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Offshore Expansion Planning

Factors & Considerations when considering taking your business offshore. By Liesl Bebb-McKay & Catherine Magill

Introduction

Many businesses consider the option of expanding to a new territory and region but fear the costs or lack of focus that such a move may bring. Taking time for in-depth research and then crafting the right strategy and execution plan can help to limit these fears and make the move effective.

There are a number of complex questions that need to be answered but, in our experience, the following are the most important questions to consider.

" The essence of strategy is choosing what not to do." Michael Porter. "

Important questions to consider

1. What are your primary business drivers?

Each business has different drivers, different strategic factors that determine its success. These may be access to funding, economic growth in the region, access to great talent, client demand, a tax efficient business regime or ability to make cross-border payments, etc. In choosing where to expand it is essential to identify your top two drivers. These will be key factors in selecting where to locate your business.

The World Economic Forum's (WEFs) global competitiveness report is a great place to start to assess whether your business could work in any given economy. The Report assesses the competitiveness landscape of 141 economies, providing unique insight into the drivers of economic growth in the era of the Fourth Industrial Revolution: http://reports.weforum.org/global-competitiveness-report-2019/.

It is also essential to assess the relevant business risks in the region, and again the WEF has a good report to assist in this process. The Regional Risks for Doing Business report offers a business perspective on the impact of global risks and illustrates how they are experienced differently across regions. In an increasingly complex and intertwined world, this report helps shape the agenda for those regions aiming to play a pivotal role in the years ahead: http://reports.weforum.org/regional-risks-for-doing-business-2019/?doing_wp_cron=1582028629.5179100036621093750000.

2. Is language a limiting factor?

Many countries have limited contracting ability in your home language. Very few non-English speaking countries will accept contracts in English for example and restrict business documents to the official language in the country. This may or may not be a limiting factor depending on the nature of your business and your ability to cover translation costs in your operating expenses budget.

3. Is timing a limiting factor?

Each country has its own business processes for the set-up of new businesses. Some have government agencies to assist with business development, others have a specific focus on key sectors, others have very rigorous bureaucracy that will considerably limit speed of execution.

There are a number of surveys by large international organisations such as the World Bank that regularly evaluate the business-friendly economic environment of countries worldwide. The World Bank's Ease of Doing Business Index project provides objective measures of business regulations and their enforcement across 190 economies and selected cities around the world. The report includes several criteria important for doing business, such as starting a business, dealing with construction, employing workers, registering property, getting credit, paying taxes, trading across borders, enforcing contracts, etc. This is a great place to start when deciding on an optimal location for your business: https://www.doingbusiness.org/content/dam/doingBusiness/pdf/db2020/Doing-Business-2020_rankings.pdf.

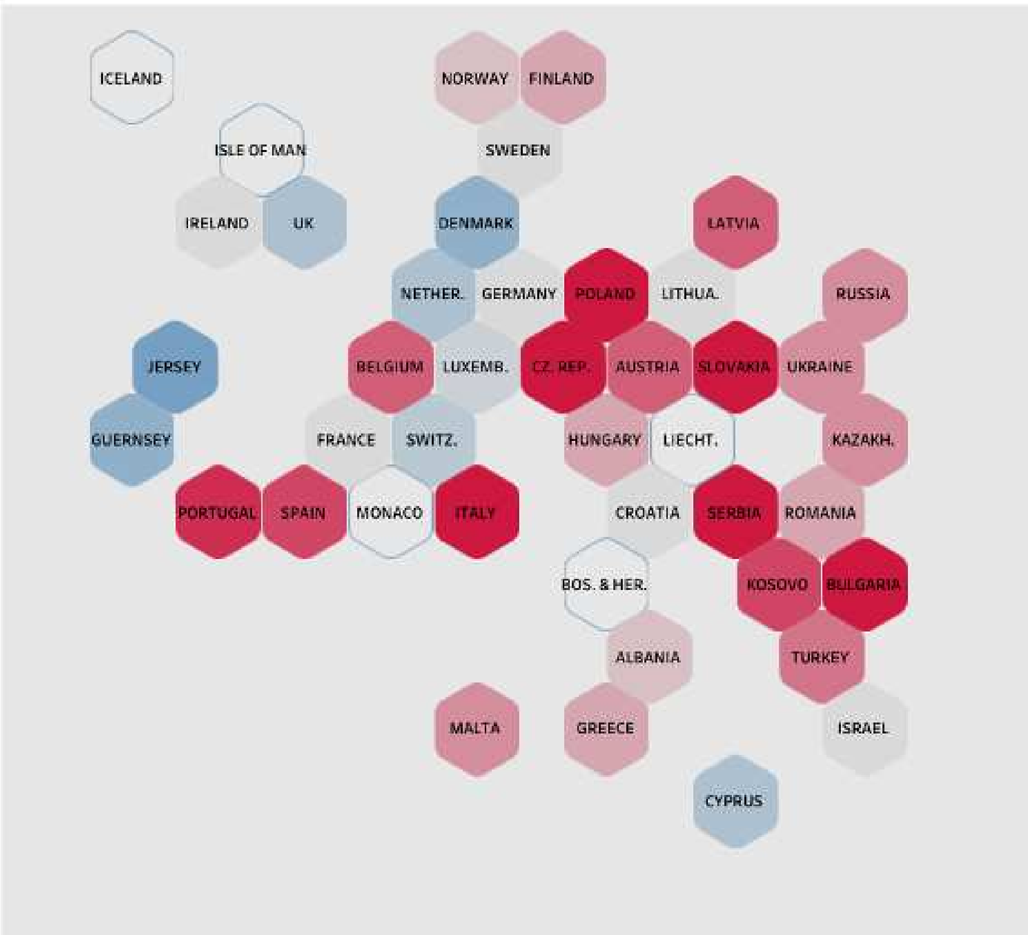
The US department of trade also produces also produces research on a country basis that may be useful as you do your analysis: https://www.trade.gov/ccg-landing-page.

4. Which business set-up makes sense for you?

Not all set-up has to take place from within the new country. You could consider selling directly from your home country, appointing an in-country representative / independent agent / distributor or acquiring / merging / partnering with an existing entity. Each of these will have its unique challenges and you will need to assess what makes most sense for your business.

Work Ready Map - Europe

KNOWLEDGE @WORK



Median Work Ready Days

1.0 — 140.0

Typical Range (days)

ALBANIA	43 - 82
AUSTRIA	83 - 163
BELGIUM	96 - 131
BULGARIA	114 - 212
CROATIA	39 - 85
CYPRUS	41 - 74
CZ. REP.	169 - 242
DENMARK	27 - 42
FINLAND	64 - 97
FRANCE	55 - 103
GERMANY	49 - 97
GREECE	58 - 95
HUNGARY	66 - 115
IRELAND	50 - 87
ISRAEL	45 - 84
ITALY	125 - 221
KAZAKH.	17 - 187
KOSOVO	91 - 139
LATVIA	64 - 143
LITHUA.	71 - 73
LUXEMB.	47 - 75
NETHER.	38 - 70
NORWAY	62 - 91
POLAND	82 - 220
PORTUGAL	102 - 150
ROMANIA	66 - 108
RUSSIA	73 - 127
SERBIA	83 - 187
SLOVAKIA	207 - 343
SPAIN	103 - 157
SWEDEN	49 - 98
SWITZ.	29 - 97
TURKEY	85 - 132
UK	26 - 75
UKRAINE	81 - 92

Work Ready is the median number of calendar days from case initiation to the date when a foreign national will be authorized to work in the destination country. The Typical Work Ready is the range of number of calendar days which 50% of foreign nationals are authorized to work. All time is calculated using empirical data of the most utilized temporary work authorization processes in that country. Actual work authorization approval will vary depending on the circumstances of the foreign national and the destination country.

Fragomen immigration consultants put together this heatmap of where business set-up is easiest across Europe.

5. Is residency a limiting factor?

With the ongoing expansion of the European Union (now up to 27 members), it is becoming increasingly difficult for citizens of countries outside Europe to obtain a residency permit to start a business. This is in part related to the fact that the EU requires that all citizens of member countries be treated the same way as nationals. This means that for example, a Greek entrepreneur starting a business in France is entitled to the same support, services, training and loans, as a French citizen. Consequently, there is much less demand for entrepreneurs and business people from outside of Europe to introduce innovative ideas, services and products. Although the overall business climate is not particularly friendly toward non-Europeans, each EU member country has its own laws governing residency permits for business purposes.

6. Are your employees an important consideration?

Each country has different guidelines in terms of taxes and benefits for employees. If you wish to attract the best talent, these factors are essential. For a company that values women employees, this report will be useful: http://reports.weforum.org/global-gender-gap-report-2020/.

Gender parity is fundamental to whether and how economies and societies thrive. Ensuring the full development and appropriate deployment of half of the world's total talent pool has a vast bearing on the growth, competitiveness and future-readiness of economies and businesses worldwide. The Global Gender Gap Report benchmarks 153 countries on their progress towards gender parity. In addition, this year's edition studies gender gaps prospects in the professions of the future.

Deloitte produce an excellent salary survey which indicates which countries are most beneficial as both an employer and employee from a tax and benefits perspective:
https://www2.deloitte.com/ch/en/pages/tax/articles/european-salary-survey.html.

Fragomen produce a by-country analysis of immigration and visa requirements for your team:
https://www.fragomen.com/insights/summaries and the OECD's better life index is helpful in determining where best will suit your employees' personal requirements:
http://www.oecdbetterlifeindex.org/.

7. Is taxation an important factor?

In general, large industrialised nations tend to have higher statutory corporate income tax rates than developing countries. The highest corporate tax rate in the world belongs to the United Arab Emirates, with a 2018 tax rate of up to 55%, according to KPMG. Other countries with higher than average corporate tax rates include India (35%), Venezuela (34%), Brazil (34%) and Japan (30.86%). Six countries levy 0% corporate tax: Anguilla, Bahamas, Bahrain, Bermuda, the Cayman Islands and Turks & Caicos. The global average corporate tax rate is 24.03%.
In addition to the mostly Caribbean countries with no corporate taxes, many countries in Eastern Europe have lower than average corporate tax rates, including Uzbekistan (7.5%), Hungary (9%), Bulgaria (10%) and Bosnia and Herzegovina (10%). By region, Europe has the lowest corporate tax rate at 14.48%, significantly lower than the average tax rate in Asia (21.21%), the Americas (28.03%) and Africa (28.26%).

The OECD produces a comprehensive review of tax statistics globally which is useful for research purposes: https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-database.htm, EY also produces a useful by country comparison: https://www.ey.com/Publication/vwLUAssets/ey-worldwide-corporate-tax-guide-2019/$FILE/ey-worldwide-corporate-tax-guide-2019.pdf

Conclusion

There is no doubt that the choice of where to take your business is exceptionally complex, with the right implementation and research partners you can be sure of creating a strategy that works for your business. Trib3L has the team and experience to help you navigate this complex world.

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