



International taxation: Companies

In the international business world - whether you have overseas clients, whether you are expanding overseas or whether you have an overseas presence already, you will be exposed to foreign tax regimes. Dealing with domestic tax can be difficult enough but dealing with foreign tax systems is probably worse. Tenon has a proven track record of providing solutions – and we would like to help you.

Expanding overseas

Tax is a key factor in planning an overseas expansion. We believe your tax planning should complement your commercial drivers.

Our approach is as follows:

- > we provide you with an overview of the tax regime in your destination country;
- > we assist you in choosing an appropriate legal structure;
- > we assist you in determining the most appropriate structure for carrying out your business in that country, in conjunction with domestic demands;
- > we advise you of the compliance obligations you face;
- > we assist you with the implementation of your set up;
- > we assist you with your ongoing compliance.

Our team

The International Corporate Tax Team at Tenon has an established track record of helping companies set up their overseas operation in the UK and helping with outward-bound investment into Europe and beyond. Our teams' international tax skills have been gained within both HM Revenue and Customs and international accountancy practices.

Our international network

Tenon works within its international network, Morison International, which has member firms in Argentina, Australia, Austria, Belgium, Brazil, Cambodia, Canada, Channel Islands, Chile, China, Cyprus, Czech Republic, Costa Rica, Denmark, France, Germany, Honduras, Hong Kong, Ireland, India, Indonesia, Italy, Japan, Luxembourg, Malaysia, Myanmar, Nepal, New Zealand, Norway, Paraguay, Panama, Pakistan, Peru, Philippines, Poland, Portugal, Puerto Rico, Russia, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, The Netherlands, United Arab Emirates, United States of America, Uruguay, Vietnam, Venezuela.

Contact

For help with your international corporate tax:

Suze McDonald, Associate Director

Tel: +44 (0) 1753 754560

Email: suze.mcdonald@tenongroup.com

Gayle Morley, Associate Director

Tel: +44 (0) 1753 754632

Email: gayle.morley@tenongroup.com

These notes are for general guidance purposes only. Tenon Limited does not accept liability for any actions taken or refrained from because of reliance placed on this information sheet. Specific advice dealing with particular circumstances should always be sought.

Essential questions:

Legal structure:

- > What legal entity should you choose (agency, place of business, branch or subsidiary)?
- > What are the demands of the local regulatory authorities?
- > Does a double tax convention apply and is there an implication for the chosen structure?

Trading structure:

- > How will my activities locally affect my business strategy?
- > How will you derive value from your local business – profits, royalties, capital?
- > Which trading structure is most suitable – buy-sell, commission, cost plus?
- > How will you determine your transfer prices – transactional or profit-based methods?
- > What affect do these have on your local tax liability?
- > What impact do these have on the parent's tax bill?
- > Does VAT affect your decision?

Case study

A pharmaceutical company hired an employee in the UK to supervise clinical trials. Analysis of the activities revealed that the company should qualify for exemption from UK tax under the terms of the double tax convention in place between the two countries. Confirmation was obtained from the Revenue. Two years later the drug was approved for distribution. The UK activity came within the charge to UK Corporation Tax. We advised on adopting a trading structure and transfer pricing regime which minimises the UK tax liability.

Transfer pricing

Large groups are obliged under UK law to keep contemporaneous records setting out their transfer pricing policies for transactions with related parties, demonstrating that relevant transactions are priced at arm's-length value.

If a UK tax enquiry results in an adjustment to the company's transfer prices, increasing the UK tax liability:

For further information

Tenon Limited, Amberley Place, 107-111 Peascod Street, Windsor, Berkshire, SL4 1TE
Tel: +44 (0)1753 754400 Fax: +44 (0)1753 754401 Email: windsor@tenongroup.com www.tenongroup.com

Registered Office:
66 Chiltern Street, London W1U 4GB No: 3931297 England
Tel: +44 (0)20 7535 1400 Fax: +44 (0)20 7935 7192

- > the Revenue may impose penalties where the transfer pricing records are inadequate;
- > the group may encounter problems in obtaining corresponding relief for the adjustments to the transactions in the tax assessments of the related parties.

Our commercial approach to UK transfer pricing record-keeping compliance has a track record of providing robust defences against transfer pricing adjustments and protection from the penalties, whilst offering solutions proportionate to our clients' requirements.

Advanced planning

- A more complex structure – perhaps an international holding company may be required. Matters to be considered include:
- > the tax liabilities to be sheltered – withholding taxes, underlying taxes, taxes on capital gains;
 - > the position of debt and finance in the structure;
 - > Controlled Foreign Company legislation and similar provisions re tax havens;
 - > country-specific legislation (eg US anti-deferral, PFICs etc) and look through clauses in double tax conventions;
 - > the reputation legal framework of a holding company location.

Our planning is tailored to your needs and commercial requirements – please ask for a meeting to discuss this further.

Case study

A NASDAQ listed US corporation opened a UK subsidiary as its initial European presence. Commercially a simple tax structure was required. Employees were subsequently hired in the Netherlands and Switzerland as part of the pan-European team, local registrations were made and agreement was obtained from the authorities that the employees did not create a taxable presence for the company in those countries. The company further expanded and Scandinavian and French subsidiaries were opened. The transfer pricing structure was reviewed and alterations made to optimise the European tax position.