MOORE Kingston Smith

INDO - UK PATRIKA

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Welcome to our summer 2020 edition of Indo-UK Patrika, an informative newsletter keeping you up to date on recent changes and topics of interest on matters affecting those doing business in both the UK and India.

In this edition, we provide an update on the latest Department for International Trade (DIT) Foreign Direct Investment figures revealing that India is now the second largest investor in the UK. We interview Hemin Bharucha Chief Representative India London & Partners on the current trends they are seeing with Indian companies setting up and expanding in London. Our recent recordings of a webinar we hosted alongside DIT and Shores & Legal provide a practical guide to doing business in the UK. Our Head of Tax gives an overview of the summer economic update and we get an update on the new immigration points based system from immigration specialists CDS Mayfair.

INDIA IS NOW SECOND LARGEST INVESTOR IN THE UK

By Ian Matthews, Partner, Moore Kingston Smith

India is now the second largest investor in the UK, as revealed in the UK's Department for International Trade Annual Foreign Direct Investment (FDI) figures in early July.

While the US retains the top spot, India is consistently high in the rankings, and this is the third time in the last five years it has been in the top three investors. India invests more into the UK than it does into the whole EU. This is evidence that Indian businesses continue to recognise the UK as great opportunity for them to expand and grow their business.

There were 120 Indian sourced FDI projects in the UK, which include new investments, mergers & acquisitions and expansions. These new India projects created around 10% of all the new jobs associated with UK FDI during 2019-20. India's overall interest in and contribution to the UK is considerable. There is currently 842 Indian owned companies in the UK employing around 105,000 people. Although the spread of investment across the UK is good, London and the surrounding South East continue to receive the lion's share as Europe's financial capital.

Indian business interests are wide ranging but there has been significant investment in the UK's digital sector over the years with 30,000 people employed in the industry. This accounts for 38% of all Indian investment in the UK, including household names such as Infosys, Wipro and Tata Consultancy.

The relationship is not all one way, as the UK is the largest G20 investor in India and third overall since 2010. There are over 400 UK companies in India employing over 422,000 people, further supporting the strong and important relationship between the UK and India.

Moore Kingston Smith's India Group has advised many businesses looking to invest in the UK and we are in discussion with many looking to set up in the coming year. Despite the pandemic, we are sure India will remain high on next year's UK FDI rankings. If you would like to speak to one of our India Group about setting up in the UK, please contact us.

INDIA GROUP Q&A WITH LONDON & PARTNERS

Watch our India Group Vice President of Business Development Bharat Rampal interview Hemin Bharucha Chief Representative India London & Partners on the current trends they are seeing with Indian companies setting up and expanding in London here.

Moore Kingston Smith are proud to be one of London & Partners longest standing partner firms and we are committed to continuing to work together to support Indian businesses thrive in the UK.

A PRACTICAL GUIDE TO DOING BUSINESS IN THE UK

Our India Group Assistant Vice President of Business Development Kishore Achary hosted a webinar alongside the Department for International Trade and Shores & Legal. Speakers provided practical guidance on doing business in the UK including government support, tax and business advisory, as well as immigration.

Part 1 – Overview from Department for International Trade India

Part 2 – Doing business in the UK: setting up in the UK from Moore Kingston Smith

Part 3 – Immigration update from Shores & Legal and Q&A

SUMMER ECONOMIC UPDATE 2020

By Tim Stovold, Head of Tax, Moore Kingston Smith

The summer economic update had the feel of a mini-Budget, with the Chancellor announcing a number of new measures as part of his "plan for jobs".

The £160 billion spent by the Treasury so far on Coronavirus-related measures has constituted the first "protection" phase of the government's response to the virus. The Chancellor told us that we are now in the second phase, in which the government will focus on supporting people to find jobs and on giving businesses incentives to create and protect jobs. The third "rebuild" phase will follow.

The Chancellor confirmed that the furlough scheme will not be extended any further, but he did announce that employers will be able to claim a jobs retention bonus for previously furloughed employees that remain employed until 31 January 2021. A number of measures were announced to help 16 to 24 year olds find jobs, and the construction sector received much attention, with the main announcement being a SDLT holiday until 31 March 2021. Finally, a much trailed VAT reduction was announced, with VAT due to fall from 20% to 5% in key parts of the hospitality and tourism sector until January 2021.

Although this was not a Budget speech, the Chancellor committed up to £30 billion towards these announcements, and it is clear that he has not put away the Treasury chequebook yet.

JOB RETENTION BONUS

The government will pay employers a bonus of £1,000 for each previously furloughed employee who is employed continuously until the end of January 2021, providing these employees are paid at least £520 per month on average. These bonuses will start being paid in February 2021. Further details as to how this scheme will work are due to be released later this month.

Moore Kingston Smith comment

Despite calls for the job retention scheme to be retained for the sectors struggling the most, the Chancellor has made it absolutely clear that it will end on 31 October 2020. Many businesses are now starting to consider very carefully what changes they may need to make to their workforce from November, and this new measure will help employers retain some employees whose jobs would otherwise have been at risk of redundancy. With more than nine million employees having been furloughed at some point, this could be a very expensive measure.

KICKSTART SCHEME

A scheme will be introduced with the aim of creating new jobs for young people considered to be at the highest risk of long-term unemployment. This scheme is aimed at those aged 16 to 24 who are on universal credit. Under the scheme, the government will pay employers 100% of the national minimum wage for 25 hours a week, plus associated employer's NICs and minimum pension contributions.

Moore Kingston Smith comment

The small print relating to this new scheme contained a number of restrictions which were not apparent from the Chancellor's speech. Nevertheless, this

scheme will undoubtedly help some of those in society who would otherwise be hardest hit from the economic fall-out of the pandemic.

OTHER JOB MEASURES

The Chancellor announced a wide range of other measures aimed at supporting, protecting and creating jobs. Included among these measures were further funding to support traineeships, work placements and apprenticeships, and substantial additional funding for Jobcentres to help unemployed people find jobs. In total, these measures are projected to cost £1.6 billion.

Moore Kingston Smith comment

The Chancellor has put together a wide-ranging package of support. Businesses that take on trainees or apprentices (or that could in the future) will need to look carefully at the assistance that will be available for them, and factor this into their plans. However, the grants of between £1,000 and £2,000 per individual are unlikely to be sufficient to cause businesses to take on young trainees or apprentices if this was not already part of their plans.

STAMP DUTY LAND TAX

The nil-rate band limit for SDLT on residential properties will be increased from £125,000 to £500,000 from 8 July 2020 until 31 March 2021. Purchases of "additional homes" and of residential properties by companies are subject to SDLT at higher rates. In these cases, the initial 3% rate of SDLT will apply to purchase consideration of up to £500,000. These new rates do not apply to transactions that were substantially performed before 8 July 2020 (even if they were not completed until afterwards). They also only apply in England and Northern Ireland, as Scotland and Wales have their own separate regimes.

Moore Kingston Smith comment

Whereas the purchase of a house for £500,000 would previously have attracted SDLT of £15,000, such a purchase will now attract no SDLT at all. The number of property transactions taking place in the UK reduced substantially at the start of lockdown; these have increased in more recent months, but clearly the Chancellor believes immediate support is needed to keep the construction sector moving. Clearly it is hoped that the SDLT reductions will not simply increase asking prices but that they will encourage more buyers into the market. It is surprising that those buying "additional homes" (e.g. buy-to-let properties and holiday homes) will also benefit from the policy but perhaps the government considers this an acceptable cost when weighed against perceived benefits for the construction sector as a whole.

VAT FOR THE HOSPITALITY AND TOURISM SECTORS

Two temporary VAT cuts were announced for particular sectors of the economy. These will both apply from 15 July 2020 to 12 January 2021, and will both see VAT rates cut from the standard 20% rate to the reduced 5% rate.

The cuts will apply to the following:

- Supplies of food and non-alcoholic drinks from restaurants, pubs, bars, cafes and similar premises across the UK
- Supplies of accommodation and admission to attractions across the UK.

Moore Kingston Smith comment

The hospitality and tourism sectors have been massively affected by the lockdown. These sectors together employ millions of workers, many of whom would find it difficult to find jobs in other industries, and supporting jobs in these sectors is therefore critical to the Chancellor's plan. This measure will cost an estimated £4 billion, and it is hoped that will translate into increased profits and avoid mass redundancies in these fragile industries.

TRADING PLACES: THE NEW IMMIGRATION POINTS-BASED SYSTEM

By David Winnie, Senior Solicitor, CDS Mayfair

On 31 December 2020, freedom of movement between the UK and the European Union (EU) will end. In February 2020, the UK Government published its Policy Statement on the UK's Points-Based Immigration System (PBS). Further details were provided by the UK Government in August 2020 on how the new PBS will operate.

The Policy Statement considers the requirements of the PBS including the new Skilled Worker route, salary and skills thresholds for skilled workers, new entrants as well as routes for student and graduates, amongst others.

The intention is to streamline and simplify the PBS, and the UK Government intends to confirm final details later this year. The implementation of the PBS will be phased, with further details published in due course.

Click here to read the full article from CDS Mayfair including further information on:

- Requirements
- Sponsorship
- Removal of Cap and Resident Labour Market Test
- Skilled Worker route
- Skills threshold
- Tradeable points
- Intra-Company Transfers/Intra-Company Graduate Trainees
- New entrants
- Student and graduate route

Employers will no doubt welcome the news that the UK Government's new PBS has been streamlined and simplified to the extent that the cap has been suspended and the RLMT has been removed. As stated above, it is hoped that this will reduce the time it takes for users (employers) to bring migrants to the UK by up to 8 weeks.

The core tenets remain in the new Skilled Worker route – a job offer from a licensed sponsor, job at a minimum skill level and English language requirements, which are all familiar to existing sponsors and applicants.

Nevertheless, it remains to be seen how successful the "tradeable points" element of the new PBS will be in practice as it is applied across the various occupational sectors.

INDIA GROUP

Our firm's close relationship with India started over two decades ago, when we began advising one of India's leading commercial enterprises doing business in the UK.

Building on that success, our India Group today advises and assists many Indian businesses on their international operations, such as compliance services and advising on international business structures, taxation issues and corporate finance matters.

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