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# The Legal Environment in the United Kingdom and Its Implications for Czech Investors/Exporters

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3. Contractual arrangements
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## New Changes about the Import of Goods into the UK

Moving goods between England, Wales or Scotland (Great Britain) from a country outside the UK:

- You'll need an **EORI number** that starts with GB (XI for Northern Ireland).
- New obligation to **make declarations** and pay **tariffs/duties**. You need to find the right commodity code to make your declaration.
- New obligation to pay **Import VAT**.
- If you import goods regularly, you can apply for a **duty deferment account** to delay paying most customs charges.
- (Different rules to import goods to Northern Ireland, such as, you'll need to tell HMRC so that you are identified as trading under the Northern Ireland Protocol).



## Few Remarks about Direct Investments into the UK

- No specific rules governing or restricting foreign investments
- Requirement to comply with monopoly and merger rules (listed companies)
- Financial, commercial and legal DD recommended
- Banking and insurance must obtain an approval of the Financial Conduct Authority
- No limitations on foreign ownership of real estate but limitations in the development of a land or building, and requirement of planning permissions



## The Basic Principles of English Law to be Aware Of

- Three legal systems: English Law, Northern Ireland Law and Scots Law
- The Rule of Precedents
- Providing solutions to individual cases and avoiding such disputes, not setting universal/general rules
- Expressed in terms of actions or remedies not broad substantive rules
- Czech law is unrealistically restrictive (public policy) while English law upholds contractual freedom
- Retained EU Law: "Legislation Originating from the EU" – new category of UK law



## The Implications for Czech Investors/Exporters

### **In Contracts:**

- Do not focus on formalities but practical purpose
- There is no Civil Code or Business Code in England
- Include as much as possible in the contract
- Do not try to modify Czech contracts to be applicable under English law
- Contractual freedom and intentions of the parties
- Be aware of English concepts such as Trust or floating charge



## The Implications for Czech Investors/Exporters

### **In Disputes:**

- Consider practical solutions and not theoretical concepts
- Consider all the circumstances to find what is fair and reasonable
- English courts work
- Costly procedures
- Limited circumstances to appeal – permission to appeal is required
- General 6 years' period of limitation



## Common law and Equity

- Two bodies of law: common law and equity (trust)
- Modern equity includes, amongst other things, fiduciary law, equitable estoppel, equitable set-off, and mainly trust – problem with adaption into civil law

## Trust

- Trustee holds a property or right in trust for or on behalf of another (beneficiary) or for a specific purpose
- Two types of ownership: Legal ownership (common law) and equitable ownership (trust)



## The Implications for Czech Investors/Exporters

### Nominee Director and Nominee Shareholder

- A director/shareholder appointed to represent the interests of his appointor
- De jure director/shareholder but de facto has no or limited rights
- Owns the same duties as a director/shareholder but is bound by the instructions of his appointor
- Appears in Companies House or other public registrars
- A method of operating English subsidiary companies



## Why to appoint a Nominee Director and Nominee Shareholder?

- £90bn of criminal money is laundered through the UK each year (*Financial Times*)
- London is considered the money laundering capital of the world
- Between 2010 and 2014, British registered companies and British-based banks helped move out of Russia at least \$20bn of the proceeds of criminal activities (*Guardian*)
- Foreign investors buying British companies and properties
- Eastern European Stigma
- Government is tightening up the UK's Anti-Money Laundering Rules (Know-your-client)
- Devastating impact upon SME – problems with opening business bank accounts
- Solution: Nominee Director and Nominee Shareholder who is a British resident



## Few Practical Points

- Necessary to have a “footprint” – virtual x physical address - [PIVO LTD](#)
- Beware of fraud – do your DD
- New UKCA (UK Conformity Assessed) marking and the necessity to be established in the UK
- EU Trade Marks no longer protected trademarks in the UK
- Fast process of company incorporation and VAT registration (issues with opening a bank account)
- UK Establishment or a Limited Liability Company incorporated in the UK
- UK headquarters for expansion to other countries



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**Thank you for your attention**

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