

What Not to Do (When Expanding Cross Border)

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- All the best professional advice can fall down when it comes to implementation and sometimes its the little things that can go wrong that can mess up all the grand plans.

- When expanding into the UK market advice normally suggests getting a UK address, a UK director, setting up a UK company.
- Nothing wrong with that
 - The problems arise with which address and which director and what type of company.

- The Concept
- *“ My friend has a flat in London – we can use his address and he can be the UK director.”*

- The Reality
- The friends takes off round the world, the post isn't picked up, HMRC and Company's office stop corresponding and the level of penalties builds quickly.

- The Solution
- Use Northern Ireland
 - Longest land border in Europe
 - Easy access for post collection
 - Avoid missing deadlines
 - Added advantage – if you use an NI company perhaps a lower corporation tax rate in the future.

- VAT is a tricky area for any business but when you go cross border it gets more complicated.
 - Should you register, when should you register, what if you don't register?

- Small Service Business start up with an end consumer customer base?
- Where should you set up ROI or NI?

- ROI VAT threshold for services €37,500
- NI VAT threshold for services £77,000
- Setting up in NI might give the start up business a fighting chance at getting established. But beware VAT is not the only consideration.

- Currency
- There's opportunities but also risks in dealing in another currency. You can't control the currency movement but you can make sure that its converted accurately

- You know how to convert it but do your staff/sales people?
- Thousands of errors were made by highly trained people when we converted from Punt to Euro simply by dividing when they should have been multiplying or vice versa.
- Make sure your staff know how to convert to and from each currency. A small mistake regularly made will cost you.

- Don't Mess with the VAT Man
- The Concept
- NI business wants to trade in ROI so goes ahead and tries to establish a foothold - sells to customers from trade shows, exhibitions, salespersons in ROI, carries out services in ROI.

- The Reality:
- VAT Registration threshold in NI applies to both established and non established businesses.
- VAT registration threshold in ROI only applies to established businesses.
- Non established businesses are liable to VAT in ROI from the first euro (or punt if you're in Clones) of sales.

- The Solution:
- Either register immediately in ROI and pay VAT on sales or
- Get established (trade from an ROI address) and get the benefit of the threshold before you have to register.

- ROI Equals Lower Tax Rates for Business?
- The Concept
- NI Company expands operations into ROI to avail of the lower Corporation Tax Rate.

- The Reality:
- Starts with a branch structure. The branch is subject to ROI CT on profits at 12.5%% but then also subject to UK CT with a credit for ROI CT ie no tax saving.
- Incorporates branch then ROI company subject to ROI CT only at 12.5% but then no chance of obtaining Start Up Exemption.

- The Solution:
- If ROI operation will be lossmaking initially operate as branch and use losses to reduce UK CT.
- If ROI operation will be profitable initially incorporate immediately don't operate as branch – 12.5% CT or potentially Start Up Company Exemption for first three years depending on number of employees.

- The Concept
- An Ulster Fry is an Ulster Fry all over Ulster isn't it?

- The Reality:
- We use the same English language for business in NI and ROI but the words can mean slightly or entirely different things.

- Tax Credit
 - NI = Social Welfare Benefit
 - ROI = Tax free allowance

- Residency – “day present in the State”
 - NI – midnight
 - ROI – anytime during the day

- “Agricultural Value” (for Agricultural Property Relief)
 - NI – Agricultural Use Value
 - ROI – Market Value reduced by 90%.
- Relief for investment in Corporate Trades – different titles
 - NI – Enterprise Investment Scheme
 - ROI – Employment and Investment Incentive Scheme

- Disclaimer (under a Will)
 - NI can apply for both CGT and Inheritance Tax
 - ROI only applies for inheritance tax

- Thank You
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