

# How UK Taxation Works

Registering a company in England, Scotland or Wales is beneficial for entrepreneurs and is associated with numerous benefits, which is why many businessmen are so eager to open their business in the UK. However, UK law is one of the most complex legal systems governing doing business in the European Region, so it needs to be thoroughly understood before deciding to register a business in England. If you are going to open a business in the UK and are looking for a [virtual address for a bank account](#) provider, then this article is for you.



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Taxes For Individuals

In the United Kingdom, a self-employed person is subject to progressive taxation from the following main sources of income:

- salary and all funds received from the employer;
- business funds;
- pensions and unemployment benefits;
- interest on any bank investment;
- dividends, etc.

In addition, taxes are levied:

- from the donation (from 20 to 40%);
- from capital gains;
- from the redevelopment of the dwelling;
- from real estate rent (20-45%);
- from the estate (40% in excess of £325,000).

Taxes are not paid:

- from renting a room in your own house;
- with winnings when playing the national lottery;
- if the individual is disabled.

## Taxes For Legal Entities

If the company's income does not exceed one and a half million pounds sterling, it is liable to pay a single income tax of 19%. For higher incomes, 30% is paid. Oil production is subject to an additional corporate fee of 20%.

A company, like a private person, when purchasing real estate, is subject to stamp duty (from 3 to 15% of the cost).

Excise taxes are provided for the sale of the following products:

- gasoline;
- tobacco;
  
- alcohol;
- gambling.

There is no single property tax in the UK, but there are annual municipal fees (from 200 to 2500 pounds). Also, companies pay up to 218,200 pounds for expensive real estate.

From April 1, 2023, the main rate has been increased to 25%. However, for legal entities whose profit is less than 50 thousand pounds sterling, it remains the same.

The amount of [VAT](#), depending on the type of activity of a legal entity, is calculated:

- 20% for most industries;
- 5% for domestic fuel and energy products, energy-saving technologies, and some construction works;
- 0% – for commodity exports, education, medicine, and food products.

## Taxation Under LTD

Such a company, according to British law, must have:

- one individual as director;
- shareholder;
- secretary.

Taxation is generally determined by the payment of a combined tax on company profits and income tax on remuneration in the form of salaries and dividends. The company's profits are currently taxed at a rate of 19%. Income tax on dividends is in the ranges of 7.5%, 32.5%, and 38.1%. (all data for 2021/22). The tax-free relief applies to both income tax and dividend tax.

## Taxation Under LLP

An LLP is an equal partnership of two or more persons (natural or legal) to create a single company. It can be both a partnership of individual entrepreneurs and a partnership between companies.

Partners involved in this form of business pay taxes separately. The partnership itself is not subject to income tax, so the partners pay tax on the partnership's profits in appropriate shares, which can range from 20% to 45%. Directors in a limited liability company are subject to the same income tax bands.

What Taxes Do Non-resident Companies Pay?

The taxation of a company registered as a non-resident has significant features in the UK. If such a company operates outside the country, accepting payments from abroad to a current account, this activity is not subject to corporate tax.

If, for example, the partnership has foreign participants and the company does not operate in the UK, there is no taxation in its territory, and the participants must independently fulfil their tax obligations in the country of registration.

A non-resident company pays tax only on profits received in Britain, which creates excellent conditions for optimising taxation. This is the main difference in the taxation of non-residents and residents. The latter pay tax in Britain on profits received from all over the world.

The size of the base income tax rate decreased to 19%. Capital gains are taxed at the standard rate. There is no tax on the sale of 10 percent or more of the share capital if the company is engaged in commercial activities and was acquired earlier than the previous year.

All of the above makes the UK a convenient country for those wishing to open a company remotely abroad and connect international electronic payment systems.

### Why Is Registering a Company In The UK Convenient?

In terms of economic indicators, the UK is one of the leading countries in the world, which can positively affect not only the number of your customers but also the scale of your business. Also among the advantages of starting a business in the UK:

- The corporate income tax of your limited liability company is only 19%. Under certain conditions, the percentage payable in taxes can be close to 0.

- There is no doubt that setting up your own company in the UK will give your business a more professional image. This can go a long way in building customer trust and confidence in your products or services. In this way, you can earn credibility among large companies as well.
- Financing your [business](#) with a loan becomes much easier. You will find that you have more options to finance your business and many of your lenders will provide you with better rates and repayment terms due to your status as a British business person.
- The registration of your company name will be done through the Companies House. The presence of the company name in the official register of companies means that no one else can use the same name to trade. Moreover, according to UK law, no one else can use a similar name to trade, in particular, if their business is in the same industry.

## Final Thoughts

The UK is one of the largest and most developed markets in the world. This provides entrepreneurs with ample opportunities to attract customers and partners. If you are ready to open a business in the UK and are looking for a virtual address for a bank account provider, we recommend that you contact Hoxtonmix. In addition to the virtual address for bank accounts, the company provides services for the collection and forwarding of important business correspondence and business meetings.