PKF FRANCISCLARK
Chartered accountants & business advisers

International Services

First Steps Abroad Checklist

This is a checklist designed to assist UK businesses which are considering setting up business operations abroad, possibly having transacted with a particular jurisdiction remotely in the past. Typically a UK company will recruit a foreign salesperson based in a different jurisdiction, or may send a UK employee to a foreign country for a few months to deliver a piece of work.

Employment Issues	Have you recruited a local employee, or have you sent a UK person to the foreign jurisdiction to undertake foreign employment duties? In either circumstance you will need to consider whether there is a requirement to register for payroll taxes (PAYE / NIC). If you are hiring local staff it is important to determine the local social security obligations for employers as in some European countries for example this will be over three times the UK equivalent rate. A high social security rate will have a material impact on margins. Employment law should also be considered. Typically foreign employees have much stronger rights and can demand years of pay in settlement compared to months of pay in the UK.
Personal Tax	If you are sending UK personnel overseas they will need to consider whether they will remain UK tax resident and what that means. You may find that being taxed in a new country results in them being left with less pay after tax, and you will need to agree with them how that will be dealt with. If they cease to be UK tax resident it is likely that will become tax resident in the jurisdiction that they are working. The employee is likely to need some help with this and the employer will need to decide to what extent they assist in this process.
Permanent establishment	You may not consider that a formal branch or subsidiary is necessary given the relatively short project overseas – however this may still result in the creation of a permanent establishment (PE). A PE allows the local tax authority to tax the business profits created in their jurisdiction. Where projects last for six months or more, and are carried out in the local jurisdiction advice should be taken on the possible creation of a PE.

PKF Francis Clark has eight offices in the South West: Exeter, New Forest, Plymouth, Poole, Salisbury, Taunton, Torquay and Truro. Please visit www.pkf-francisclark.co.uk for contact details of your nearest office.

Branch or subsidiary?	Some thought should be given to the structure of the foreign operations if the investment overseas is medium to long term. In particular the matter of start up losses should be considered and how best to obtain tax relief.
VAT registration	If the overseas operation is selling goods and services to customers then the local sales tax or VAT equivalent should be considered.
Repatriation of Profits	Thought should be given to the way in which profits are returned to the UK and the shareholders. Issues such as withholding tax on dividends or branch profits should be considered.
Anti-Avoidance Rules	Matters such as transfer pricing, controlled foreign companies, transfer of assets abroad, and other UK anti-avoidance rules should be given thought.
Foreign Currency / Banking Arrangements	If you are dealing with foreign customers, you will necessarily be exposed to foreign currency risks and you will need to work out how you are going to transact in different denominations. You should talk to your bank about your specific requirements.
Talk to UKTI	Whilst UKTI can only give you so much support they do work hard to provide UK SMEs with the opportunity to investigate new markets.
Get the Right Advisers at Home and Overseas	You will need advisers in the overseas jurisdiction to deal with all of the above. We can make the introductions being part of the Leading Edge Alliance. Talk to them early and ensure that you are communicating with both sets of advisers.

27/8/16_N

TAXATION AWARDS 2014 WINNERS

The British Accountancy AWARDS 2014 WINNER

PKF Francis Clark has eight offices in the South West: Exeter, New Forest, Plymouth, Poole, Salisbury, Taunton, Torquay and Truro. Please visit www.pkf-francisclark.co.uk for contact details of your nearest office.