between members of the same group. There are no consolidated returns, and individual group members continue to file returns and pay tax on their own profits but may, for example, transfer losses among themselves.

There are three different types of groups in the UK:

1. A 51% group consists of the parent company and its “51% subsidiaries”, which are companies in which the parent company has direct or indirect ownership of more than 50% of the ordinary share capital of that subsidiary.
2. A 75% group consists of the parent company and its “75% subsidiaries”, which are companies in which the parent company has direct or indirect ownership of at least 75% of the ordinary share capital of that subsidiary.
3. In a 90% group, the parent company has direct or indirect ownership of at least 90% of the ordinary share capital of each subsidiary, effective subsidiary or consortium company.

Current tax losses may be surrendered within a 75% group. For tax purposes, members of a group must be UK residents or be the UK permanent establishments of foreign companies.

11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?

A non-resident company is chargeable to UK corporation tax on its trading profits and capital gains only if it has a permanent establishment (PE) in the UK through which it carries on the trade. The legislation defines a PE broadly according to the OECD Model Convention. A UK PE’s taxable trading profits and capital gains are calculated on the same basis as those of a UK-resident company.

A PE's tax liability is limited to corporation tax on its trading profits and capital gains arising from the PE. The 25% rate (from 1 April 2023; 19% previously) is payable.

When a non-UK company has no PE or no other UK source income connected to a PE, interest, royalties, rents, etc, are liable to UK income tax, which is withheld at the rate of 20%. The rate may be reduced under a tax treaty with the UK

Dividends paid by the non-UK company are not liable to further taxes.

12- ARE CAPITAL GAINS TAXED?

Capital gains are subject to UK corporation tax at the same rate as the company's other income and are calculated by deducting the cost of an asset from its sale proceeds.

A UK company can defer capital gains tax in a number of circumstances, including:

- when a taxpayer sells assets used in trade and uses the proceeds to acquire other assets in its trade,
- when shares of a company are transferred to another company that issues shares and/or debentures in exchange with the result that, after the exchange, the first company owns more than 25% of the ordinary shares, or the majority of the voting rights, of the acquired company
- where a UK company's foreign branch is transferred to a non-UK company that issues shares or shares and loan stock in exchange, with the result that after the exchange the UK company owns at least 25% of the non-UK company's ordinary shares
- when foreign exchange control or other regulations restrict free remittance of the capital gain to the UK.

A non-resident company is only subject to UK tax on capital gains in respect of the assets of its UK PE.

When a company resident in a member state of the EU transfers all or part of its UK trading branch to a company resident in another member state, wholly in exchange for shares or securities, tax on capital gains arising from the transfer may be deferred upon written elections by both transferor and transferee companies. The deferral is granted only where there is a bona fide commercial motive for the transfer and if the transferee company remains liable to UK tax on any subsequent disposal of those assets.

A non-resident company can defer gains arising in its UK branch on a transfer of chargeable assets (including properties) to its UK subsidiary as part of a transfer of a trade or part of a trade.

13- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?

Under UK law, a liquidation distribution is basically treated as a capital distribution to shareholders, attracting capital gains tax, but not income tax, in the shareholders' hands.

The same position applies if the shareholder is a parent company of the liquidated subsidiary.

In the case of a foreign parent company, a capital gain will arise to the parent company but no UK capital gains tax will be payable, as non-residents do not generally pay UK tax on capital gains.

14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?

A reduction of capital is treated as a reorganisation of the shareholder's shares in the company for UK capital gains tax purposes. This means there is no disposal for capital gains tax purposes.

Companies are permitted to buy back their shares in certain circumstances and dividend treatment of amounts paid to shareholders may be disallowed if:

1. the company must be unlisted

2. it must be a trading company or the holding company of a trading group
3. the purchase must be to benefit the trade, or to meet inheritance tax payable on death, and not to avoid UK tax
4. the shareholder must be UK-resident and have owned the shares for five years (in some cases only three years)
5. the shareholder's interest in the company must be substantially reduced (ie by a minimum of 25%) as a result of the buy-back.

A non-resident investor cannot meet the necessary conditions for non-dividend treatment. Advance clearances may be obtained from HMRC to approve either dividend or non-dividend treatment of a transaction.

A stamp duty of 0.5% is payable on the repurchased shares.

15- WHAT OTHER TAXES ARE APPLIED IN THE UNITED KINGDOM?

VAT

The standard rate of VAT is 20% and it applies unless a reduced rate applies. VAT at 20% is payable on such items as goodwill, machinery and stock-in-trade, unless these assets form part of a business purchased as a going concern.

Fuel and power supplied for domestic or non-business charity use is charged at 5%.

From 1 October 2021 to 31 March 2022, hotel accommodation, catering services and certain shows and attractions were subject to VAT at a reduced 12.5% rate (5% from 15 July 2020 to 30 September 2021) due to the COVID-19 pandemic. From 1 April 2022, such supplies are again subject to the standard 20% VAT rate.

Certain supplies of goods and services are taxable at a zero rate, particularly the export of goods and certain services from the UK and the construction of residential property.

Stamp taxes

The following stamp taxes apply in the UK:

- *Stamp Duty Land Tax* (SDLT), applied in England, Wales and Northern Ireland on transactions involving property, including land, at rates from 0% to 12%;
- *Land and Buildings Transaction Tax* (LBTT), applied in Scotland on transactions involving property, including land, at rates from 0% to 12%;
- *Stamp Duty Reserve Tax* (SDRT) applied on buying shares electronically at the rate of 0.5%;
- *Stamp Duty* applied on buying shares non-electronically at the rate of 0.5%.

Property tax

This is a local property tax charged on the occupier of commercial property in the UK. It is based on the rateable value (a notional rental value) of real estate at the multiplier determined by the central government, but collected by local authorities and redistributed to them on a formula basis.

Second and subsequent properties with a rateable value of less than £2,600 are exempt from this property tax.

Payroll taxes

Compulsory UK social security contributions known as national insurance contributions are payable by employers, employees and the self-employed. From 6 April 2015, national insurance contributions are not payable for employees aged under 21 who earn amounts below the higher income tax rate threshold (£37,700 for 2023–24).

The standard rates payable by the employer are the following:

<i>Level of weekly earnings</i> £	<i>Standard employer's rate</i> %
0.01 – 175.00	-
Oltre 175.00	13.8

Apprenticeship levy

An apprenticeship levy is payable by UK employers that have an annual pay bill exceeding GBP3 million and by employers connected to other companies or charities (for employment allowance) that have a total annual pay bill exceeding GBP3 million. The levy is 0.5% of the annual pay bill.

Small business rate relief

Small business rate relief is intended to help small businesses that occupy non-domestic premises.

To qualify for rate relief, a business must either occupy only one property with a rateable value of less than GBP15,000, or occupy one main property and own additional properties with individual rateable values of less than GBP2,900.

Properties with a rateable value of less than GBP12,000 receive relief of 100%. Properties with a rateable value between GBP12,000 and GBP15,000 receive relief on a sliding scale. A business must apply for the relief no fewer than six months before the end of the financial year to which the relief applies.

Environmental taxes

There are several environmental based taxes in the UK, including a climate change levy, a landfill tax, a carbon price floor tax and the aggregates levy.

Climate change levy

The climate change levy (CCL) taxes the supply of gas, electricity and other fuels used for energy by businesses. Its purpose is to promote efficient energy usage.

Tax on insurance premiums

It is applied at rates from 12% to 20%.

Excise taxes

They are applied to tobacco, alcohol and fuels at rates that vary depending on the product.

Taxes on gambling

Betting and gambling winnings are not taxable. There are, however, various taxes applicable to the profits that entities yield from lotteries, bingo, amusement machines and gaming.

Council tax

Council tax is a local tax on domestic property collected by local authorities. The amount of annual council tax due is based on the 1991 value of the property subject to tax and is generally assessed on the resident of the property.

Motor vehicle tax

Any entity or person that uses, or keeps for use, a vehicle intended for transport on public roads is subject to an annual vehicle excise duty (VED), whose rates go from £ 170 to £ 180, and are based on the vehicle's engine size and on yearly CO2 emissions.

Bank levy and surcharge

Banks are generally subject to a levy on their total liabilities, excluding the first £20 billion. The rate is 0.05% for long-term liabilities, and 0.1% for short-term liabilities.

Annual tax on enveloped dwellings

The annual tax on enveloped dwellings is payable by companies, partnerships or collective investment schemes that have an interest in single-dwelling property valued at more than £500,000.

Digital services tax

A digital services tax at the rate of 2% applies to income generated from UK users of internet search engines, online marketplaces and social media services. The tax applies if the group's worldwide annual income from digital services exceeds £500 million, and UK annual income from digital services exceeds £250 million.

Residential property developer tax

From 1 April 2022, a tax applies to the profits of residential property developers. The tax rate is 4% of annual profits exceeding £25 million.

Electricity generator levy

A temporary electricity generator levy applies from 1 January 2023 to 31 March 2028. The levy at the rate of 45% applies to extraordinary returns (the aggregate revenue of generators with an average output price exceeding GBP75 per megawatt hour) from low carbon electricity generation. The levy is limited to generators with output exceeding 100 gigawatt hours in an accounting period and only to extraordinary returns exceeding GBP10 million.

16- DIVIDENDS, INTEREST AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?**Dividends**

Although the dividend received from another UK company is unlikely to be subject to corporation tax, there is a tax allowance under which the first £2,000 of annual dividend income is not subject to tax.

Most foreign dividends are exempt unless they are received by a small company from a company that is resident in a territory without a double tax treaty with the United Kingdom.

Dividends paid to residents of certain countries with which the UK has a tax treaty attract a refund of half the tax credit to which a UK resident individual would be entitled. The tax credit is equal to 10% of the gross, or one-ninth of the net dividend. Half of this is repaid, less withholding tax, when the recipient owns at least 10% of the UK company's voting shares.

Interest and royalties

Tax at the rate of 20% is deducted at source from:

- some UK patent and copyright royalties, and
- rents from UK property.

Interest paid by UK banks to foreign companies is tax free. Interest paid to non-UK banks carrying on a bona fide banking business in the UK is also tax free.

Withholding taxes are not deductible from UK film, trademark, franchising and know-how royalties, or from UK equipment leasing rentals.

17- HOW ARE CALCULATED STOCKS OR INVENTORIES?

For UK tax purposes, stocks and work in progress are valued at the lower of cost or market value on a first-in first-out (FIFO) basis. Last-in first-out (LIFO) is not available and there is no relief for inflationary increases in value.

18- HOW ARE RESIDENT INDIVIDUALS TAXED?**Tax liability criteria**

The United Kingdom applies both the concept of residence and domicile in determining the tax liability of individuals. The criterion applied depends on the tax in question: the residence defines the subjectivity relating to the tax on income and capital gains, while the domicile is applied to determine the treatment of succession and certain types of income and profits.

A UK resident individual is subject to income tax on their worldwide income. Income arising abroad is taxed on a gross basis with credits for foreign tax paid. However, in the case of some individuals, foreign income is subject to tax only to the extent that it is remitted to or received

in the UK. This so-called remittance basis applies to the foreign source income of individuals not domiciled in the UK, whether or not they are resident.

Non-domiciled individuals who reside in the UK for: 7 of the past 9 years, or 12 of the past 14 years, and continue to opt for the remittance basis of taxation, become liable to an annual levy of £30,000 or £60,000 respectively.

Tax rates

UK income tax is charged on the taxable income of individuals for the year 2023–24 (the year beginning 6 April 2023) at the following rates. Taxable income is the aggregate of net income calculated under the rules of the various income sources, less allowable deductions and the personal allowance.

<i>Taxable income</i> £	<i>Rate</i> %	<i>Cumulative tax</i> <i>(at top of band)</i> £
1- 37,700	20 (the basic rate)	7,540
37,701 – 125,140	40 (the higher rate)	42,516
125,140 and over	45 (the additional rate)	

Dividends and interest are taxed differently.

Main deductions and reliefs

Under UK tax law, every individual is a taxpayer in their own right and their income and gains are separately assessed. This includes married women and children under 18. However, favourable tax treatment is accorded to most transactions between spouses and, from 5 December 2005, to transactions between civil partners (same-sex partners who have entered into a registered “civil partnership”).

A “child tax credit” may be claimed by individuals who are responsible for a child or for certain young people. The credit is paid directly to the individual who is mainly responsible for the child. The amounts payable depend on the family situation and annual income, and the family may qualify for more than one element depending on its circumstances. For the 2023-24 tax year, the following amounts are payable:

Family element	£ 545
Child element	
(for each young child or young person)	£ 3,235
Disabled child or young person element	£ 3,905
Severely disabled child or young person element	£ 5,480

A “working tax credit” is available for people who are employed or self-employed and meet the following conditions:

- for single parent families, the parent usually works 16 hours or more per week
- for couples with children, both parents work a total of 24 hours or more per week, with one parent working at least 16 hours; if only one parent works, that parent must work 24 hours or more per week
- for individuals without children, the individual works 30 hours or more per week
- the person is paid for that work,
- the person is expected to work for at least 4 weeks,

and who are

- aged 16 or over and responsible for at least one child
- aged 16 or over and disabled, or
- aged 25 or over and usually work at least 30 hours per week.

For the 2023-2024 tax year, the following amounts are payable:

Basic element	£ 2,280
Couples and lone parent element	£ 2,340
30- hour element	£ 950
Disability element	£ 3,685
Severe disability element	£ 1,595
One child	£ 175 per week
2 or more children	£ 300 per week

The credit is paid directly to the individual. The amounts payable depend on the situation.

Both the child tax credit and the working tax credit have income thresholds, and some of the credit amount will be withdrawn once income exceeds these thresholds.

Dependent spouse/civil partner

If either spouse/civil partner was born before 6 April 1935, one of the spouses or civil partners may claim a married couple's allowance of up to £10,375 for 2023-24, giving rise to a maximum tax reduction of £1,037.50.

Inheritance and gift tax

An individual's liability to inheritance tax depends on the individual's domicile. An individual domiciled or deemed to be domiciled in the UK is liable to inheritance tax on their worldwide assets. A non-domiciled individual is liable only on their UK situated assets.

There are 2 rates of inheritance tax on death, as follows:

<i>Size of estate</i>	<i>Rate %</i>
first £ 325,000	0
Remainder	40

Except in the case of transfers between spouses or civil partners and other exempt transfers, the identity of the transferee/beneficiary is irrelevant.

The value of the estate at death is calculated, broadly, by aggregating the market value of assets and deducting liabilities and reasonable funeral expenses, etc. A reduced inheritance tax rate of 36% applies to qualifying assets if at least 10% of the net estate is left to charity.

Pension, social security and national health policy

In the UK it is government policy to encourage individuals to invest for their retirement by contributing to pension schemes. These schemes are essentially trusts for the purpose of providing retirement benefits, death in service benefits, etc, for their members and members' dependants. A pension scheme registered by HMRC enjoys exemption from income tax and capital gains tax on its investments and confers tax advantages to members. In order to register, pension schemes must comply with certain requirements. Registered pension schemes are exempt from taxes within certain limits.

All individuals resident in the UK for 12 months or more are entitled to free medical treatment by general practitioners and hospitals and to subsidised dental care under the National Health Service. Short-term residents are liable to a charge for these services.

All individuals present in the UK are liable to pay national insurance contributions, whatever their level of income, once it exceeds a basic threshold. Individuals cannot opt out of paying national insurance contributions, although a lower rate of contributions is payable by those employees who are members of a defined-benefit scheme or a contracted out occupational or personal pension scheme. Employers are also liable to pay national insurance contributions in respect of their employees. In the UK there are 6 classes of national insurance contributions.

19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?

Tax liability criteria

Non-residents are liable to income tax on UK source income at the full rates, other than on “excluded income” where UK tax is limited to that deducted at source. They do not qualify for personal allowances unless they are European Economic Area citizens or fall into certain other narrowly defined categories. Residents who are not domiciled in the UK and who opt for the remittance basis of taxation to continue lose entitlement to personal allowances.

Tax rates

Non-residents are liable to income tax on UK source income at the full rates, other than on “excluded income” where UK tax is limited to that deducted at source.

Main deductions and reliefs

Personal deductions are only applicable to non-residents who:

- are EEA citizens
- are resident in a country whose tax agreement with the United Kingdom contains articles on the subject
- belong to certain restricted categories (eg British government officials, missionaries, etc.).

Under UK tax law, every individual is a taxpayer in their own right and their income and gains are separately assessed. This includes married women and children under 18. However, favourable tax treatment is accorded to most transactions between spouses and, from 5 December 2005, to transactions between civil partners (same-sex partners who have entered into a registered “civil partnership”).

A “child tax credit” may be claimed by individuals who are responsible for a child or for certain young people. The credit is paid directly to the individual who is mainly responsible for the child. The amounts payable depend on the family situation and annual income, and the family may qualify for more than one element depending on its circumstances. For the 2023-2024 tax year, the following amounts are payable:

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and who are

- aged 16 or over and responsible for at least one child
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Inheritance and gift tax

For the application of this tax, the residence is not taken into account, but the domicile. Therefore, there are no particular rules for non-residents.

Pension, social security and national health policy

In the UK it is government policy to encourage individuals to invest for their retirement by contributing to pension schemes. These schemes are essentially trusts for the purpose of providing retirement benefits, death in service benefits, etc, for their members and members' dependants. A pension scheme registered by HMRC enjoys exemption from income tax and capital gains tax on its investments and confers tax advantages to members. In order to register, pension schemes must comply with certain requirements. Registered pension schemes are exempt from taxes within certain limits.

Generally speaking, foreign nationals coming to the UK do not have to pay national insurance contributions for the first 52 weeks after their arrival, provided that:

- (i) their stay in the UK is temporary and they are employed by a foreign employer, and
- (ii) their normal place of abode before their arrival was not in the UK.

Otherwise, liability generally arises immediately on arrival.

The UK has a wide network of social security treaties. Most treaties provide that foreign nationals will be exempt from liability to national insurance contributions for a fixed period after arrival, provided they have a certificate from their home country attesting to their continued liability to the equivalent tax there.

20- TERMS FOR TAX PAYMENTS: THE FISCAL YEAR IN THE UNITED KINGDOM

The UK tax year for companies runs from 1 April to 31 March, but a company is permitted to use a different accounting year.

The UK operates a self-assessment system for corporation tax, known as corporation tax self-assessment (CTSA). Under CTSA, a company must complete and file a self-assessment return within 12 months of the end of its accounting period.

Corporate income tax is generally due nine months and one day after the end of the company's tax year, regardless of whether or not the company has filed the tax return (which usually must be delivered 12 months after the end of the fiscal period). Instead, large companies - that is, companies with annual profits exceeding £ 1,500,000 - must make quarterly installment payments based on the estimated annual taxable income.

In case of late payment, penalties and interest are applied which vary according to the tax due and the accumulated delay.

21- WHAT TAX INSPECTIONS ARE MADE?

HMRC does not normally audit books and records of UK taxpayers except in cases of fraud or neglect.

Companies file their self-assessment returns with HMRC and retain tax related data for 6 years, providing all tax returns have been filed up to date.

22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?

In general, HMRC does not give advance rulings on the tax effect of proposed transactions prior to their implementation.

However, there are specific transactions that may be eligible for or may require advance clearances or consent:

- share-for-share exchanges and repurchase of shares
- land and securities transactions
- the transfer of a UK branch between EU companies
- the transfer of an EU branch by a UK company to a company resident in a second EU member country

23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?

At present there are no UK exchange controls.

24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE UK GOVERNMENT?

Business assistance and grants

There are a number of grants and various forms of assistance available to businesses in the UK. Many are reserved for small and medium-sized businesses or relate to projects in certain areas of the country.

Research & development

Research and development (R&D) tax incentives are applied to encourage business to invest in the R&D sector in particular for activities leading to an extension of the business and for medical research of specific relevance to employee welfare.

A company can only carry forward R&D credits as trading losses to be set against future profits from the same trade. SMEs that spend at least £10,000 per annum on qualifying R&D expenditure are entitled to an additional 86% tax relief for qualifying current year spending on R&D.

Enterprise zones

Businesses in designated assisted areas within enterprise zones may benefit from 100% first-year capital allowances for expenditure on plant and machinery for 8 years following the designation. The expenditure must have been incurred before 31 March 2021.

The enterprise zones are now over 40 and the benefits for businesses located in these zones include:

- a 100% discount on local business rates up to a maximum £275,000 (which may be subject to amendment) over a period of 5 years
- enhanced capital allowances for investment in plant and machinery in designated assisted areas, and
- simplified planning procedures.

Export credit guarantees

UK exporters may insure the credit they give their overseas customers with the UK Government's Export Credit Guarantee Department. ECGD credit insurance policies are available to UK companies and their foreign subsidiaries, but are not usually available for UK branches of foreign companies.

Tax sparing

A number of developing countries have entered into tax treaties with the UK under which taxes forgiven by them also qualify for UK tax credit.

Free zones/free ports

A free zone or free port is an enclosed area into which goods may be moved without payment of customs duty and similar import charges, including VAT charges at importation. Duty and VAT charged on imports are only paid if goods are brought out of the zone into the UK market or are consumed within the zone. Duty (but not VAT) is paid if goods are processed, unless this is for export. Any supplies of goods and services made within the zone will be subject to the normal VAT rules.

The free zones in the UK are: Port of Sheerness, Liverpool, Prestwick Airport, Southampton and Tilbury and Ronaldsway (Isle of Man).

Remediation of contaminated land

When a company acquires land in a contaminated state and spends capital cleaning up that land for the purpose of its trade, it qualifies for 150% tax relief on the land clean-up expenditure.

Corporate Venturing Scheme (CVS)

The corporate venturing scheme (CVS) was a tax incentive for trading companies investing in small, higher risk trading companies by subscribing for new ordinary shares. To apply for the incentive, the shares had to be issued after 31 March 2000 and before 1 April 2010.

Although relief is no longer available for investment in shares issued after 31 March 2010, capital gains and corporation tax reliefs for disposals of qualifying CVS shares remain in force.

Recruitment incentives

Gains made by employees on shares received from employers in exchange for giving up certain employee rights (including unfair dismissal and redundancy rights) are exempt from taxation, provided that their value lies between £2,000 and £50,000. This applies to gains made from 6 April 2013 onwards. An individual lifetime exemption limit of £100,000 applies to gains from employee shares disposed of after 16 March 2016.

The cost of shares given to employees is tax deductible for employers.

Other recruitment incentives include exemption from all national insurance contributions for employees aged under 21 who earn amounts below the higher income tax rate threshold, and an "employment allowance" of £5,000 per year

25- HAS THE UNITED KINGDOM SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

The following rates of UK withholding tax apply to non-resident entities in treaty countries.

	<i>Dividends</i> %	<i>Interest</i> %	<i>Royalties</i> %
<i>Non-treaty countries</i>	0	20	0/20
<i>Treaty countries</i>			
Albania	0	0/6	0
Algeria	0	0/7	10
Antigua and Barbuda	0	20	0/20
Argentina	0	0/12	0/5/10
Armenia	0	0/5	5
Australia	0	0/10	0/5
Austria	0	0	0
Azerbaijan	0	0/10	0/5/10
Bahrain	0	0/20	0
Bangladesh	0	7.5/10	0/10
Barbados	0	0	0
Belarus	0	0/5	5
Belgium	0	0/10	0
Belize	0	20	0
Bolivia	0	0/15	0/15

Bosnia-Herzegovina	0	10	0/10
Botswana	0	0/10	0/10
British Virgin Islands	0	20	0/20
Brunei	0	20	0
Bulgaria	0	0/5	5
Burma (Myanmar)	0	0	0
Canada	0	0/10	0/10
Cayman Islands	0	20	0/20
Chile	0	4/5/10	0/2/10
China	0	0/10	6/10
Colombia	0	0/10	10
Croatia	0	0/5	5
Cyprus	0	0	0
Czech Republic	0	0	0/10
Denmark	0	0	0
Egypt	0	0/15	0/15
Estonia	0	0/10	0
Ethiopia	0	0/5	7.5
Falkland Islands	0	0	0
Faroe Islands	0	0	0
Fiji	0	10	0/15
Finland	0	0	0
France	0	0	0
Gambia	0	0/15	0/12.5
Georgia	0	0	0
Germany	0	0	0
Ghana	0	0/12.5	0/12.5
Gibraltar	0	0	0
Greece	0	0	0
Grenada	0	20	0
Guernsey	0	0/20	0/20
Guyana	0	0/15	0/10
Hong Kong	0	0	0/3
Hungary	0	0	0
Iceland	0	0	0
India	0	0/10/15	0/15
Indonesia	0	0/10	0/15
Ireland	0	0	0
Isle of Man	0	0/20	0/20
Israel	0	0/5/10	0
Italy	0	0/10	0/8
Ivory Coast	0	0/15	0/10
Jamaica	0	0/12.5	0/10
Japan	0	0	0
Jersey	0	0/20	0/20
Jordan	0	0/10	0/10
Kazakhstan	0	0/10	0/10
Kenya	0	0/15	0/15
Kiribati	0	20	0
Korea	0	0/10	0/10
Kosovo	0	0	0
Kuwait	0	0	0/10
Latvia	0	0/10	0/10
Lesotho	0	0/10	7.5
Libya	0	0	0
Liechtenstein	0	0	0

Lithuania	0	0/10	0/10
Luxembourg	0	0	0/5
Macedonia	0	0/10	0
Malawi	0	0/20	0/20
Malaysia	0	0/10	0/8
Malta	0	0/10	0/10
Mauritius	0	0/20	0/15
Mexico	0	0/5/10/15	0/10
Moldova	0	0/5	0/5
Mongolia	0	0/7/10	0/5
Montenegro	0	10	0/10
Montserrat	0	20	0
Morocco	0	0/10	0/10
Namibia	0	20	0
Netherlands	0	0	0
New Zealand	0	0/10	0/10
Nigeria	0	12.5	0/12.5
Norway	0	0	0
Oman	0	0	8
Pakistan	0	0/15	0/12.5
Panama	0	0/5	5
Papua New Guinea	0	0/10	0/10
Philippines	0	0/10/15	0/20
Poland	0	0/5	0/5
Portugal	0	0/10	0/5
Qatar	0	0/20	0/5
Romania	0	0/10	0/10/15
Russia	0	0	0
Saudi Arabia	0	0	0/8
Senegal	0	0/10	6/10
Serbia	0	10	0/10
Sierra Leone	0	20	0
Singapore	0	0/5	0/8
Slovakia	0	0	0/10
Slovenia	0	0/5	0/5
Solomon Islands	0	20	0
South Africa	0	0	0
Spagna	0	0	0
Sri Lanka	0	0/10	0/10
St Christopher e Nevis	0	20	0
Sudan	0	15	0/10
Swaziland	0	20	0
Sweden	0	0	0
Switzerland	0	0	0
Taiwan	0	0/10	0/10
Tajikistan	0	0/10	7
Thailand	0	0/10/20	0/5/15
Trinidad and Tobago	0	0/10	0/10
Tunisia	0	10/12	0/15
Turkey	0	0/15	0/10
Turkmenistan	0	0/10	10
Tuvalu	0	20	0
Uganda	0	0/15	0/15
Ukraine	0	0/5	5
United Arab Emirates	0	0/20	0
United States	0	0	0

Uruguay	0	0/10	10
Uzbekistan	0	0/5	0/5
Venezuela	0	0/5	0/5/7
Vietnam	0	0/10	0/10
Zambia	0	0/10	5
Zimbabwe	0	0/10	0/10

The UK has signed the following TIEAs based on the OECD model convention: Anguilla, Antigua and Barbuda, Aruba, Bahamas, Belize, Bermuda, Brazil, British Virgin Islands, Curacao, Dominica, Gibraltar, Grenada, Guernsey, Isle of Man, Jersey, Liberia, Liechtenstein, Macau, Marshall Islands, Monaco, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, San Marino, Sint Maarten, Turks and Caicos Islands, Uruguay.