They include counselling peo-
ple for illnesses such as depres-

the economic turmoil had trig-
gered or exacerbated the pro-

that runs parenting courses
and fatherhood seminars in

book, developed the premises
free of charge and has only ever

centage of turnover to cover
the cost of the rental on rooms,

the year, bringing his profes-
sional staffto 16.

How to make a success of foreign operati
company, you will want to
structure your expansion to
protect against an attribution
of income or gains back to Ir-

ish shareholders, which can occur under certain anti-
avoidance provisions in Irish
legislation.
In summary, you should be
cautious and plan carefully for
your expansion. Ensure you g
a tax deduction for finance
costs, manage your tax rates
have efficient repatriation of

profits back to Ireland and ensure that you have an exit straegy-

In addition, while Vat and
employee tax liabilities should
not give rise to a cost for the
company, careful planning is
required to ensure that suc

taxes are operated in the corect way.

to think about an exit strategy
should you decide to leave the
market, sell your operations or
want to extract funds. By struc-
turing your expansion in the
right way, you can avoid incur-
ring unnecessary costs in the
future.
Investments abroad should
be held by a company operat-
ing in a good holding company
location, of which there are
now many, including Ireland.
You should ensure that your in-
vestment is structured using a
location which gives you the
ability to:
• sell without incurring either
Irish or foreign capital gains
tax
• reduce or ehminate the rate
of withholding taxes applied to
interest and dividends on repa-
triation

• allow profits to be repa-
triated without incurring in-
cremental taxes.

In some cases, it may be ne-
cessary to consider inserting
an intermediary holding com-
pany between the home coun-
try and the jurisdiction into
which you are expanding, to al-
low for the repatriation of prof-
its back to Ireland with low
withholding tax rates.
If you are a private or family

Question

As the downturn in Ireland COMPANY MAnERS

has taken its toll on my
business, I am looking at
opening operations in
growing markets in Europe.
What are the business and
tax planning considerations I
need to consider to prepare
properly for such a move?

the case, the next question is
whether you should set up as a
branch of your existing Irish
company or as a new subsidi-
ary company.
Your decision is likely to be
influenced by whether you
would anticipate incurring
losses at the early stages of the
venture abroad. As losses of a
branch can be set against the
profits of the head office com-
pany, it may make sense to set
up as a branch, at least initially.
If you anticipate profits
from day one, you should re-
view what activities you will
be carrying on abroad and
consider whether there are op-
portunities to exploit intellec-
tual property and know-how
that you have already built up
through your existing opera-
tions.

The corporation tax rates in
Europe are typically higher
than the Irish rate of 12.5 per
cent, so it is important to look
at your business model and ex-
amine where the profits will

arise, based on the activities
that will be carried out and the
risks that will be taken.
It may be possible to limit
the risk taken by the new entity
to reduce the amount of the
profit that it will earn. By attri-
buting the profit back to Ire-
land, you can then reduce your
effective tax rate.

In most cases, you will be
looking to get a tax deduction
for any finance costs incurred
to fund your expansion and, in
most cases, you will want to get
a deduction for any interest
costs against the profits of your
new venture. You will need to
establish what interest is de-
ductible and ensure that the fi-
nancing is structured in the
appropriate-manner.
Some jurisdictions have thin
capitalisation rules, which re-
quire that you need a certain
amount of equity invested in
your company before you can
get a full tax deduction for in-
terest that may be incurred on
debt. Other jurisdictions allow

Answer

Starting operations abroad is a
big step, and there are a num-
ber of issues you need to con-
sider.

One of your primary objec-
tives will be to ensure that you
have structured the expansion
in a tax-efficient manner.
While the tax regimes in other
jurisdictions can be broadly si-
milar, you can never assume
that logic prevails. You need to
ensure that you are fully in-
formed about the various re-
gimes to ensure that there are
no hidden surprises.
Asa starting point, you need
to establish whether the new
operations will result in you
having to pay tax in the new
jurisdiction. Assuming this is

This week's expert is Siobhan
Baldwin, tax director in the
private company services unit
of PricewaterhouseCoopers in
Dublin

a tax deduction only in respect
of interest incurred on third-
party bank debt, and don't al-
low for a deduction for interest
paid to a related party.
In highly-regulated jurisdic-
tions, you will also need to take
care to ensure that you are ad-
hering to all regulatory re-
quirements.
Before you even consider ex-
panding abroad, yoii also need

Each week, financial, legal and
business advisers will answer
your questions on a range of
small business issues. If you are
facing a business dilemma or
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