



International Start Ups: Essential Tax Issues

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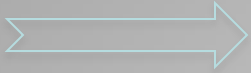
International Start Ups



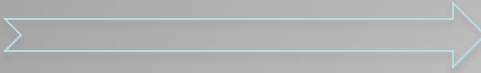
CONTENT OF THE PRESENTATION

- Introduction
- Planning Objectives and key tax issues for International Start Ups
- Final Comments

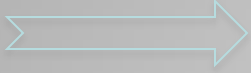
Reaching 50 million users



75 YEARS



38 YEARS



13 YEARS



4 YEARS



35 DAYS

International Planning



20th CENTURY

Big Multinational Enterprises
(e.g., IBM)

21st CENTURY

Big Mutinational Enterprises
and Start-Ups

ENTREPRENEURSHIP

+

TECHNOLOGY

=

GLOBAL START-UPS

Why Planning?



- Structure for regional / global growth

- Timely planning is crucial for the project
 - for the owners of the project
 - for the employees
 - for investors

Planning Objectives



- ❑ Manage legal and tax risks
- ❑ Reduce inefficiency
- ❑ ¿What if? Possible consequences of not planning:
 - Increased Legal Risks
 - Double o triple taxation
 - Advanced payment of taxes
 - Loss of opportunities
 - Discouragement to investors
 - Dramatic reduction of the value of the Start Up, among others.

Stages



- **Birth (initial stage):** for example, creation & development of IP, sources of financing.
- **Life of the Project:** commercialization of the IP, exploitation of the product, provision of services.
- **Exit:** sale, revenue, etc

Typical Main Tax Concerns



- Tax rates
- Tax certainty / risk control
- Prevent double or triple taxation
- Timing: rules that could entail advanced payment of taxes (typically income tax).
- Transfer Pricing: distribution of risks, functions and assets amongst jurisdictions.
- Intellectual Property: regimes that protect IP and/or provide special tax rules for IP.

Tailor Made Approach: Relevant Questions



- In which jurisdictions?
- What type of company? A corporation? A partnership?
- What type of activities to be performed by each entity of the structure?
How should assets, functions and risks be distributed?
- Which are the benefits of the structure? Which are the requirements and costs? Which are the risks?



	Functions	Examples
Holding Company	<p>Participation in other entities</p> <p>Holding of financial assets, loans and other investments</p> <p>Asset protection (separation of risks)</p> <p>Holding of Intellectual Property (licences, trademarks, patents, etcetera).</p>	<p>Spain</p> <p>Netherlands</p> <p>United Kingdom</p> <p>Costa Rica</p> <p>Uruguay</p> <p>Hong Kong</p>
Operative Company	<p>Provision of services</p> <p>Flow-Thru amongst jurisdictions</p>	<p>Uruguay</p> <p>Curacao (E-Zone)</p>

Business Purpose Test / Substance Over Form



International planning must be consistent with the business of the Start-Up.

Structures implemented only for tax reasons are systematically challenged by tax authorities



Planning should involve not only legal areas but also commercial decision-makers of the Start Up and is normally a tailor made approach
(no one for all solution)



Final Comments



- ✓ To Do List: Planning (not only for Big Players)
- ✓ Absence of timely planning could lead to a dramatic reduction in the value of the Start Up
- ✓ In a context of international transparency and exchange of information, focus on the “economic substance” of the plan.

- ✓ Consider eventual social impact





Thank you!

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