



Foreign expansion
Growing your business
internationally



Are you looking to expand your business internationally? In today's market more and more businesses are looking to expand into international markets in order to grow their business and increase their profits.

Tax will be an important factor in deciding where to expand and each jurisdiction has its own complexities.

Deloitte's specialised Foreign Expansion team can offer a full range of services required to ensure the success of your business in international markets. Your engagement will be with Deloitte Ireland and through one of our dedicated Account Managers we will be your single point of contact. We also offer clients a portal containing useful information for your business expanding abroad.

Operating structure

The first step is to decide how to structure your expansion into foreign markets.

- Consideration will need to be given as to whether the proposed foreign activities will create a taxable presence of the Irish company abroad.
- If a taxable presence is created, should the activities be carried on through a foreign branch, or alternatively through the incorporation of a foreign subsidiary?
- The taxation treatment of any profits arising will depend on the operating structure.
- The legal aspects will also need to be considered – set up of the branch/subsidiary, annual filing obligations etc.

Financing

- It is common for companies expanding abroad to fund their operations using debt finance.
- Structuring of such finance is important to ensure that a tax deduction is allowed for any interest arising.

Repatriation of profit

- In the future, the Irish company may wish to repatriate profits earned by its foreign subsidiaries.
- It will be important to plan from the outset how these profits will be repatriated in a tax efficient manner.

Transfer pricing

- Transfer pricing is concerned with the pricing of transactions between connected companies and is a key concern of most foreign tax jurisdiction to ensure that they get their fair share of a company's taxable profits.

- Steps will need to be taken to ensure that the level of profit attributable to the foreign operations can be justified under transfer pricing rules.
- Transfer pricing also presents opportunities in relation to maximising the use of Ireland's low corporation tax rate of 12.5 percent by ensuring that entrepreneurial risk and value added functions remain in Ireland.

People

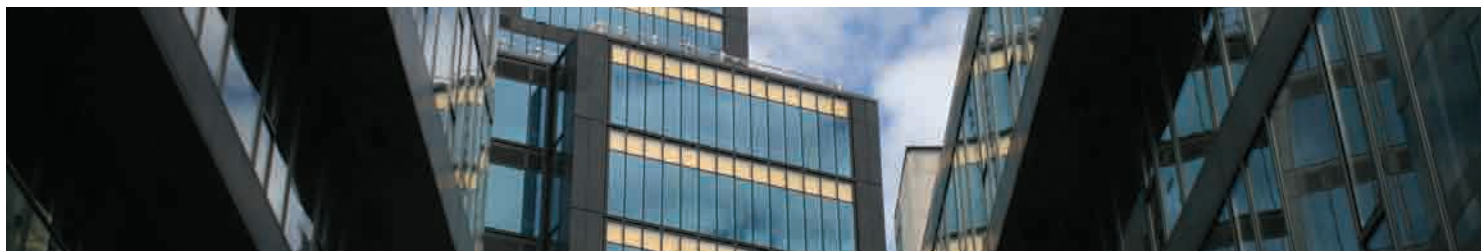
The future success of any business depends on having access to a skilled workforce that can be deployed effectively either in Ireland or internationally. If managed effectively, a mobile workforce will enhance operational effectiveness. Otherwise, the risk of increased tax/social security costs, penalties and interest becomes more likely.

Deloitte gives you access to our worldwide network of mobility tax professionals. We offer an integrated approach to deal with all aspects of managing a mobile workforce. We can assist you in the following:

- Review payroll compliance in Ireland for your mobile workforce. In certain circumstances, your mobile employees may not be subject to PAYE and the Universal Social Charge,
- Meet payroll/income tax obligations in the host country. Deloitte can assist in making applications for an exemption from social security in the host location
- Develop assignment policies to assist in managing the mobile employees. Deloitte can assist you design and implement assignment policies to motivate employees to work overseas
- Develop tax effective compensation packages designed to motivate and retain staff. Deloitte can assist you design compensation packages to maximize tax reliefs, for example in the area of Travel & Subsistence payments.

One of the keys to successful global mobility management is the appropriate use of technology. Deloitte's Global Advantage suite of web-based technology tools has been designed by global mobility specialists and can be used to:

- Prepare reports highlighting when tax compliance filing obligations may arise for employees working in foreign locations



- Track the days your employees spend in each country. This can allow you to relocate the employee before a local tax obligation is triggered.
- Calculate the overall assignment cost to the company of an employee working overseas. Our technology tools can also perform real-time tax calculations in over 60 countries.
- Can foreign sales tax paid by the company be recovered if it is incurred by a company undertaking business in a country outside the EU?
- Has the company the required resources to manage the preparation of sales tax returns for other jurisdictions, intrastat, vies returns and any other indirect tax filings that are required in the foreign jurisdiction.

In summary, Deloitte can help you achieve the best structure for your assignments, enhance policies and procedures, meet compliance requirements, move people efficiently and plan for the future.

Indirect Taxes

Indirect taxes can cause considerable financial costs and administrative burdens to businesses. The legislation governing indirect tax in each jurisdiction can vary widely as does filing dates for indirect tax returns and the indirect tax rates. Before undertaking work in a foreign jurisdiction you should consider the following;

- Does the country in question have a tax on sales, commonly referred to as goods sales tax (GST) or value added tax (VAT)?
- Who is liable to account for the sales tax, the recipient or the provider of the goods/services?
- Does the foreign country have one sales tax rate or several sales tax rates?
- Will the presence in the foreign jurisdiction be considered an establishment for VAT purposes (if expanding to an EU country)?
- What are the registration thresholds for the sales tax (if any)?
- How do you register for the sales tax in the foreign jurisdiction?
- Are there any exemptions or reliefs that can be availed of?
- Do you have the option of setting up a branch or a subsidiary? Is a branch more beneficial from an indirect tax aspect?
- Are there any other indirect taxes that need to be considered in the foreign jurisdiction, for example a withholding tax similar to relevant contracts tax in Ireland?
- Have you considered customs duty or similar taxes imposed by foreign jurisdictions?

The consequences of non-compliance can be costly for businesses. The systems and processes that are in place within the organization need to ensure that each company/branch within the organization correctly accounts for all indirect taxes for each jurisdiction, while at the same time minimizing the cost and the administration burden for the organization.

Audit requirements

- Local audit requirements will need to be considered. These may vary depending on whether the foreign expansion is structured as a branch or subsidiary.
- The foreign business may also be subject to an Irish audit.

Exit

- As little or no tax may be payable in the beginning, investors may fail to give due consideration to their exit strategy.
- This could leave the business exposed to significant tax on exit. Exit taxes can be minimized, sometimes even reduced to nil depending on the holding structure implemented.

Other local considerations

- Foreign taxation systems can be significantly different from the Irish taxation systems and often more onerous in terms of filing requirements and information requests. For example, in many countries, taxes on business profits are levied at the federal, the state and in certain circumstances, at local level.
- For Irish businesses used to a more business friendly regime, this can be an obstacle when expanding abroad. By taking early advice on the filing requirements etc, companies can avoid reputational damage and further costs arising as a result of non-compliance.

How can we help?

Our collective experience at Deloitte has given us an insight into the issues faced by companies expanding into foreign markets. Our global network of firms, accessed through one local Deloitte point of contact, can assist you in this transition to a multi-country business.

If you would like to obtain further information please contact:



Pádraig Cronin
Partner, Head of Tax and Legal Services
T: +353 1 417 2417
E: pcronin@deloitte.ie



Michael Raine
Account Manager
T: +353 1 417 2224
E: mraine@deloitte.ie



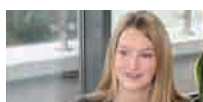
Colin Spence
Account Manager
T: +353 1 417 2243
E: cospence@deloitte.ie



Alison McHugh
Account Manager
T: +353 1 417 3624
E: amchugh@deloitte.ie



Jane O'Sullivan
Account Manager
T: +353 1 417 2231
E: janosullivan@deloitte.ie



Lucy Bowe
Account Manager
T: +353 1 417 2493
E: lucbowe@deloitte.ie



Jackie Coughlan
Account Manager
T: +353 21 4907 017
E: jcoughlan@deloitte.ie

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Contacts

Dublin
Deloitte & Touche
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
T: +353 1 417 2200
F: +353 1 417 2300

Cork
Deloitte & Touche
No.6 Lapp's Quay
Cork
T: +353 21 490 7000
F: +353 21 490 7001

Limerick
Deloitte & Touche
Deloitte & Touche House
Charlotte Quay
Limerick
T: +353 61 435500
F: +353 61 418310

www.deloitte.com/ie

Email us at foreignexpansion@deloitte.ie
or log on to www.deloitteforeignexpansion.ie

