

HART SHAW

Incorporating Atkin Macredie & Co

Chartered Accountants & Business Advisers

Tax and Trading Overseas

Hart Shaw LLP

AGENDA

1. Introduction
2. Trading “with” or “in” another country?
3. Branch or Subsidiary?
4. Branch
5. Overseas Subsidiary
6. Summary



1. Introduction

1. International Co-operation
2. Attack on “nameplate” offices
3. Typical approach to first foray into overseas trading



2. Trading “with” or “in”?

Trading “**with**” a customer in another country is *exporting*



2. Trading “with” or “in”?

Trading “**in**” a country involves having an *overseas “presence”*

1)Branch:

- i. A permanent establishment; or
- ii. Agent

2)An overseas company



3. Branch or Subsidiary?

Detailed review of overseas tax :

Branch v Subsidiary:

- Rates of tax?
- Withholding taxes:
 - Dividends/interest/royalties to parent ; versus
 - Branch profit tax and treaty relief
- Treatment of losses?



4. Branch

Permanent Establishment

- Not a separate entity – an overseas BRANCH of the UK company
- UK co taxed in that country on profits arising from that establishment; BUT
- Double tax relief via:
 - Tax treaty; or
 - Unilateral relief; or
 - Deduction



5. Overseas Subsidiary

Profit Repatriation:

1. Influenced by withholding taxes

- Dividends – EU exemption
- Interest/Royalties – Treaty rates

2. Profits outside scope of UK tax:

- Watch control and management
- Transfer pricing rules



5. Overseas Subsidiary

Form of investment:

Loans or share capital?

Loans

1)Thin Capitalisation

2)Transfer Pricing:

- Interest income in UK
- Interest relief abroad



5. Overseas Subsidiary

Some example terms explained

1. Thin Capitalisation

2. Transfer Pricing (interest, mgmt chgs, trading)

3. Controlled Foreign Companies



5. Overseas Subsidiary

Loans cont'd

3) Foreign withholding tax on interest

4) Capital Duty

5) Exchange gains and losses



5. Overseas Subsidiary

Shares

- 1) Foreign withholding tax
- 2) UK tax Exemption on EU dividends



6. Summary

1) Local advice is paramount

- i. Unfamiliar legal entities
- ii. Blurring of tax/legal/accounting firms
- iii. VAT registration
- iv. Local and state taxes/levies/social charges
- v. Payroll
- vi. Gateway to other services



6. Summary

2) “Joined-up” advice is paramount

- i. Branch, Agency, Subsidiary
- ii. Repatriation of profits
 - i. Transfer Pricing; Withholding taxes; Thin Cap etc
- iii. Employees tax treatment
- iv. etc....

Eg UK client – trading “in” Hungary. Using IAPA firm in Budapest



6. Summary

3) Seconded Employees:

- a) Will need advice;
 - Is the company paying?
- b) Where will they be resident/taxed?
- c) Overseas compliance – tax return required?
- d) Double tax relief – treaty/unilateral
- e) Expense payments – taxable or allowed?
- f) Where do the payroll taxes fall?
- g) NI exemption?



Thank You



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