

International Services

update



Expanding Overseas?

Setting up operation in an overseas country for the first time is a significant step for any business.

In this article we explore some of the key issues which companies need to consider as part of this process.

Benefits

It is critical to establish at an early stage what your objectives are. Look at a detailed cost benefit analysis.

Which country?

There are huge variations between different countries both in terms of market opportunities and the ease of doing business. Putting in research at an early stage is likely to pay dividends in the long run.

Decide how to enter

You could manage the process yourself, selling directly from the UK or setting up an operation in the overseas country. As an alternative you could use an intermediary such as a distributor or agent. The approach needs to be tailored to the particular market.

Structure

You need to be sure to choose the right structure. If you are setting up a permanent operation in an overseas company, you will need to consider local laws to establish whether you need to set up a corporate entity or another form of legal structure. The financial, tax and accounting implications need to be considered carefully.

Tax

You will need to decide whether you are going to sell locally in the relevant country or from the UK. This will have an impact both on you and your customers. Always make sure you get good corporate and sales tax advice at an early stage, as failure to get this right can have serious implications.

Recruit good quality people

Using local people is usually the best route as they will know how business is done and have appropriate networks. Putting resources into recruiting quality people is vital and will pay benefits later on. If you do decide to send one of your existing employees overseas, apply for any necessary work permit early; it always takes longer than you might think to get through the red tape.

Take appropriate advice

It is good to use all available contacts to maximise your chances of success. Free help is available from organisations such as UK Trade and Investment. You should also consider taking advice from your accountants, who may have contacts through an international association. Legal advice is also important both in the UK and overseas.

Financial management

You will need to set up suitable banking and finance facilities to enable your overseas operation to function effectively. Regular management accounts are likely to be important for a permanent operation overseas. These will enable you to ensure that the operation is running effectively, even though you may be based thousands of miles away. External accountants can be a useful resource to help give you the confidence that you are complying with all relevant local requirements.

Space

A location from which to do business needs to be assessed early on. It may be that using a serviced office is appropriate for the very initial stages and will avoid the need for an expensive lease. If the business overseas is successful it may be necessary to invest more at a later stage.

Have a clear long term strategy

It is important to work out what your long term strategy is. For example certain countries can be a useful stepping stone into other markets. Some companies use a major trading nation such as the UK as a springboard to develop operations in the rest of Europe.

For further information please contact:
Mike Farwell on +44 (0) 1635 35255 or
mfarwell@jamescowper.co.uk



UK inward investment update

Inward investment into the UK has been one of the great success stories of the UK economy over the last 20 years, with many companies seeing the UK as the most attractive place to set up operations in Europe. Over the last year Britain has retained its place as one of the world's leading locations for inward investment.

Within the overall UK picture, the Thames Valley has been a very significant contributor to these inward investment statistics. Some of the reasons why companies choose the Thames Valley are as follows:

- Access to global markets and customers through Heathrow
- Easy access to customers within the UK
- The area is tried and tested and has an existing base of many of the world's leading companies
- The Thames Valley has a highly skilled workforce
- It offers easy access to London and other population centres

The Thames Valley Economic Partnership (TVEP), an organisation whose aims include, encouraging inward investment to the Thames Valley and providing assistance to prospective investors, has recently seen a significant increase in the number of enquiries. TVEP works closely with South East England Development Agency (SEEDA) and UK Trade and Investment.

TVEP's plans for 2009/10 include promoting the profile of the Thames Valley as a location for growing companies with a global outlook. As part of this TVEP will develop relationships with key contacts in other technology regions, particularly in California.

For further information about investing in the Thames Valley contact
Alex Peal on +44 (0) 118 959 0261 or
apeal@jamescowper.co.uk

Finance Act 2009 change to foreign profits



After many months of deliberation the new UK tax rules for foreign profits go live.

The 2009 UK Finance Act has introduced wide-ranging changes to the UK tax rules

for foreign profits which affect both inbound and outbound investors. Many of the changes were proposed some time ago and industry and the professions have been widely consulted.

The aim of the changes is to make the UK a more attractive international holding company location; however despite the long consultation period there will be both winners and losers.

Sharon Bedford, tax partner comments "CFOs and tax professionals need to review the new rules to assess the impact on the global tax bill of their organisation and the tax charge in its accounts."

There are three main highlights;

Dividends

From 1 July 2009 most overseas dividends paid to the UK from overseas are exempt from UK tax.

UK groups with profitable subsidiaries in low tax jurisdictions are likely to be the main beneficiaries of the changes and it will also significantly reduce the complexities of UK tax returns by eliminating the need for double tax relief calculations.

There is not a blanket exemption however and advice should be taken to ensure each specific dividend falls within the new rules. Particular care is needed if the tax is paid from a country with which the UK does not have an appropriate tax treaty or in joint venture situations where the shareholding is between 11-50%.

Withholding tax planning also becomes more important because withholding tax which was previously recovered may now become an absolute cost to the corporation.

Introduction of debt cap rules

For accounting periods beginning on or after 1 January 2010 new debt cap rules apply. The rules potentially apply to any large group of companies, where one or more companies are UK resident or are trading in the UK through a branch or permanent establishment. Going forward UK finance costs in relation to intra-group debt are likely to be non-deductible

when they are in excess of the group's gross consolidated debt. This is even the case if the debt is arms-length and applies for bona fide commercial purposes.

The changes will significantly increase the UK tax burden of some large groups.

Controlled Foreign Companies (CFCs)

Changes have also been made to the UK CFC rules, with the withdrawal of previous exemptions, including those for foreign holding companies.

Many group structures have been designed with the UK CFC legislation in mind and the amendments will no doubt give rise to some significant group restructuring.

In the short term the new legislation will result in a considerable increase in tax planning work for both UK groups and international groups with a UK presence. Whether there will be corresponding medium term benefits for these corporates or for the UK economy in general is less clear.

For further information please contact:
Sharon Bedford on +44 (0)1865 200500 or
sbedford@jamescowper.co.uk

Kreston International

Overseas markets can present real opportunities for many clients but are the barriers too daunting a challenge?

Despite the current tough global economic climate, the second quarter of 2009 finally saw a return to growth in the volume of world trade. Through our membership of Kreston International, one of the world's largest international accountancy associations, James Cowper is able to offer high quality expertise in each country and can help ensure that clients receive sound advice.

Partner Sharon Bedford said - "Once the market opportunity has been fully researched, one of the keys to success is ensuring that business operations are properly structured to comply with local regulations and that as far as possible, the overall burden of taxation is minimised".

Jon Lisby Kreston's Executive Director says "it's surprising, but the value of international business undertaken between our member firms has continued to grow throughout the recession. Although each are independent firms, our members are used to working together to provide integrated solutions across the world. We are now represented in 94 countries with a resource of over 20,000 professional and support staff.

We continue to work with our members to enhance the quality and range of the international services available, we have recently strengthened our team with the recruitment of Sue Almond as Quality and Professional Standards Director for Kreston International. Sue has an outstanding reputation and track record within the international accountancy profession having been extensively involved in the development of global working practices and quality assurance".

For further information visit www.kreston.com

James Cowper International Services

James Cowper is ideally equipped to ease your expansion into Europe or the UK. By using our knowledge of the UK market place, we can open up a wealth of new opportunities for you.

James Cowper's specialist team understands the challenges facing organisations wishing to locate in the UK. We have many overseas subsidiary companies amongst our clients. We have connections in Europe and the rest of the world through Kreston International, a global association of accountants and business advisers.

James Cowper is also registered with PCAOB (Public Company Accounting Oversight Board) in the United States. Authorisation from PCAOB is now a legal requirement for any firm of auditors which wants to work with UK subsidiaries of listed US based companies.

James Cowper LLP offices:

Phoenix House
Bartholomew Street
Newbury
Berkshire RG14 5QA

Tel: +44 (0)1635 35255
Fax: +44 (0)1635 40500

Willow Court
7 West Way
Botley
Oxford OX2 0JB

Tel: +44 (0)1865 200500
Fax: +44 (0)1865 200501

3 Wesley Gate
Queen's Road
Reading
Berkshire RG1 4AP

Tel: +44 (0)118 959 0261
Fax: +44 (0)118 939 3385

North Lea House
66 Northfield End
Henley-on-Thames
Oxfordshire RG9 2BE

Tel: +44 (0)1491 572565
Fax: +44 (0)1491 411705



Accountants & Business Advisers

Business Assurance • Business Direction • Business Tax • Corporate Finance • Insolvency • Outsourcing • Private Client Tax

email: info@jamescowper.co.uk

www.jamescowper.co.uk