

Key Factors Which Impact on International Company Structures

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This Article identifies three important trends that need to be considered by companies operating internationally:

- Tax structuring and the increasing emphasis on transparency and compliance
- Global technologies and emerging markets
- Increasing importance of the flow of information

Each of these has a significant impact on the most appropriate corporate structure to achieve long term goals.

Tax Structuring: Tax Transparency, Compliance and Social Responsibility

Changes in the law and public opinion in recent years, have made companies recognise that their tax affairs need to be, not only transparent and compliant, but also that they need to be seen to be responsible and to be paying a 'fair' amount of tax.

The United Nation's Sustainable Development Goals (SDGs) were detailed in 2012, and consist of 17 goals that focus on economic growth, social development and environmental protection for countries and their populations. These goals require significant investment and the implementation of effective tax systems to generate the resources needed. Developing countries are being encouraged to reduce tax leakage and to direct tax revenue gains towards those most in need.

International tax cooperation and enhanced exchange of information, under the automatic exchange of information standards developed by the OECD and the G20, are additional measures designed to reduce tax evasion and under reporting of tax revenue.

The move to regulate fiscal behaviour is ongoing. International government organisations and domestic tax authorities have issued rules and legislation to curb tax evasion. For example, BEPS (OECD), ATAD (EU), and a large number of institutions and regulatory bodies are putting measures in place and re-affirming this approach.

Rules on mandatory reporting of certain tax transactions was adopted by the Economic and Financial Accounts Council (ECOFIN) of the European Commission in 2018, and exchange of this information by all member states of the EU, commenced in October 2020.

The priority for professional advisers, such as Dixcart, continues to be to help minimise a company's tax cost whilst at the same time ensuring full compliance with laws and regulations relating to the company's tax affairs.

Global Technologies and Emerging Markets

Innovation has become increasingly global due to the rate and variety of technological advances. Globalisation has led to tasks that were performed at a single location within one country, being spread across different locations and countries.

The advantages include; carrying out the work where the best expertise exists, lower costs, and potentially mitigating risk by using alternative centres for production and/or service provision.

Internationally, China and India are now major sources of global demand, each with distinct consumer needs. In addition, both countries are becoming sources of talent for developing new products and processes.

On the customer side, many organisations have been making efforts to move faster, and make more decisions locally. Simultaneously there have been opportunities to re-assess functions such as product development and R&D, relocate them, possibly across several countries, and integrate them across the world.

The world today is far more integrated than ever before but the rising friction between China and the US could weaken this. Covid-19 has not helped either. The pandemic has made countries inward looking, and the demand for self-sufficiency has risen especially with regard to products relevant to health. Hopefully, this will be a momentary 'blip' as

the costs of deglobalisation could be high.

Increasing Importance of the Flow of Information

The digital revolution and remote working, which has accelerated significantly in 2020 and 2021 due to Covid-19, mean that organisations need to place great emphasis on the efficient flow of information, and this increases the need to keep employees happy and engaged. Each employee needs to be enabled to think and communicate effectively.

Communication and collaboration are now far more important and increasingly employees are asked for their input and are involved in helping an organisation move forward, in the right direction.

Increased accountability is now expected across the employee spectrum and there is a deeper appreciation that communication and organisational structure is central to a businesses' success, as well as to its culture and values.

Summary and Additional Information

If you would like to discuss any of the matters raised in this article, or have any other questions, please contact us: advice@dixcart.com.