MOORE Kingston Smith

INDO - UK PATRIKA

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Welcome to our Diwali 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 discuss why UK companies are increasingly attracting hungry Indian investors in our latest Moore Kingston Smith UK-India report. We interview Nikhil Singhi from fellow Moore Global Network partner firm Singhi & Co and discuss the benefits of working together since joining the network. You can view recent recordings from a webinar we hosted with guest speakers from our corporate finance team, law firm Charles Russell Speechlys and a client of ours with over 25 years' experience working with Indian investors. In addition, we get updates from our Brexit Impact Specialist and Head of Tax on the latest development with Brexit and the government support schemes as the UK weathers a second lockdown.

Despite the pandemic, the UK-India business corridor remains active and we continue to support businesses through these challenging times.

UK COMPANIES INCREASINGLY ATTRACT HUNGRY INDIAN INVESTORS

By Moore Kingston Smith India Group

UK companies are attracting Indian investors with a growing appetite for British assets. Moore Kingston Smith's inbound enquiries from Indian investors are up 25% year-on-year since 2018.

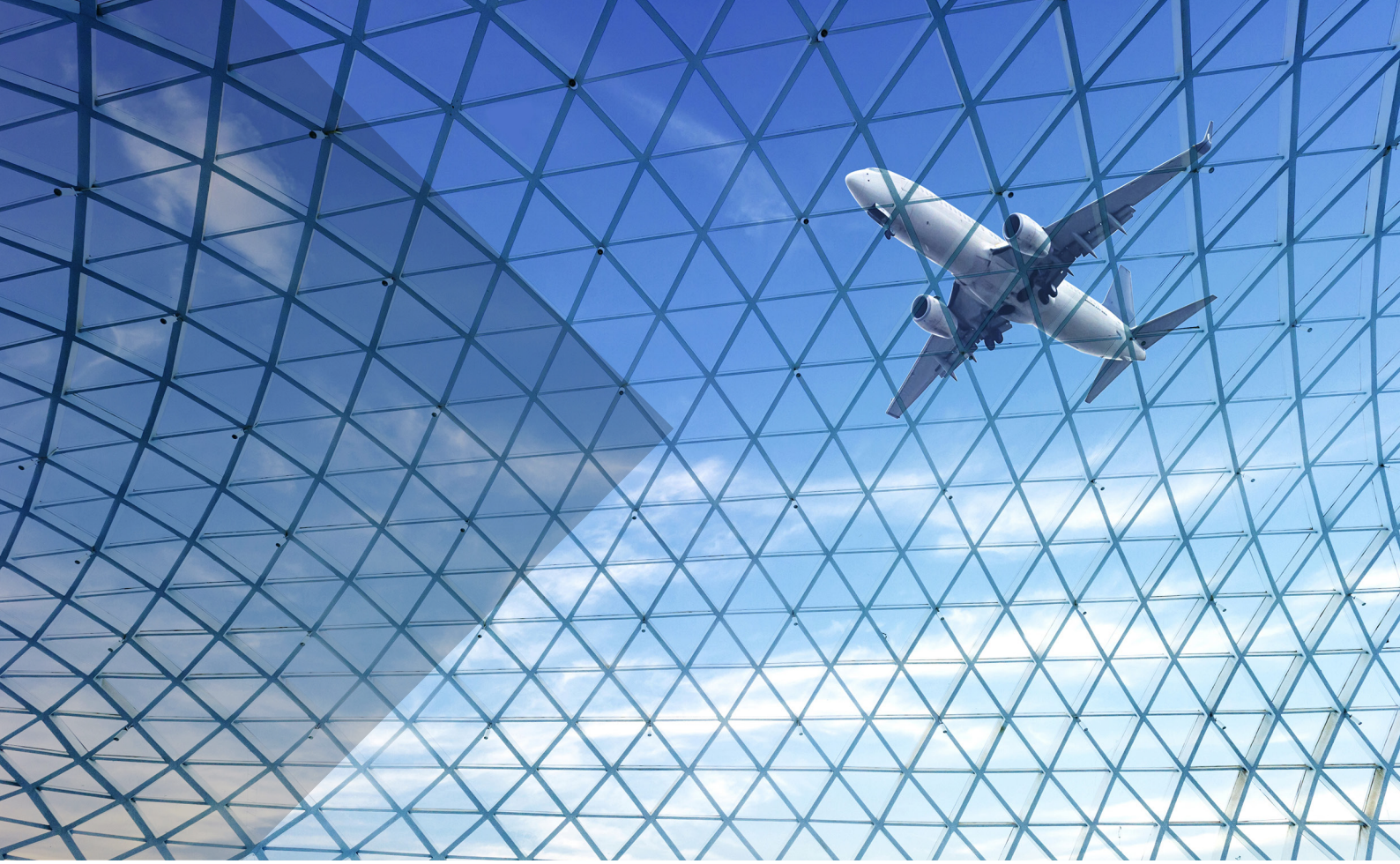
The current economic backdrop is likely to catalyse an increase in UK firms looking for external funding to facilitate expansion. UK companies are eager to leverage the size and nature of the resources available in the world's fifth-largest economy by nominal GDP or the third-largest by purchasing power parity.

For Indian corporates, the ease of doing business in the UK regarding language, legal framework and scope for fast growth makes the UK a natural destination. The UK was named the top country for doing business by Forbes in 2019. According to the UK's Department for International Trade, in 2019/2020, India is the second largest FDI investor in the UK, the largest investor being the US.

Indian corporates are preparing for a significant increase in investment in UK companies. There is also a large and growing number of family offices and angels in India who might look to fund such activity. As the UK and India create a free-trade agreement and the value of such cross-border deals and expansion becomes more widely understood, a greater volume of deals in the longer term is expected, which offers UK businesses a huge opportunity.

Read our full report here.

Three reasons for UK-India collaboration



INDIA GROUP Q&A WITH SINGHI & CO

Watch our India Group Vice President of Business Development Bharat Rampal interview Nikhil Singhi Partner Singhi & Co, an independent member of the Moore Global Network. Bharat and Nikhil discuss the benefits of working together since joining the network.

LOOKING TO INDIA FOR INVESTMENT

Our India Group Partner Ian Matthews hosted this webinar where we discussed the latest findings from our UK-India report with guest speakers from our corporate finance team, friends at Charles Russell Speechlys LLP, and a client that has over 25 years' experience working with Indian investors.

You can watch the recordings of each presentation here:

Why India: UK-India report key findings
Moore Kingston Smith

Getting ready to sell your business
Moore Kingston Smith

Legal considerations of a sale during COVID times
Charles Russell Speechlys

Working with Indian investors
Global Publishing Solutions

BREXIT – IT HASN'T GONE AWAY!

By Paul Samrah, Brexit Impact Specialist, Moore Kingston Smith

Crucial trade talks with the EU27 have restarted – and the Brexit Express is hurtling down the track to its final stop on Thursday 31 December. No extension to this date now – we are looking at the end of the line. The outcome by the end of the year will simply be a binary one: deal or no deal.

Currently, trade between the UK and EU is tariff-free. In the absence of a trade deal, that will all change come 1 January 2021, as the UK will move to UK General Tariffs (UKGT) rules. Different rates of customs duty on imports into the UK from the EU27 will apply.

Importers should negotiate with suppliers sooner rather than later, as tariffs will be based on the full market value of the goods and services. Importers will be responsible for using the correct commodity codes, so it will be important to ensure that the necessary procedures and controls are in place to ensure errors do not occur, causing delays at ports. Have a contingency plan: allow time to make the necessary adjustments and train staff, and prepare for cash flow interruption.

Checks on goods entering Britain will be phased in in three stages up to the summer of 2021, regardless of whether a deal is done with the EU or not.

- From 1 January 2021, there will be checks on controlled substances, such as alcohol and tobacco, while standard goods, such as clothes and electronics, will be subject to basic customs procedures. But businesses will have up to six months to complete customs declarations and pay relevant tariffs.
- From 1 April 2021, those importing products of animal origin, including meat, milk or egg products, will have to pre-notify officials and provide the relevant health paperwork.
- By 1 July 2021, all goods will be liable for relevant tariffs and customs declarations as well as full safety and security declarations. From then, there will be an increase in physical checks on livestock, plants and other sanitary products at ports and other entry points.

New border facilities are being built in order to process the required checks either at ports, or where there is not enough space, at inland sites. Note that the proposals only apply to rules on imports, with checks on exports to the EU determined by Brussels.

Businesses with employees from the EU27, Switzerland, Norway, Iceland or Liechtenstein should check if they and their families need to apply to the settlement scheme.

UK companies with their seat in the EU27 – the seat being where management takes place and where its decisions are transformed into the day-to-day activities of the company – post-transition and with no trade deal in place, they will lose their current right to freedom of establishment.

Instead, each EU27 member state will apply its own rules on recognising UK-registered companies. Limited companies could be treated as partnerships, meaning shareholders will lose the benefit of limited liability and become personally liable for the company's debts. Some might require a cross-border merger into a local limited liability company. Whatever a business's restructuring needs, we can readily assist at local country level.

Forward-thinking businesses are strategically evaluating their level of readiness for a no trade deal. We have developed an analysis tool – BX360 – that provides a detailed breakdown of actions needed. It covers customs and tariffs, finance and taxation, legal aspects and contracts, and people implications to help businesses prioritise actions.

Our advice remains the same: be prepared! Explore our Brexit hub for the latest guidance on what to do and how Moore Kingston Smith can help.

MORE GIVE AND TAKE FROM THE CHANCELLOR: FURTHER EXTENSION OF SUPPORT SCHEMES AND JOB RETENTION BONUS SCRAPPED

By Tim Stovold, Head of Tax, Moore Kingston Smith

The Chancellor has now kicked the Job Support Scheme firmly into the long grass with the Coronavirus Job Retention Scheme now extended to cover the period from 1 November 2020 to 31 March 2021.

The Job Retention Bonus, due to be paid in February 2021 at a rate of £1,000 per employee where previously furloughed employees had recommenced their employment duties, has been scrapped.

Finally, the Self-Employed Income Support Scheme has been enhanced so that the payment due to be made for the three months ended 31 January 2021 has been increased to cover 80% of profits, capped at £7,500.

Extended Coronavirus Job Retention Scheme (CJRS)

For the period from 1 November 2020 to 31 January 2021, the extension to the scheme will pay a grant to employers to enable them to pay employees 80% of their salary (capped at £2,500).

The government has said that they will review in January the amount payable by the employer from 1 February 2021 onwards. This seems to indicate an intention for a phased withdrawal of the scheme, with the employer making contributions in February and March 2021, as was the case in September and October 2020 where employer contributions of 10% and 20% were introduced.

The employer will remain liable to the employer's National Insurance unless the employee is on secondment from India and within their 52-week NI exemption period. Similarly, the employer will remain liable for their employer pension contribution unless the employee falls outside the statutory pension scheme obligations on the basis that they are not "ordinarily working in the UK". If NI and pension are due, the split of costs for an employee on a salary of £37,500 per annum on furlough with no work done would be:

	Paid by HMRC £	Paid by employer £
Salary (i.e. 80% x £37,500 / 12)	2,500	-
Employer's NI	-	243.94
Pension	-	59.40
Total	2,500	303.34

As with the earlier announcement:

- There is no requirement for employers to have previously furloughed employees they now want to include in the scheme.
- Employees who were previously excluded as they were not included in a payroll RTI submission before 19 March 2020 can now be included in the scheme provided they were included in a payroll RTI submission at some point between 19 March 2020 and 30 October 2020.

In practice, this should mean all employees included on a payroll in September 2020 will be eligible and, provided the RTI submission for the October payroll was made on or before 30 October, new employees who started in that month will also be eligible.

- Employees who were included in an RTI submission on or before 23 September 2020 who were made redundant or stopped working afterwards can be re-employed and claimed for.
- Employers claiming under this extended Coronavirus Job Retention Scheme will have their details published from December 2020 onwards so it will be public knowledge that they have relied on this scheme. The motivation behind HMRC doing this is likely to be to allow employees to whistle-blow on their employers where claims are being made and not being paid to employees.
- Claims for each month must be submitted by the fourteenth day of the following month. If this deadline is missed, it looks like the opportunity to make the claim for that month is lost.

Farewell to the Job Retention Bonus (JRB)

The Job Retention Bonus has been scrapped.

The JRB of £1,000 per employee was due to be paid to employers who continuously employed previously furloughed employees through to 31 January 2021, provided that a minimum salary level was paid during the three months ended 31 January 2021.

The press releases from the government say, "we will redeploy a retention incentive at the appropriate time."

The JRB was forecast to cost up to £9 billion so the scrapping of it will help the Chancellor fund the cost of the extended CJRS. However, employers who were counting on this windfall in the new year will need to rework their cash flow forecasts as this may leave a hole in their finances.

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.

HAPPY DIWALI

Moore Kingston Smith has been actively involved in the India-UK business corridor for over three decades and each year we look forward to hosting our UK Diwali reception to celebrate with our clients, contacts and friends.

Diwali, the festival of lights, is a time of celebration and a time for reflection, to appreciate life and to look forward to the coming year with a renewed sense of purpose and passion. This year has brought many challenges to all and we wish for a more positive new year. We hope you and your family have a very happy Diwali and we look forward to seeing you soon.

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