



GLOBAL
GROWTH EXPERTS



Global Growth & Smart Tax Strategy

Brazil

China

India

Japan

Singapore

UK

USA

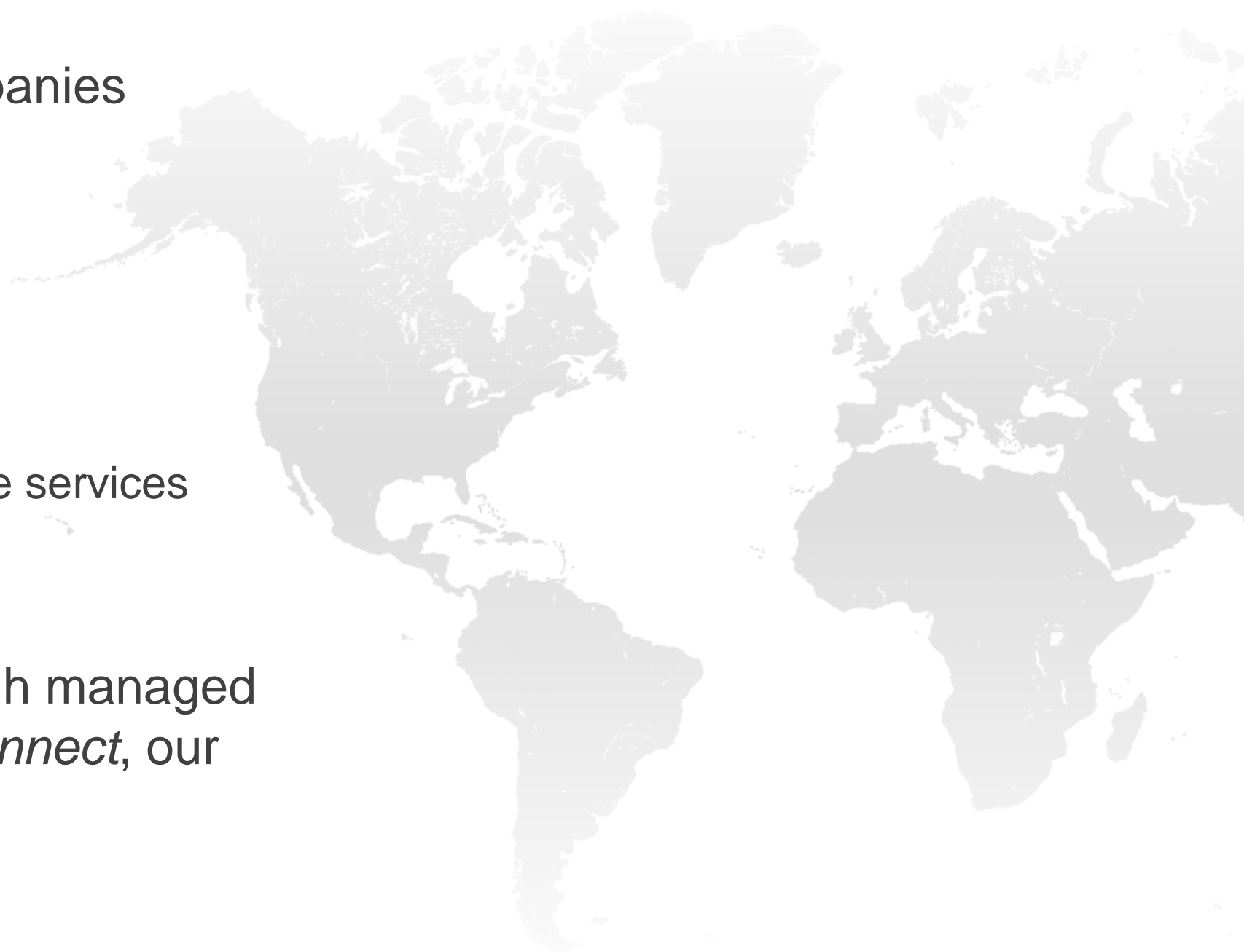
WELCOME TO THE WEBINAR



Before we begin, a few logistical items:

- **Questions:** Please send us your questions during the broadcast using the questions panel on the right-hand side of your screen.
 - During the broadcast all attendees will be muted.
 - We will respond to your questions at the end of the broadcast.
- **Technical Difficulties:** If you encounter difficulties we suggest leaving the webinar and then rejoining.
- **Recording:** This broadcast is being recorded and the recording will be made available to you within 24 hours.

- **Global Growth Experts:** Radius helps companies expand and win globally.
- **Services Include:**
 - International accounting
 - Finance
 - Banking
 - Tax
 - HR
 - Legal
 - Compliance services
- Radius delivers support and expertise through managed services, advisory services and *OverseasConnect*, our integrated cloud-based software platform.





SCOTT WENTZ

Managing Director,
North American Tax,
Radius



#globalgrowth @RadiusWW

AGENDA

- Going International
- Goals
- International Tax
- Intellectual Property
- Transfer Pricing
- Structure
- Q&A



Market driven

- Key customer, opportunity or new market



Cost driven

- Employee cost, R&D development cost, manufacturing cost



Minimize US Tax

- Deferral – no tax until dividend or loan back
- No state tax

GOALS FOR CORPORATE TAX



Minimize cash out tax

- Defer US tax/state tax
- Minimize withholding tax



Lower effective tax rate

- Increasing earnings/share

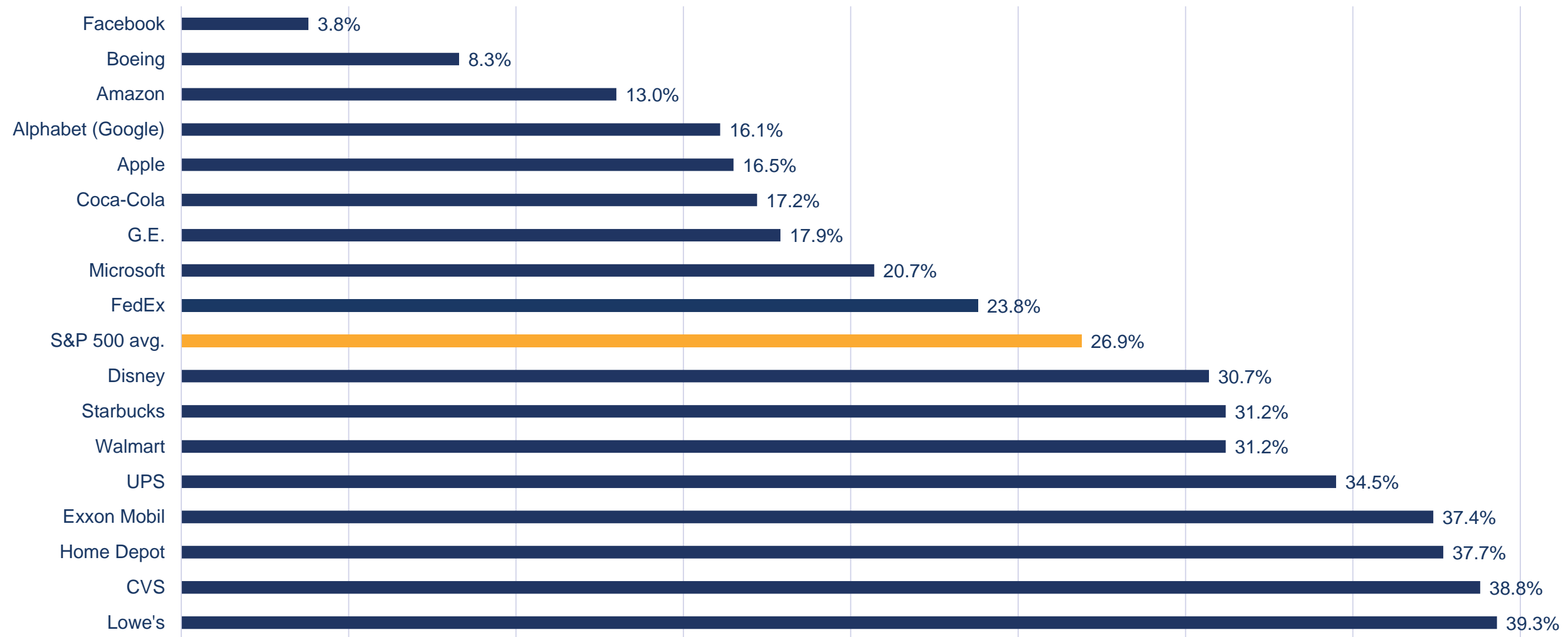


Remain good corporate citizen

- Reduce chances of tax audits
- Public relations

WHAT ARE YOUR TAX GOALS?

Tax rate covering federal, state, local and foreign taxes, 2007-2015



Source: S&P Global Market Intelligence, and *The New York Times*, "The Big Companies That Avoid Taxes"

General Considerations

- I. Intellectual property
- II. Transfer pricing
- III. Financing operations
 - Loan vs. capital
- IV. Typical structures
 - Europe
 - Asia
 - South America



POLLING QUESTION #1

Are you planning on transferring your Intellectual Property offshore?

- Yes
- No
- I don't have international tax concerns; I'm just interested in the topic

I. INTELLECTUAL PROPERTY (IP)

- Which entity owns the current IP?
 - Processes
 - R&D
 - Trademarks
 - Patents
- Willing to transfer IP, will it provide necessary benefits?
- Separation of “legal rights” vs. “economic rights”



BENEFITS OF TRANSFERRING IP OFFSHORE



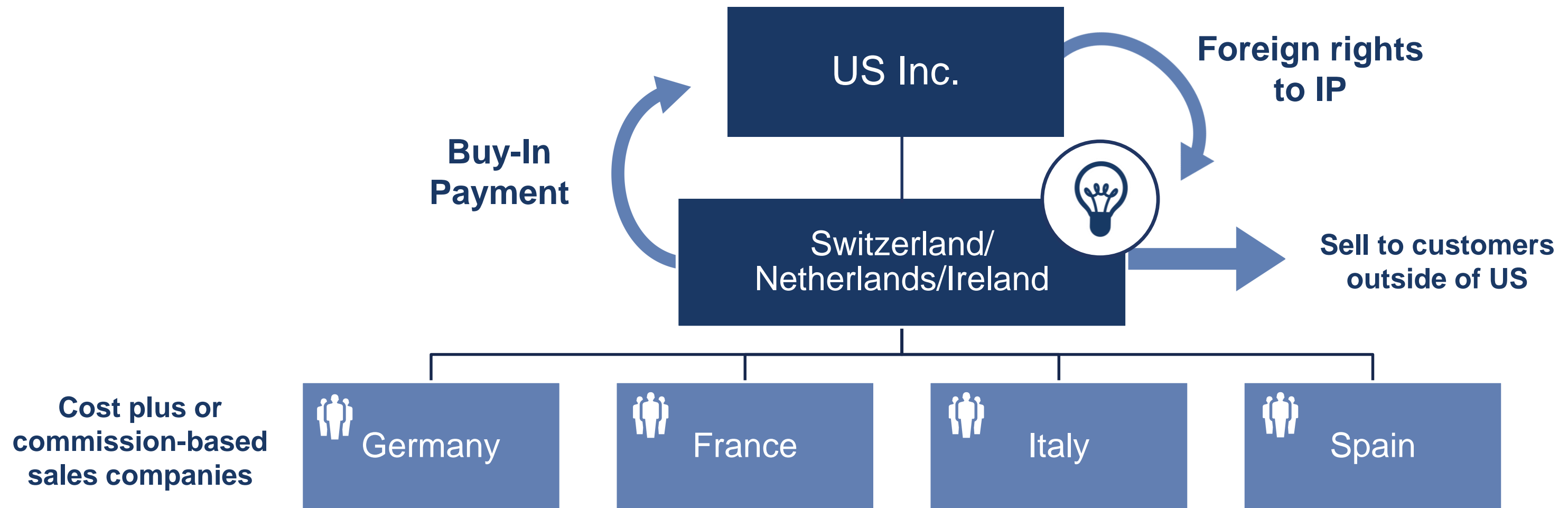
- Profits held offshore – not taxed in US, until monies brought back
 - APB 23 financial statement benefit if permanently reinvested
- The biggest tax play for US multinationals
 - Apple, Oracle, Cisco, GE, many not well-known names
- Value to shareholders is significant as now funds that would otherwise be taxed are able to grow the business

DETRIMENTS OF TRANSFERRING IP OFFSHORE



- Value of IP taxed on exit out of the US
 - Minimized via foreign rights may not be as valuable and declining royalty
- Non-US customers must contract with foreign entity
- Change in contracts allows customers to open negotiations

COST SHARING/IP COMMON STRUCTURE



POLLING QUESTION #2

What Transfer Pricing structure are you currently using?

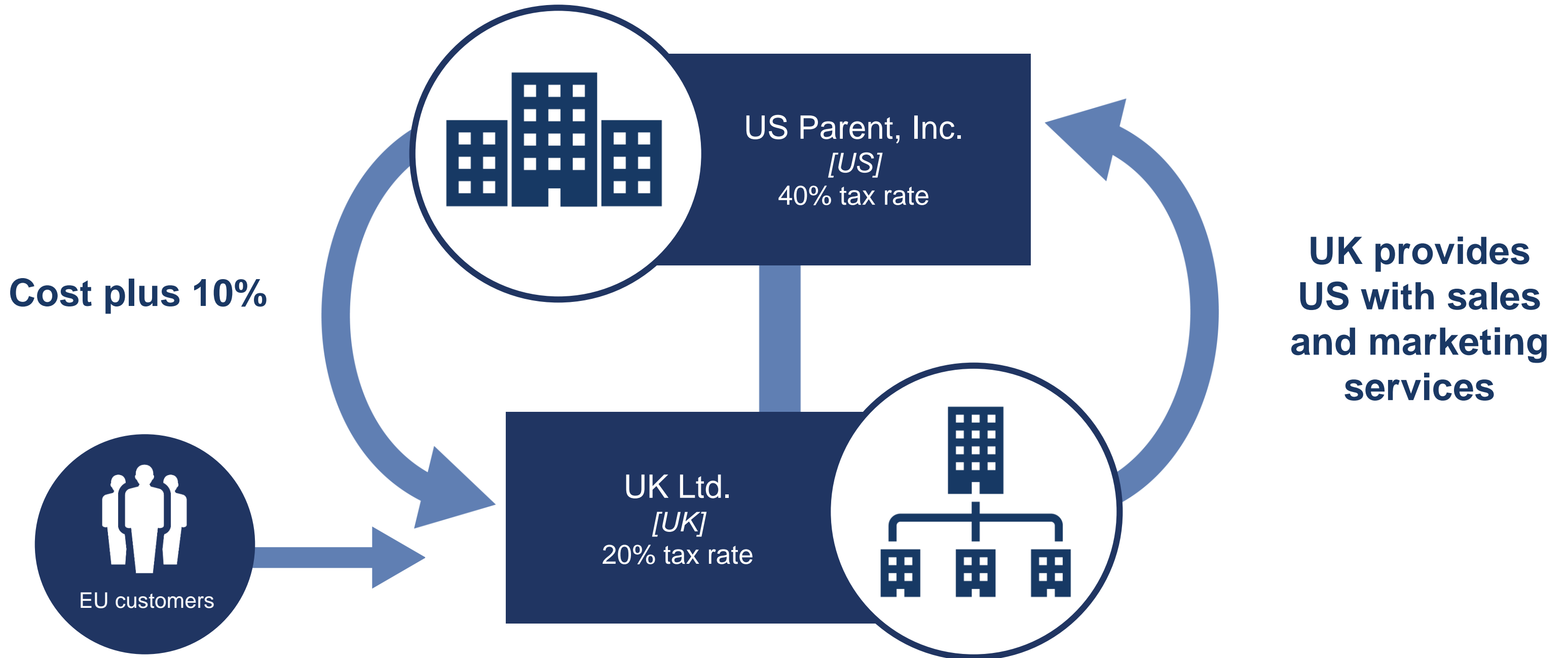
- Cost Plus Structure
- Buy/Sell Structure
- Royalty Structure

II. TRANSFER PRICING

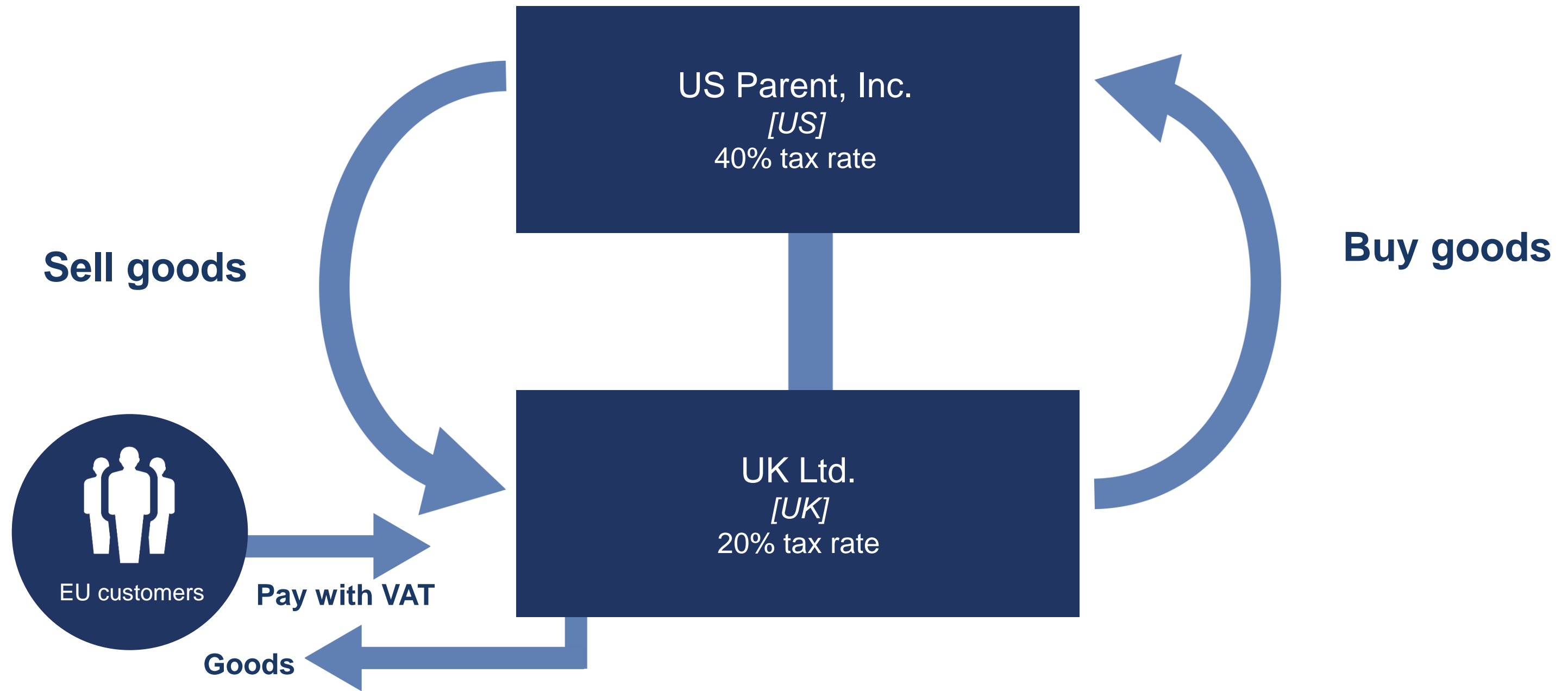
- With any foreign entity (legal entity vs. branch) this needs to be addressed
- Typical transfer pricing:
 - Cost plus (sales or marketing functions)
 - Buy/sell
 - Royalty charge/cost sharing (if IP transferred)
 - Other based on functions (currency, warranty, management)



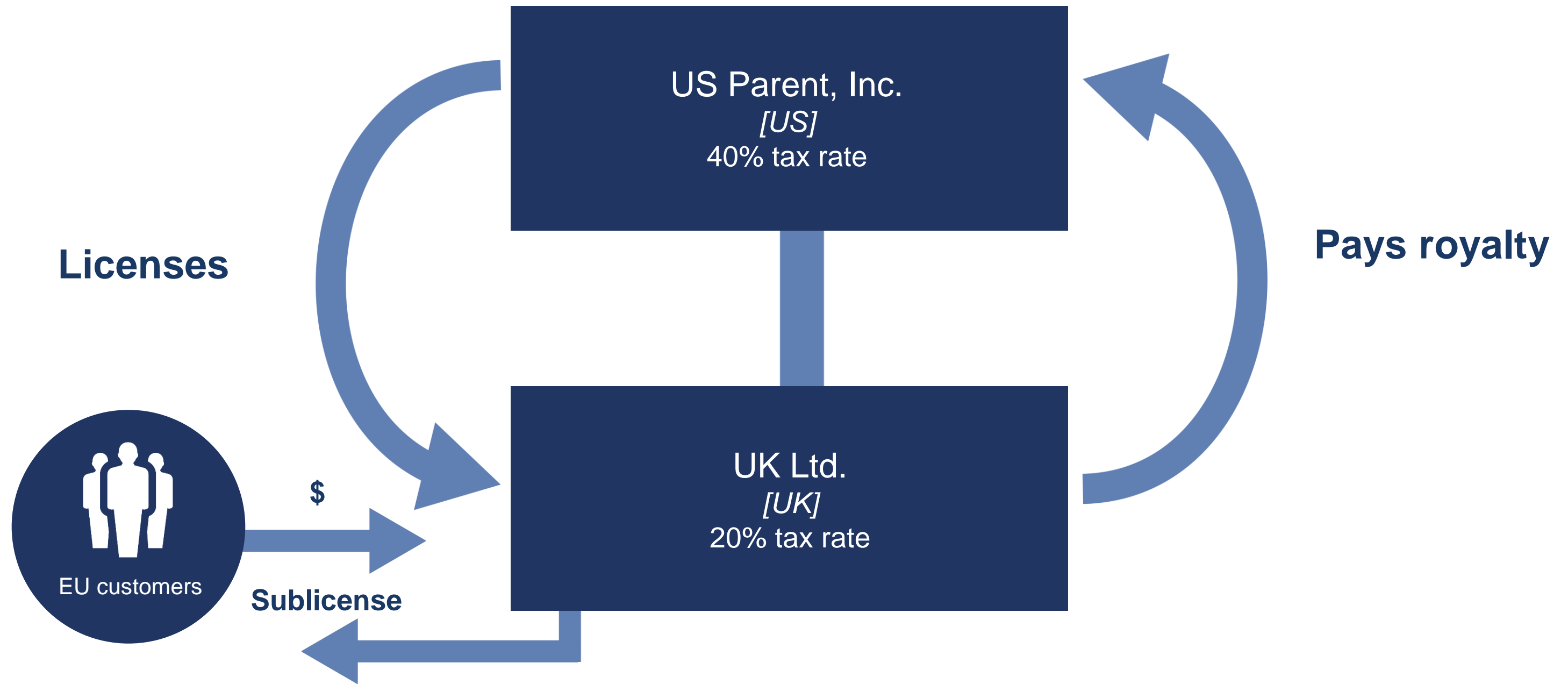
COST PLUS STRUCTURE



BUY/SELL STRUCTURE



ROYALTY STRUCTURE



III. FINANCING CONSIDERATIONS

Debt or capital?

1. Debt consider ability to deduct interest expense on an accrual, or cash, basis
2. Consider country rules for leaving intercompany debt on the books (China)
3. Usually book as debt, can convert later



POLLING QUESTION #3

Does your company do R&D in the US?

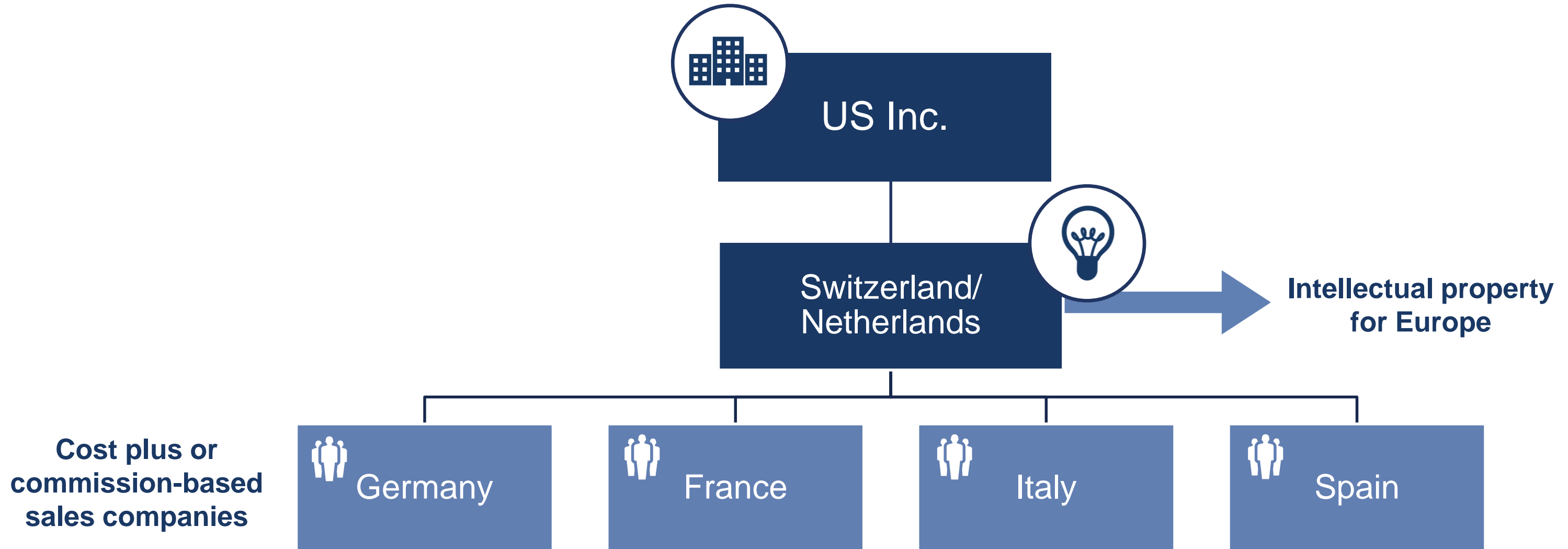
- Yes
- No

IV. EUROPE/ASIA/SOUTH AMERICA

- Each area needs its own structure and thought
- **Europe:** look to hub in Netherlands, Switzerland or Ireland
- **Asia:** look to hub in Hong Kong or Singapore
- **South America:** look to reduce withholding taxes, potential hub in Costa Rica



EUROPE COMMON STRUCTURE



Recommendation	Advantages	Disadvantages
<p>United Kingdom</p>	<ul style="list-style-type: none"> • Zero withholding taxes on dividends paid to US • English speaking country • Best location – financial center • Talented labor available • VAT Tax Rate at 20% • Common law 	<ul style="list-style-type: none"> • Costly lease space • Costly workforce
<p>Netherlands</p>	<ul style="list-style-type: none"> • Low incorporation costs • Zero tax on royalty income 	<ul style="list-style-type: none"> • Civil law • Language • Costs to maintain • Cost to hire
<p>Ireland</p>	<ul style="list-style-type: none"> • Tax rate at 12.5% • English speaking country • Common law • Cheaper lease space • Cheaper workforce 	<ul style="list-style-type: none"> • Not perceived as a European headquarter • Talent pool of people

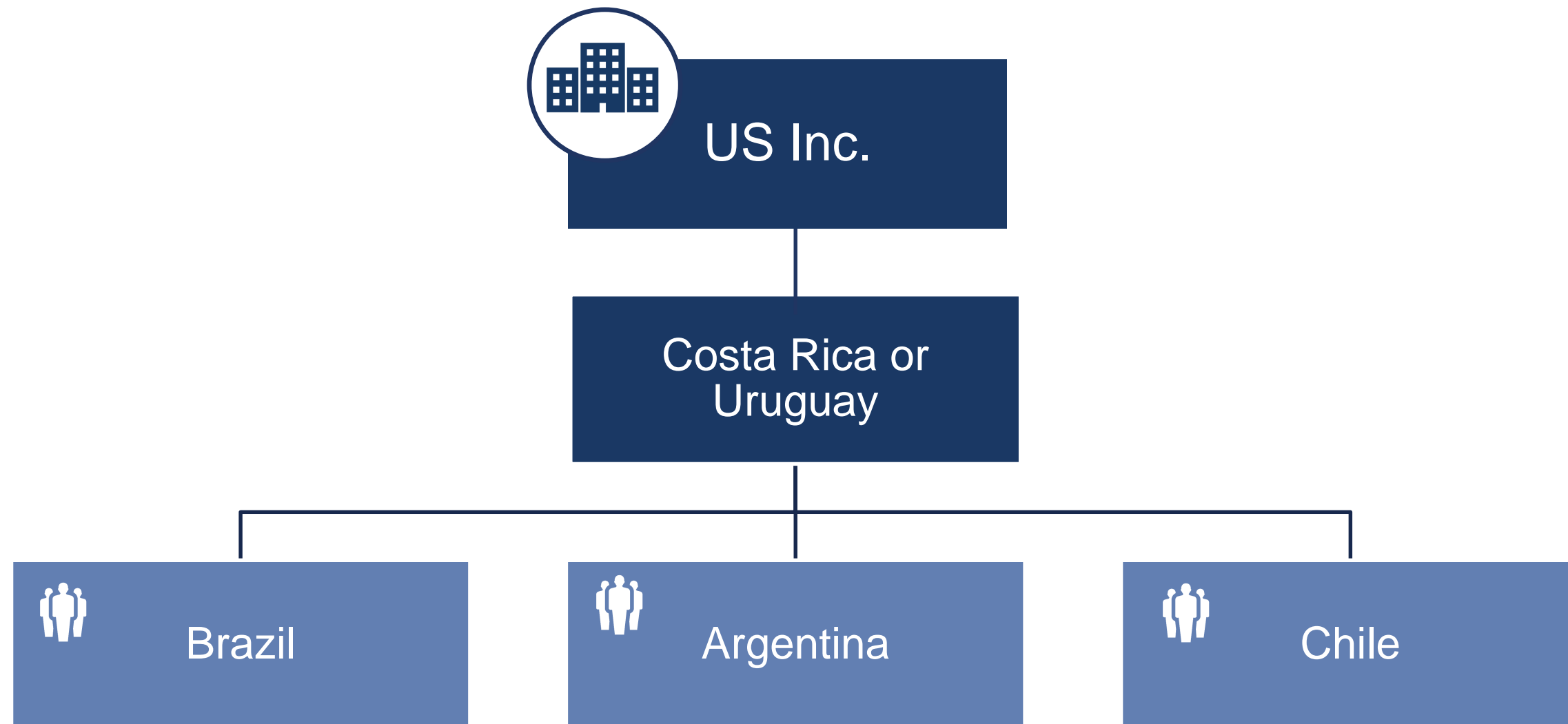
ASIA COMMON STRUCTURE

India/Malaysia/Thailand

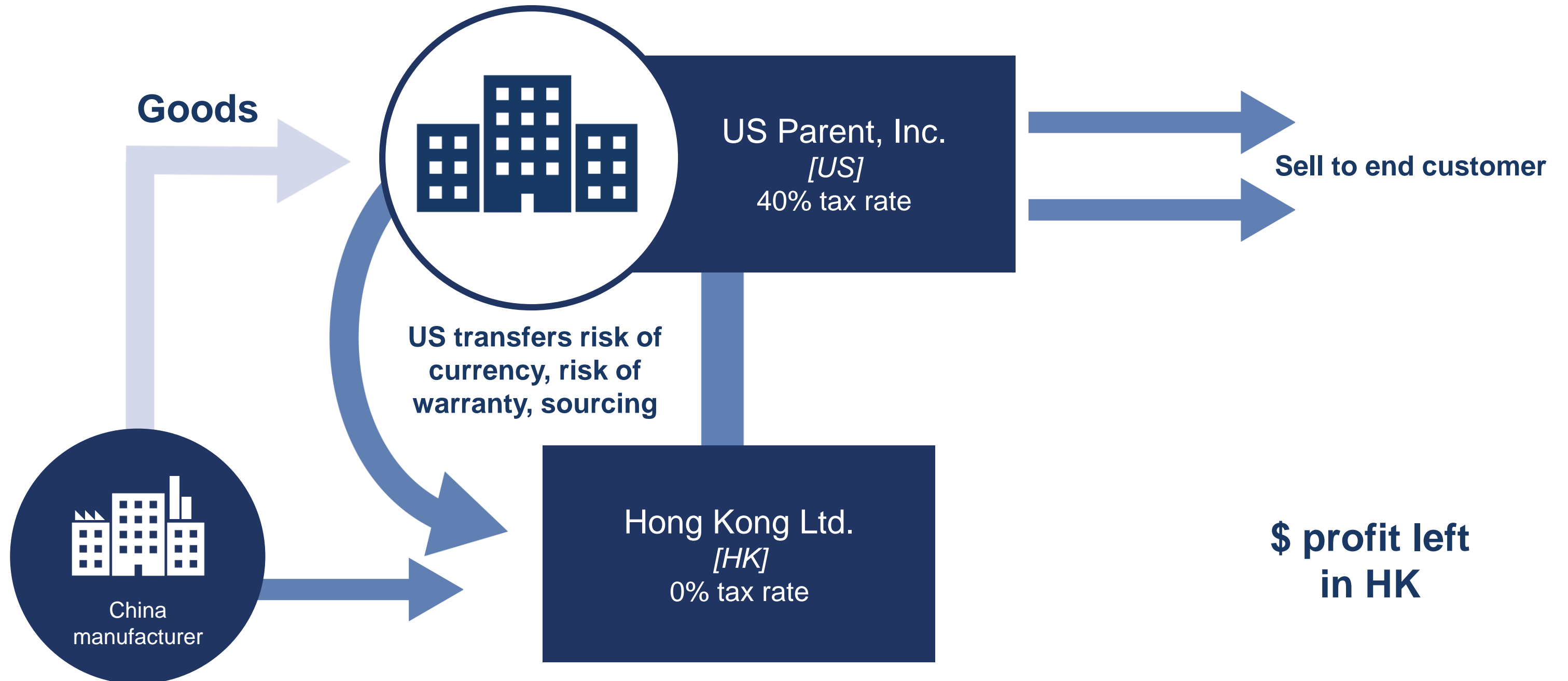
China



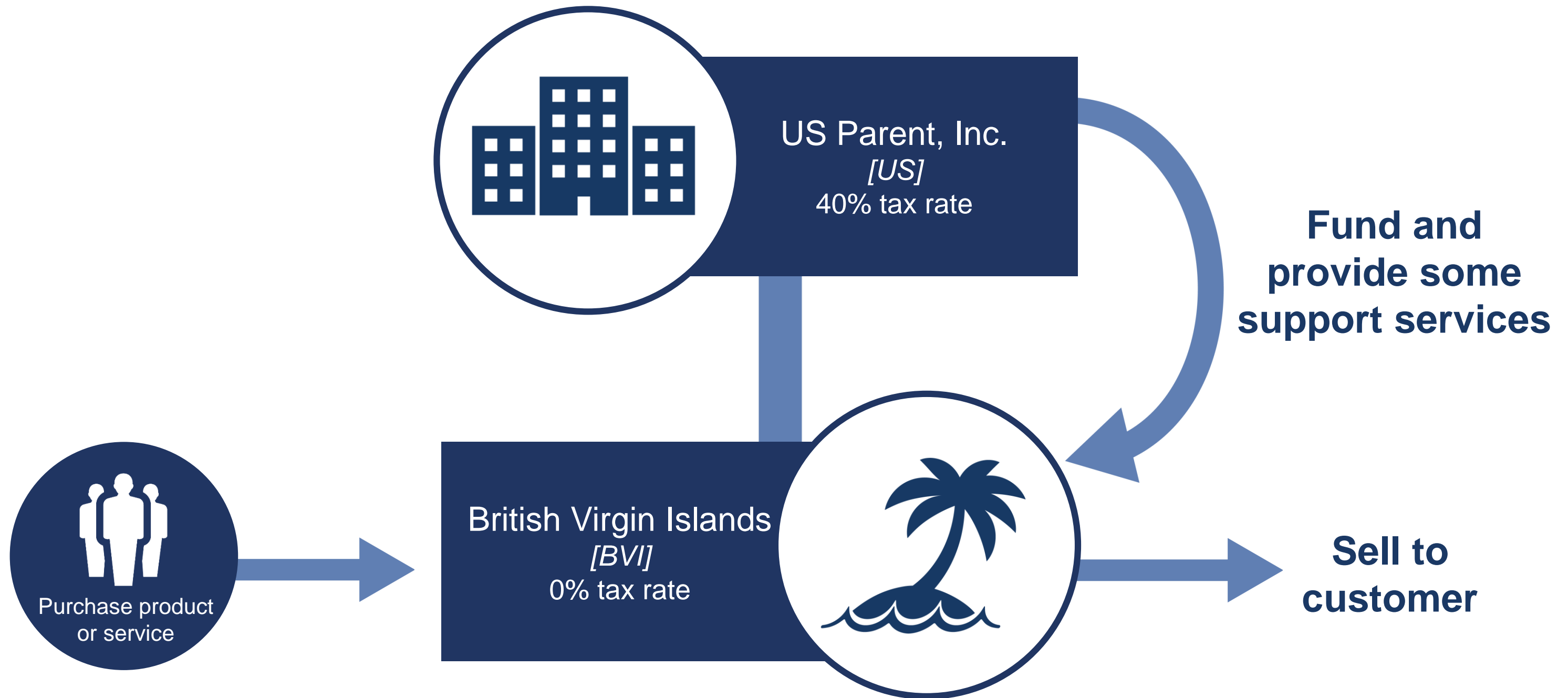
SOUTH AMERICA COMMON STRUCTURE



DEFERRAL OF US TAX



DEFERRAL OF US TAX UNRELATED PARTIES



HOW RADIUS CAN HELP



- Tax planning as the organization goes international
 - IP, transfer pricing, finance considerations, structure
- Set up of entity in country, choice of entity
- Payroll, HR, accounting and statutory reporting in country
- *OverseasConnect*



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