

Branch v Subsidiary

The below table provides a brief overview of the relevant considerations when deciding whether it is more appropriate to operate in the UK through a local branch or through a separate legal entity. Whilst this document has been prepared to highlight the differences between the two, we would always recommend discussing this more fully with us before proceeding. This is because the taxation rules surrounding permanent establishments is complex and advice should be tailored to individual arrangements.

Issue	UK Branch	UK Subsidiary
Limiting Liability	The trade in the UK Branch does not benefit from a liability shield in the UK.	Separate legal entity creates a liability shield.
Set up	No requirement to create an entity. Must register at Companies House.	Entity to be incorporated at Companies House. Creation and issue of shares.
Statutory Accounts	Parent company accounts filed with Companies House. Filed with HMRC alongside the Company Tax Return. Must be filed three months after the filing deadline in local jurisdiction.	Subsidiary only accounts filed at Companies House. Filed with HMRC alongside the Company Tax Return. Prepared under UK GAAP. Generally filed nine months after the year end.
UK corporation tax	Overseas company will pay UK corporation tax on UK taxable profits.	UK corporation tax payable on worldwide profits (albeit only likely for UK profits to be within this entity).
Company Tax Return	Required.	Required.
iXBRL tagged accounts	Required.	Required.



Issue	UK Branch	UK Subsidiary
Cross charging of costs	No requirement/opportunity. Split based on a proportion of costs.	Must be charged on an arm's length basis (e.g. may consider relevant mark ups).
Tax losses	May be able to make an election or similar to utilise losses in local jurisdiction, subject to local rules.	Only available to offset against the profits of the parent if the tax regime allows it (unlikely). Carry forward and utilise in future periods where possible.
Extraction of profits	Automatically treated as part of the parent company profits.	Dividends can be paid to parent company with no UK withholding tax. Parent entity may be taxed on receipt of dividends depending on local rules.
Management accounting	Accounts must be split between UK and Local jurisdiction to enable easy preparation of UK Company Tax Returns.	Company accounts for all UK transactions.
Ceasing to trade	Branch ceases when the trade winds up.	Formal procedure required (winding-up, striking off or appointment of liquidator)

MEET THE TEAM

If you require further information or guidance on any of the matters in this guide, do not hesitate to contact the Wilson Wright team.

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