

GUIDE TO FOREIGN EXPANSION

CHALLENGES OF ESTABLISHING FOREIGN OPERATIONS



CHECKLIST FOR INTERNATIONAL EXPANSION*

I. OPERATIONAL CONSIDERATIONS	✓
Choice of entity (e.g., 3rd party agent or distributor, wholly-owned subsidiary, branch, joint venture)	
Requirement to have a local investor or agent participate	
Physical location (lease or purchase)	
Logistics – products and suppliers, importer of record	
Passage of title and risk of loss on shipments	
Personnel – functions and duties	
Outsourcing versus in-house services	
Local business methods, expectations, potential for corruption/FCPA concerns	
II. FINANCIAL CONSIDERATIONS	✓
Banking arrangements (including accounts and signature authority)	
Foreign exchange controls, limits on convertibility	
Corporate social responsibility	
Insurance	
Capitalization (including debt, equity, or hybrid; registration requirements; thin capitalization rules)	
Bank financing – in-country or foreign, parent company guarantee	
Risk of involuntary liquidation, dissolution, expropriation	
Pricing (US \$, local currency)	
Foreign currency risk	
Investment incentives	
Profit sharing, reinvestment requirements	
Mandatory legal reserve	
Letters of credit, guarantees, stand-by letters of credit	
Ex-Im Bank guarantees, OPIC financing	
Need for local insurance, including being “compliant” in foreign country	
Kidnap and ransom insurance, medical evacuation	
Contingent business interruption insurance	
Foreign Bank Account Report in U.S.	
III. LEGAL CONSIDERATIONS	✓
Legal system (civil law, common law)	
Applicable law (local, national and supernational)	
Limitations on foreign ownership of companies, real property	
Selection of foreign attorneys and advisors	
Establishing a branch or subsidiary, including timetable	

*This checklist is for information purposes only and is not intended as a substitute for advice from tax and other professionals, both in the U.S. and abroad.

Types of legal entities (including companies, partnerships, etc.)	
Corporate governance (including regulatory and industry norms)	
Incorporation documents (statutory requirements, translations, registration)	
Incorporation (including translations, notarization, apostille)	
Acquisition or greenfield investment	
Management structure, including citizenship and residence requirements	
Frequency and location of board meetings	
Board of directors (including size, responsibility, non-executive directors, nationality, employee representation)	
Duties and responsibilities of board and management, including insurance	
Liability (including non-contractual, board, management for civil and criminal liability)	
Capital requirements (including registration, legal reserve)	
Registration of branch or company (including publication requirements)	
Signature authority	
Permits, business licenses	
Contracts with suppliers, transporters, agents, leases	
Contractual requirements such as registration, language, limitations on liability, statutory notice, warranties, rights or duties not specifically referenced	
Competition law and antitrust	
U.S. Foreign Corrupt Practices Act, U.K. Anti-Bribery Act, etc.	
U.S. anti-boycott legislation (Arab League boycott of Israel)	
Labor (including severance, indemnities, unions, participation in management or board)	
Invoicing (statutory forms, value added tax, pre-printed and numbered, etc.)	
Product registrations	
Registration of patents, trademarks, copyrights, trade name	
Protection of unregistered intellectual property	
Immigration (visas, expatriates)	
Expropriation risk and availability of Bilateral Investment Treaties	
Outsourcing of corporate compliance, board,	

IV. LABOR CONSIDERATIONS



Wage and hour rules	
Employment contracts	
Rights and obligations of managers, directors under local law	
Union agreements (including whether negotiated at company or industry level)	
Hiring and firing requirements (including notice and indemnities)	
Holidays	
Bonuses (including mandatory or customary 13th month)	
Employer responsibilities	
Mandatory and fringe benefits (including profit sharing, meals, transportation, local or industry	

The next level
of service

norms)	
Pensions	
Leaves (including vacation, family, etc.) – mandatory and customary	
Workers compensation, insurance	
Market wage rates	
Payroll reporting requirements and possibility to out-source	
Expatriate packages (e.g., tax equalization)	
Visa requirements, limits	
Statutory duties and liabilities of managers	
Outsourcing, use of temporary workers and independent contractors	

V. TRADE AND CUSTOMS CONSIDERATIONS



Classification and valuation of goods	
Customs duties	
Import procedures (including documentation, broker, etc.)	
Import licenses, restrictions, incentives	
U.S. export restrictions, license requirements	
Non-tariff barriers (e.g., labeling requirements)	
Timing for customs clearance and delivery	
Customs agent or broker	
Importer of Record	
Registration and protection of intellectual property	
Applicable bilateral and multilateral trade agreements	
Applicable customs unions	
Bonded warehouse, foreign trade zone	
Anti-dumping and countervailing duties	

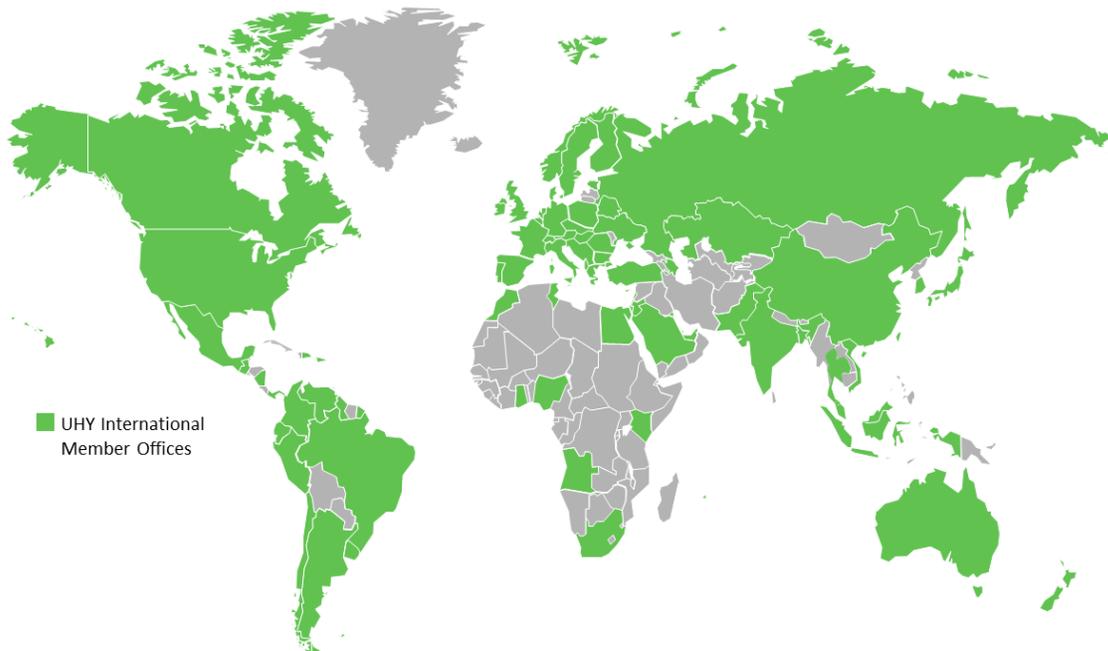
VI. ACCOUNTING CONSIDERATIONS



Statutory requirements for bookkeeping and audit of financial statements	
Calendar or fiscal year	
Appointment of auditor and scope of work	
Generally accepted accounting principles (including differences from US GAAP)	
Ability to use IFRS (International Financial Reporting Standards)	
Reserve requirements	
Limitations on negative equity	
U.S. considerations such as ASC 740 (formerly FAS 109/FIN 48) and APB 23	

VII. TAX CONSIDERATIONS	✓
Structure of legal entities, branches, partnerships	
Permanent establishment exposure risk	
Tax incentives	
Tax identification number, registration requirements	
Planning for accumulation and distribution of earnings, utilization of losses, etc.	
Special rules applicable to energy sector	
Investment through holding company in tax-favored jurisdiction	
If applicable to the foreign entity, whether to make a “check-the-box” election to treat it as a flow-through entity for U.S. tax purposes	
Applicable taxes and rates (income, capital gains, franchise, VAT, sales, social security, remittance, withholding, transaction, stamp, etc.)	
Withholding and other taxes on payments to nonresidents	
Limits on deductibility of payments to nonresidents	
Treaties covering income taxes, social security taxes, gift and estate taxes	
Exemptions from personal income tax for personnel on short-term assignments in country	
U.S. considerations for ASC 740 (formerly FAS 109/FIN 48)	
Book-tax differences	
Tax year and timing of payments, filing of returns	
Record-keeping requirements	
Transfer pricing with related parties for products, technology, services, financing	
Whether annual transfer pricing study (economic study) is required	
Anti-tax haven rules, restrictions on transactions with low-tax jurisdictions	
Reporting requirements for Foreign Corrupt Practices Act, anti-boycott rules	
Foreign tax credit utilization	
Capitalization (including hybrid instruments, limitations on debt/equity ratio)	
Registration and depreciation of capital assets	
Planning for expatriate employees (including tax equalization)	
Individual income tax return – report on foreign financial assets (2011 and later)	

INTERNATIONAL NETWORK



AMERICAS

AMERICAS

- Argentina
- Brazil
- Canada
- Chile
- Colombia
- Dominican Republic
- El Salvador
- Guatemala
- Jamaica
- Mexico
- Panama
- Peru
- Puerto Rico
- United States
- Uruguay
- Venezuela

ASIA-PACIFIC

- Australia
- Azerbaijan
- Bangladesh
- China

- Hong Kong
- India
- Indonesia
- Japan
- Kazakhstan
- Korea (Republic of)
- Malaysia
- New Zealand
- Pakistan
- Singapore
- Taiwan
- Thailand
- Vietnam

EUROPE

- Albania
- Austria
- Belarus
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic

- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Guernsey
- Hungary
- Ireland
- Isle of Man
- Italy
- Latvia
- Luxembourg
- Malta
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Russian Federation
- Serbia
- Slovakia
- Slovenia

- Spain
- Sweden
- Switzerland
- Turkey
- Ukraine
- United Kingdom

MIDDLE EAST AND AFRICA

- Angola
- Egypt
- Israel
- Jordan
- Kenya
- Kuwait
- Lebanon
- Mauritius
- Morocco
- Nigeria
- Qatar
- Saudi Arabia
- South Africa
- Tunisia
- UAE

The next level
of service

INTERNATIONAL SERVICES TEAM



Mark Anderson

Audit Partner manderson@uhy-us.com, 713 561 6538

Mark's experience in auditing publicly-traded companies makes him the indispensable advisor to cross-border enterprises of all sizes, including those expanding to U.S. markets or considering international acquisitions. His business languages are English, Italian and German. In addition to being a licensed CPA, Mark is a licensed beekeeper and can sweeten any deal with his own honey.



Mesa Hodson

Expatriate Tax Principal mhodson@uhy-us.com, 713 561 6508

Mesa heads the Expatriate Tax Practice in Houston, helping individuals from all over the world to navigate the complexities of filing a U.S. tax return, fulfilling obligations in other countries, and never paying more tax than absolutely necessary. She is a firm-wide expert on the Foreign Bank Account Report (FBAR). Mesa's education in fashion design means that she combines creativity and an eye for beauty for disparate elements in tax returns.



Conrad Johnson

Audit Partner conradjohnson@uhy-us.com, 713 407 3788

Conrad's years of experience in the U.S., Spain, and Latin America have given him invaluable insights as an auditor of public and private companies but also as a key advisor on cross-border transactions. His business languages are English and Spanish. Conrad is a licensed CPA but also grows grapes and blends wines in Mendoza, Argentina.



James Loh

International Tax Partner jloh@uhy-us.com, 713 407 3853

James' background in Asia coupled with years of guiding foreign-based companies into the U.S. market make him one of UHY's most seasoned experts on international tax planning and compliance. His business languages are English, Cantonese, and Mandarin. James is a licensed CPA who maintains his high energy levels by cycling (but involving no banned substances).



Meril Markley

Immediate Past Chair of Tax Special Interest Group for UHY International mmarkley@uhy-us.com, 713 407 3206

Meril spent much of her career working in Europe and Latin America and brings insights from other cultures to tax planning for companies crossing borders. Her business languages are English, Spanish, and French. Meril is a licensed attorney but her earlier training as an opera singer compels her to work harmoniously with clients and their advisors.



Klaus Oehring

National Director of Transfer Pricing koehring@uhy-us.com, 713 407 3184

Klaus' practical and creative approach to transfer pricing transforms a documentation requirement into a useful tool for international commercial and tax planning. His business languages are English and German. Klaus is a licensed CPA but is so serious about golf that he honed his skills by doing transfer pricing for a global resort group.

*The next level
of service*



About LLP

UHY Advisors, Inc. provides tax and business consulting services through wholly owned subsidiary entities that operate under the name of "UHY Advisors." UHY Advisors, Inc. and its subsidiary entities are not licensed CPA firms. UHY LLP is a licensed independent CPA firm that performs attest services in an alternative practice structure with UHY Advisors, Inc. and its subsidiary entities. UHY Advisors, Inc. and UHY LLP are U.S. members of Urbach Hacker Young International Limited, a UK company, and form part of the international UHY network of legally independent accounting and consulting firms. "UHY" is the brand name for the UHY international network. Any services described herein are provided by UHY Advisors and/or UHY LLP (as the case may be) and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

UHY LLP

2929 Allen Parkway, 20th Floor
Houston, TX 77019
Phone 713 960-1706

Confidentiality and Circular 230 Notices:

IMPORTANT: If this communication contains statements concerning taxation, those statements are provided for information purposes only, are not intended to constitute tax advice which may be relied upon to avoid penalties under any federal, state, local or other tax statutes or regulations, and do not resolve any tax issues in your favor. Upon request, we can provide you with express written tax advice after necessary factual development and subject to such conditions and qualifications as we may deem appropriate in the circumstances.