GGI PG Meeting International Taxation

Edinburgh 3 April 2014

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- tax + expat
- legal
- payroll
- immigration + relocation
- pension + insurance
- human resources
- vat + customs

GGI INDEPENDENT MEMBER

Introduction - 1

Nick Domburg & Martin van Harten
are pleased to meet you!

Why this case study?

Your speakers today are no “Rookies” presenting at international tax conferences …

Introduction - 2

European Tax Conference – London 1999 (BTI)
For an audience of 30+ nationalities
Who the h… are Sinterklaas & Zwarte Piet?

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Case Study

A case study / questionnaire regarding the tax implications of establishing a subsidiary in ‘your’ country and employing foreign workers has been sent to all participants of this meeting.

We were pleasantly surprised by the large number of contributions from all over the world:

AT, BR, CA, CY, DK, DE, IN, IE, IM, IT, NL, NO, RO, RS, ES, CH, UA, GB and US

Many thanks to all contributors!

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Case Study

"A foreign group will set-up a new operational entity in your country through a local subsidiary. It will be a tax resident in your country and the employees will also be based in your country"

Case Study Q 1

Q1: Are there any (legal) restrictions on foreign investment / foreign ownership?

In general, restrictions do not apply, except for some sectors, such as:

- Media
- Financial/banking
- Forestry
- Defence/weapons

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Case Study Q 2

Q2: What is the preferred legal form for the new entity?

In general, a limited liability company is the preferred legal form (Ltd., GmbH, BV, A/S, S.r.l., d.o.o., S.L., etc.)

In some countries, a permanent establishment is preferred over a subsidiary (e.g. Brazil), or explicitly not (US)

Typically, in Anglo-Saxon countries partnerships / tax transparant entities may be preferred

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Case Study Q 3

Q3: If the company initially suffers start-up losses, is there compensation relief available (carry back or forward rules)?

- Most jurisdictions have some form of loss compensation available, mostly carry forward rules. Periods vary from a couple of years until infinite.
- Carry back, if allowed, is mostly limited to only a couple of years (e.g. 1, 3 or 5 years)
- Some countries have limitations on the absolute amount of loss compensation per annum or limitations on the percentage of the annual profit that can be compensated
- Almost all countries have limitations in case of e.g. change of shareholders, mergers, etc.

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Case Study Q 4

Q4: If the company makes an annual profit of EUR 100k, how much corporate tax will be due? And for EUR 500k or 1,000k?

- The (mostly flat) rates vary from 0% to over 35%, with an average of approximately 20%
- Several countries have combined rates, e.g. federal and provincial / cantonal / state or corporate and local business tax
- The lowest rates are: Isle of Man: 0%, Cyprus & Ireland: 12,5%
- The highest rates are: India: 33,99% maximum rate, US: 35% maximum rate and Brazil: 35,3% average rate on GDP

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Case Study Q 5

Q5: Are there likely to be any restrictions in bringing parent company workers into your country to work for the new entity?

- Within the European Union (EU) and the European Economic Area (EEA) no, or only very limited, restrictions apply
- Inbound EU/EEA workers from outside the EU/EEA are mostly liable to restrictions (visa, work permits, etc)
- In US/Canada strict rules apply for inbound workers
- Some countries give priority to own nationals, foreigners only allowed in case of difficulties to recruit locals (e.g. Brazil, Austria, India)

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Case Study Q 6

Q6: What taxes are due on employees with annual earnings of EUR 30k, 50k and 100k?

- The charges borne by the employer are the lowest in: CA, DK and IN
- Highest net salary in: CY, IM and CH

- The charges borne by the employer are highest in: BR, IT and RO
- Lowest net salary in: AT, DK and IT

- The outcome much depends on which factors have been accounted for and makes it difficult to compare countries with each other

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Case Study Q 7

Q7: Are grants and incentives available for new companies and / or new jobs created in your country?

- Most countries have some grants and / or incentives available
- Incentives and grants are often related to R&D activities, creating employment, start up’s of new companies
- Besides national programs, various countries have regional or industry based grants and incentives available
- Also, financial incentives, subsidies, assistance by government agencies, etc is often provided to promote the local economy

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Case Study Q 8

Q8: ‘Sell your country’

Most contributors promote their jurisdiction on three items, namely:

- Fair tax regimes: CY, IE, CH, RS
- Large economy / market access: US, BR, DE, IT
- Political stability / legal system / infrastructure: NO, NL, IM, DE

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Case Study Q 9

Q9: What are the two worst things about your country?

Besides the weather, following three issues are often mentioned:

- Bureaucracy: BR, UK, IN
- Complexity of administrative and / or tax rules: DE, IT, UK
- High (personal) taxation: AT, IE, RO, US

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Case Study - End

Any questions or comments?