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CHOOSING WHERE TO SET UP YOUR COMPANY

– 20 KEYS –

STAATENLOS

Reference Sheet – Keys to Choosing Where to Set Up Your Company

Here are the key points to remember when choosing the location and type of company for your business:

1. If you want to set up a company abroad, check whether the country where you have your tax residence allows you to create companies abroad to benefit from the tax advantages there. The question is: are there **CFC rules** in your country of residence?

2. It's important to take **tax at source** into consideration. In some cases, you also have to pay taxes on income via the dividends you introduce into the country from foreign companies (as established by the double tax agreements).

3. There are roughly three taxation models: **residence-based taxation**, where you pay taxes on income earned all over the world; the **non-dom system**, where you pay taxes in your country of residence and on any money introduced; **territorial taxation**, where you pay taxes on income in the country you live in; and countries with **no direct taxes**. You must always account for the taxation model in the country where you have your tax residence.

4. If you want to establish a company abroad, and the country where you have your tax residence uses residence-based taxation, check the **double tax agreement** to find out where you'll be taxed.

5. Does the type of company you want to establish have limited **responsibility**, or will you have to answer for any problems with your personal assets?

6. If it could be a beneficial move for you, will it be cheap to take out the **private insurance** you want for your company?

7. The two options you have for taking money out of your company are through **salary** and **dividends**. To decide on the best option for you, you have to bear the law in mind, both in the country that houses your company and the one where you have your tax residence.

8. Many countries offer **different tax rates on dividends**, depending on whether you receive them from foreign or local companies.

9. It's essential to be aware of the tax burden from **corporate tax** (on the company's income and profits) and **social security contributions** when you pay via salary.

10. The VAT rate is also something to bear in mind, especially if you work with private clients. This rate raises the price of your products or services and forces you to charge less for them.

11. Company regulations and administration. Can the **administration** of your company be carried out through the internet? Is it simple? What special

regulations are there in the country? You may have to sign up to a commercial registry, census, association, or trade union, pay an additional rate depending on your sector, or carry out certain procedures according to the products and services you offer. You'll probably have to provide annual balance sheets and quarterly reports, but are external audits also compulsory, for example?

12. **Cost and conditions** of **establishing a company** there. Is it a simple process? Do you need an agency? Is it mandatory to have a partner or administrator in the country? How much does it cost to set up a company, and what are the necessary procedures? Do you have to carry everything out in person?
13. **Initial deposit.** How much money do you have to pay into your company for its incorporation, and under what conditions?
14. Is there a **public register** that you appear on as the owner of the company?
15. Are there annual expenses for **maintaining the company**? How much do agencies and tax advisors generally charge for keeping accounts or closing the books every year? Are there any additional charges? Are there special rates you have to pay to the Administration to maintain your company?
16. If you need employees (are you sure you can't outsource the jobs?), you have to bear the country's **labour laws and regulations** in mind. What are the conditions for recruitment? What are the costs? What are salaries like in the country? Can you sack your employees when they have no work to do?
17. The **safety** and **reputation** of the country. This is especially important when you have a B2B business and you depend on your work with other companies, whether these are providers or clients, and whether your company provides or contracts services. If these other companies can't claim tax relief on your invoices, they may not want to work with you.
18. The possibility of opening **bank accounts** for businesses. Do you have to go personally to a branch to open an account? Are there any procedures you have to follow? Can you open the type of account you need? What are the charges for services and operations? Do you have access to accounts with the type of currency you need for your business?
19. The possibility of accessing the **payment services** you want to use, such as Stripe and Paypal.
20. Where do you want to sell? Do you have **access to the market**? (European tax identification number, or anything else you may need.)

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