

CORPORATE KNOW-HOW

SUBSIDIARY V BRANCH: SETTING UP YOUR BUSINESS IN THE UK



WHAT DO YOU NEED TO KNOW?

SETTING UP YOUR BUSINESS IN THE UK

SUBSIDIARY V BRANCH: WHAT ARE THEY?

If you are looking to directly establish your overseas business in the UK, incorporating a subsidiary or registering a branch of your overseas company are the two options available. Further detail on both options are set out below, however, in simple terms, a subsidiary is a new independent legal entity owned by the overseas company while a branch is a direct extension of the overseas company.

WHAT ARE THE DIFFERENCES?

There are benefits and drawbacks of both subsidiaries and branches and the table below compares some of the key differences between them:

AREAS OF DIFFERENCE	SUBSIDIARY	BRAND/UK ESTABLISHMENT
INCORPORATION	<p>A subsidiary is an independent legal entity incorporated in the UK. Incorporation can be undertaken very quickly with same day services available at an additional cost.</p> <p>The cost of incorporating a simple company (with two shareholders and two directors) limited by shares in the UK and with standard articles of association is likely to be less than the cost of registering a branch.</p> <p>If required, the new company can be incorporated with bespoke articles of association, granting flexibility in how the company is managed.</p>	<p>A branch is the UK registration of a company incorporated outside the UK. Registration can be complex and requires that certified copies of the parent company's constitutional documents are filed in the UK.</p> <p>Registration can take substantially longer than incorporating a subsidiary, sometimes 4 weeks or more.</p> <p>It is important to note that a branch must be registered within 1 month of the parent company establishing a physical presence in the UK (such as an office or restaurant).</p> <p>The costs for registering a branch in the UK are likely to be more</p>

WHAT DO YOU NEED TO KNOW?

AREAS OF DIFFERENCE	SUBSIDIARY	BRAND/UK ESTABLISHMENT
OWNERSHIP	<p>A subsidiary is owned by its parent company, however, it does not need to be wholly owned by one entity. There is no minimum capital requirement for a private company (i.e. a company which does not want to list its shares on any stock exchange) and the company can have any number of shareholders (i.e. it can have just one shareholder).</p> <p>There is no legal requirement for any of the shareholders of an English company to be UK nationals nor to be UK-resident (that being said, it may be easier for the company to open a bank account if there are UK nationals or resident individuals involved.)</p>	<p>A branch is a direct extension of the parent company – it is part of the parent company and not a legal entity in its own right.</p>
LIABILITY	<p>Incorporating a company limited by shares (the most common option) ensures that the subsidiary's parent company/shareholders are protected from liability beyond any unpaid part of the agreed subscription price for those shares (unless they have provided a guarantee or similar obligation to a third party on behalf of the subsidiary).</p>	<p>A branch is not a separate legal entity, therefore the parent company is directly liable for the branch's activities in full.</p>
COMMERCIAL CONTRACTING	<p>A subsidiary can freely contract with third parties and be party (or subject to) third party claims, independently of its parent company.</p>	<p>Contracts relating to a branch are, legally, contracts of the overseas company itself. This can be a drawback from the perspective of some UK based third parties, who may be concerned about potential contractual disputes with a non-UK entity.</p>

WHAT DO YOU NEED TO KNOW?

AREAS OF DIFFERENCE	SUBSIDIARY	BRAND/UK ESTABLISHMENT
FINANCIAL REPORTING	Unless required to file group accounts, a subsidiary must file annual accounts at Companies House (the UK public registry for companies) independently of the parent company.	A branch must file accounts for the parent company along with a trading statement for the UK establishment at Companies House. Once filed, such documents are made publicly available, which may not otherwise be the case outside the UK for the parent company's accounts.
CORPORATE RECORDS	<p>In addition to annual accounts, a UK limited company must file an annual confirmation statement, confirming that information held in the public record at Companies House is correct.</p> <p>A UK limited company must also maintain certain non-public registers in respect of its issued share capital, shareholders, directors and other information. Such registers must be made available for inspection by Companies House on request.</p>	Once opened, a branch must notify Companies House of certain changes to the relevant overseas company along with changes to the branch's name, business, address and authorised persons.

ARE THERE OTHER OPTIONS AVAILABLE?

A business looking to test the waters ahead of a UK expansion could look to engage a distributor for their products, an agent to contract with customers/suppliers on their behalf or perhaps even enter into a franchise agreement with UK based parties. Which option is most appropriate may depend on the long-term plans for your business in the UK and level of investment available.

FINAL CONSIDERATIONS

The appropriate structure for your business in the UK depends on a wide variety of factors and it may be that the most important considerations are tax treatment of your UK interests or the initial set-up costs (for example). Alongside legal matters, it is important to take specialist advice on the commercial, tax and financial implications of setting up your business in the UK to ensure that you have a complete picture of the options available before taking action.

SETTING UP A BUSINESS IN THE UK: **SUBSIDIARY V BRANCH**

Whether you are considering selling a business or advising someone who is, our specialist Corporate lawyers would be happy to provide you with the support you need at any stage in the process.



ROBERT WATSON

Senior Associate

+44 20 7468 7293

+44 7949 520363

robert.watson@

collyerbristow.com



RAGAVAN ARUNACHALAM

Partner

+44 20 7470 4419

+44 7974 370824

ragavan.arunachalam@

collyerbristow.com

For more information please visit

COLLYERBRISTOW.COM / BUSINESS

COLLYERBRISTOW.COM  **@COLLYER_BRISTOW**  **COLLYER-BRISTOW-LLP**

Disclaimer: The information and opinions contained in this document are for general interest and information purposes only and are not intended to constitute specific legal, commercial or other professional advice. It should not be relied on or treated as a substitute for specific advice relevant to particular circumstances. While we seek to ensure that the contents are not misleading or outdated, you should obtain specific legal advice before making or refraining from making any business or personal decisions. Collyer Bristow LLP is a limited liability partnership registered in England under number OC318532, registered office St Martin's Court, 10 Paternoster Row, London, EC4M 7EJ, and is authorised and regulated by the Solicitors Regulation Authority. Any reference to a partner means a member of the LLP or an employee with equivalent standing and qualifications. A list of the members is available for inspection at the above address. This firm maintains professional indemnity insurance in accordance with the rules of the Solicitors Regulation Authority. © 2025 Collyer Bristow LLP