International Trading Companies

Companies undertaking international trading activity are under increasing scrutiny by trading partners, banks, tax authorities and other interested parties. Greater care needs therefore to be given to the way that international activity is structured in order to ensure that business operations go smoothly and are not hindered by inherent weaknesses or inefficiencies.
TRUST 4 TRUST recommends the following corporate options for international trading activity.

- UK Limited Company
- UK Limited Liability Partnership
- Malta Limited Company
- Irish Limited Company
- US Corporation

UK Limited company

This is a tax resident vehicle acting in its own name and for its own account. Corporation tax is levied at 21% to 29.75% on profit. In the case where the trading activity is not one that is carried out in the UK, the trading business would be introduced to the UK company by a foreign entity. It would be commercially sound practice for the corporate introducer of the business to charge for such an introduction for a certain number of years. Such charges would have the effect of reducing the taxable profit in the UK. All UK companies are required to prepare Financial Statements and to file them with Companies House. A tax return is to be filed with HMRC. UK companies may be subject to an audit. There are no withholding taxes on dividends paid by UK companies.

UK Limited Liability Partnership

The UK LLP is treated and considered as a company for company law purposes. However it is a tax transparent vehicle and the profit generated by the LLP is charged to tax in the hands of the partners (not the LLP) in the same year that it is generated by the LLP. LLPs are required to prepare Financial Statements and to file them with Companies House. A tax return is to be filed with HMRC although no tax is payable. LLPs may be subject to an audit. LLPs are considered to be separate legal entities from their partners and the partners' liability against third parties is limited to the contribution paid into the LLP. This vehicle is particularly tax efficient for international trading activity when the partners are not UK resident.

Malta Limited company

This is a tax resident vehicle acting in its own name and for its own account. Income tax is le vied at 35% on profit. This Income Tax is held in Malta to be paid on account of the tax liability of the share holders. When the shareholders are non-resident and non-domiciled in Malta, the Malta IR pays a tax refund to the shareholders of 6/7ths of the tax paid by the company (net taxation 5%). All Malta companies are required to prepare Financial Statements and to file them with the Registry of Companies. A tax return is to be filed with the IR. All Malta companies are subject to an audit. There are no withholding taxes on dividends paid by Malta companies.

Irish Limited company

This is a tax resident vehicle acting in its own name and for its own account. Corporation tax is levied at 12.5% on profit. All Irish companies are required to prepare Financial Statements and to file them with the Registry of Companies. A tax return is to be filed with the IR. Irish companies may be subject to an audit. There is a withholding tax of 20% on dividends paid by Irish companies to their share holders unless the share holders are resident in another EU state or a double taxation treaty country. It is, for example, recommended that the Irish company would have a Maltese company as share holder in order to avoid the Irish withholding tax. A dividend received from an Irish company would not be taxed inside the Malta share holder company.

United States - Florida Corporation

This is a tax resident vehicle acting in its own name and for its own account. State and Federal taxes are levied at 5.5% and 15% respectively (20.50%) on profit. In the case where the business activity is not one that is carried out in the US, the business would be managed on behalf of the US corporation by a foreign entity. It would be commercially sound practice for the corporate manager to charge for such management activity. Such charges would have the effect of reducing the taxable profit in the US. All US corporations are required to prepare Financial Statements.

A tax return is to be filed with the IRS. US corporations are required tofile an FBAR in respect of bank accounts held outside the US. The withholding tax on dividends paid by US companies to non treaty countries is 30%.