BLICK ROTHENBERG

Global Expansion News

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As your business expands internationally, whether that is through selling goods or services, hiring people or establishing entities in new territories, it becomes exposed to wide and varied compliance issues. Whilst every situation can be different, this regular snapshot will aim to highlight some of the challenges our clients face as they go through #globalexpansion.

Clarification of profits taxable in Spain

The Spanish Supreme Court has recently supported the position of the Spanish tax authorities that sales through a Spanish branch of a non-resident multinational company will be taxed in Spain, regardless of the fact that the invoices were issued elsewhere.

This ruling has overridden the position often taken by taxpayers that a branch in Spain, which provided services such as order and logistics management, marketing and advertising were acting as commission agents.

Tax audits in France for non-established entities

The French tax authorities have for some time insisted that the accounting records for businesses established in France are maintained in the French language. This is alongside further, quite stringent, requirements such as using a chart of accounts that incorporates specific coding defined by the French tax authorities.

These requirements have not historically applied to entities that are not established in France, such as a non French entity that is registered for French value-added tax (known locally as TVA) due to the movement of goods into and out of France or from having breached distance selling regulations.

In a recent clarification, the authorities have confirmed that they will now expect such entities to start providing their records electronically when requested as apart of a tax audit. These records will now need to meet these guidelines.

The underlying records do not have to be maintained in the prescribed format but need to be amended before being sent to the authorities so that they meet the guidelines in full.

Fines for non-compliance start from €5,000 and can be higher if tax adjustments arise from the audit.

Intercompany foreign exchange

Start-up subsidiaries struggling with cash flow regularly turn to their parent company for financial support. If the parent is domiciled overseas, any loan denominated in a foreign currency could expose the subsidiary to unintended foreign exchange risk.

A number of our clients have experienced significant foreign exchange losses recently in their stand-alone results as sterling has lost value against many currencies. The cost of repaying intercompany debt denominated in a different currency has consequently increased.

It is important that parents and their subsidiaries agree in advance the base currency of any loan agreement. If the loan is intended for working capital, it is typically arranged that repayment will be in the subsidiary's local currency.

Romanian standard rate of VAT

With effect from the 1st of January 2017 the standard rate of VAT in Romania will be reduced from 20% to 19%. This reduction follows the decrease in 2016 from 24% to 20%. There remain reduced rates of 9% and 5% for specific products and services.

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