

## International Services

# update

## Inward investment at heart of uk economic recovery plans



**The new UK coalition Government has put attracting and retaining inward investment firmly at the centre of its plans for economic growth.**

Speaking at the UK Trade and Investment Business Summit in July, David Cameron commented that "We want Britain to be a place where companies can grow and succeed, where the world's best companies thrive, where great ideas and innovations are turned into great products and where we have a world-class workforce."

UK Trade and Investment, the Government Department which helps bring new investment to the UK, has released statistics for 2009/10. Inward investment generated almost 100,000 jobs in that period, a growth

of 20% on the previous year. The jobs were generated by 1,619 projects.

Other highlights for 2009/10 included:

- US companies account for a third of the jobs created.
- India is the UK's fourth largest investor, with China now in sixth place.
- Emerging countries such as Turkey, Taiwan and Mexico were strongly represented.
- There was a 10% increase in international businesses choosing to locate their headquarters in the UK.

James Cowper has vast expertise in assisting companies in moving to the UK and an extensive client list of inward investing companies.

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## Outsourcing - a solution for inward investing companies



**James Cowper's 20 strong outsourcing team helps a wide variety of clients to manage their finance function. Sometimes that assistance may simply be in the form**

**of providing a payroll service, but for many other businesses we provide a full service giving clients all the information they need to run their business effectively.**

Outsourcing can be particularly suited to inward investing companies. Often these businesses have a strong marketing and sales focus, particularly if they are new to the UK, and do not want to be burdened by a

heavy overhead cost or distracted by compliance matters with which they may not be familiar.

UK companies with overseas parents also often have tight reporting deadlines to head office, with monthly accounts required within a few days of the end of the month. Outsourcing the preparation of the accounts means that deadlines are met and senior management can concentrate on generating profits.

The outsourcing service is also flexible as the company grows. Companies will often reach a stage where they look to recruit a full time accountant, at which stage the outsourcing service can easily be scaled back.

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## PLANS TO CUT UK CORPORATION TAX



**David Cameron's new coalition Government faces tough choices as they strive to tackle the UK's current structural deficit. Spending cuts and tax increases are on the agenda.**

Early signs suggest that companies may avoid the full burden of the tax rises. Declaring Britain to be 'open for business' for international corporations, the new Chancellor, George Osborne has outlined plans to cut UK corporation tax rates.

The main rate will be reduced from 28% to 27% from April 2011 followed by 1% a year thereafter until it reaches 24% in 2014. The rate for small companies will also be reduced from 21% to 20% from April 2011.

Other changes include, streamlining capital allowances in line with economic depreciation and a commitment to update the Controlled Foreign Company (CFC) legislation to make the UK a more competitive place for international business. A move to a more territorial basis for taxing foreign branch profits is also on the cards.

The Government aims to create the most competitive tax system in the G20 and the reductions in tax rates have been well received. The full effects will be muted slightly by social security increases introduced by the previous government and effective April 2011, but UK social security rates still remain well below many of the UK's main European competitors.

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## Globe-trotting employees



**As Brits are increasingly exposed to international travel and meeting people from all over the globe. It is inevitable that some of them will fall for that tall, dark, handsome**

**foreign national and want to follow them back to their home country. At this point, the Brit may have some concerns: will the relationship last? Will I feel like settling down overseas? Do I really want to end my job in the UK, especially if I can work from my computer and be anywhere in the world?**

At this point, UK employees will often approach their employer and ask if they can continue working for the company at long distance. Most employers will look upon this as a mere change of address which benefits both parties: the employee wants to keep working for the company, the employer wants to keep their employee, so what could go wrong?

Before agreeing to this change, the employer should consider the consequences of such a move. Firstly, will the employee retain this status abroad? I have seen cases where the individual asks to work on a consultancy basis to give them some flexibility at the start of their new life. However, it may not be possible to continue working for the same company and basically doing the same work with this change of status - depending on how the foreign country views employees and consultants. Will the UK company have to operate withholding tax, similar to PAYE, in the host country? Social security is another minefield and should be analysed carefully, particularly as both employee and employer contributions are involved. If the individual is the first person working in this country for the company their activities could trigger corporation tax issues for the UK company under the rules relating to "permanent establishment".

Other points should also be taken into consideration - local employment law, immigration, data protection. My advice to employers - be well informed before agreeing to these changes, as they may not simply come down to a change of address.

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## Why expand overseas?



**The most common issue with overseas expansion is the question of the unknown - cultural and language barriers are often an issue, as well as the issue of not understanding the**

**country or market. These issues may be particularly relevant to UK companies where language skills are traditionally not great and the UK market itself is one of the world's largest.**

However, the benefit of expanding overseas can sometimes present such an exciting opportunity that companies must explore it even if there is a natural reluctance. Some of the reasons for expansion can include increasing company value through growth, taking advantage of tax or other government incentives or reducing reliance on the UK domestic market.

Increasing market share is usually critical, particularly where the domestic market is small. Subject to control of overheads and sufficient sales, this can significantly improve profits, particularly if the UK business model will work in other countries.

The last two years have shown us that economic conditions can fluctuate wildly between countries. Businesses which operate globally are usually more diversified businesses that can overcome problems in one market. This can also help build business value as companies which are better protected from difficult economic times usually attract higher valuations.

Tax is always an important consideration, although it is not usually the driving factor. In recent years low UK tax rates have helped contribute to many companies locating their European or world headquarters in the UK. There are also common tax havens in more exotic locations.

In some countries lower cost levels can be more important, but tax and other incentives may be the deciding factor where a manufacturing facility is located in Western Europe where cost levels are higher than in Asia and other regions.

Whatever you do, overseas expansion needs to be considered carefully, and local knowledge is vital.

**For further information speak to your usual James Cowper contact or Alex Peal on +44 (0)118 959 0261 or apeal@jamescowper.co.uk**

## LAMEX FOOD GROUP GETS A TASTE FOR JAMES COWPER



**James Cowper, together with K r e s t o n International network partners in the USA and the Netherlands, has been appointed by**

**Lamex Food Group to manage its audit and tax compliance work.**

Lamex Food Group, which operates in 12 different countries, has a turnover approaching half a billion pounds (sterling).

James Cowper, CBIZ, Inc. and Mayer Hoffman McCann in the USA and Van Oers in the Netherlands were appointed following a competitive tender.

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## Kreston International

**James Cowper is a member of Kreston International, the world's 13th largest global accounting network. Kreston has 231 member firms in 94 countries, with 19,500 staff and fee income of USD 1,642m.**

In today's economic climate, with rapidly developing new markets, improved communications and greater international mobility, businesses operate on an increasingly global scale.

Whether you are entering the international business arena for the first time, or building upon an existing global enterprise, Kreston members are used to working closely together on client assignments to deliver international solutions.

**For further information speak to your usual James Cowper contact or visit www.kreston.com**

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