



# International Start Ups: Essential Tax Issues

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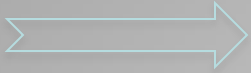
# International Start Ups



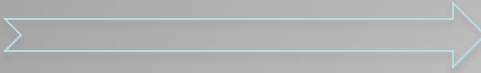
## CONTENT OF THE PRESENTATION

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

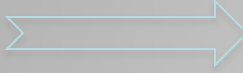
# Reaching 50 million users



**75 YEARS**



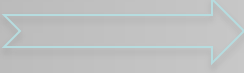
**38 YEARS**



**13 YEARS**



**4 YEARS**



**35 DAYS**

# International Planning



**20<sup>th</sup> CENTURY**

Big Multinational Enterprises  
(e.g., IBM)

**21<sup>st</sup> CENTURY**

Big Mutinational Enterprises  
**and Start-Ups**



TRANSNATIONAL TAXATION NETWORK  
A WORLD-WIDE ORGANIZATION OF INDEPENDENT PROFESSIONAL FIRMS

THE  
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**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?



	<b>Functions</b>	<b>Examples</b>
<b>Holding Company</b>	<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>
<b>Operative Company</b>	<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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