

Tax is a critical issue for businesses expanding abroad

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77 per cent of privately held businesses (PHBs) globally say tax issues are a significant factor in deciding where to establish an operating base overseas, according to the International Business Report, produced by Grant Thornton International. Over 90 per cent of Latin American PHBs regard tax as a critical issue when considering overseas business environments, and 72 per cent of PHBs in the European Union and North American Free Trade Agreement (NAFTA) economies.

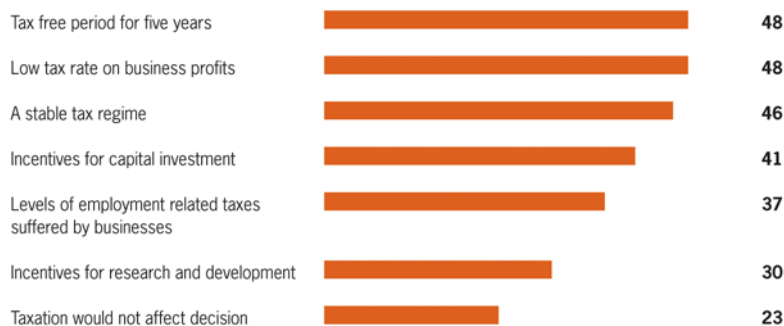
Significance given to taxation when considering establishing an operating base abroad – regionally
Average percentage of businesses by region



Source: Grant Thornton IBR 2008

Nearly half of all respondents (48 per cent) considered tax incentives, such as a tax free period of five years, and low rates of tax on business profits, as influential factors in their choice of location when considering establishing an operating base overseas. Businesses also valued a stable tax regime (46 per cent) as well as incentives for capital investment (41 per cent).

Factors considered when setting up operations overseas – globally
Average percentage of businesses



Source: Grant Thornton IBR 2008

The most burdensome domestic taxes for privately held businesses are taxes on business profits and employment taxes. Almost a quarter of all respondents (24 per cent) identified these aspects as being the most burdensome, followed by personal income tax (16 per cent) and indirect taxes (12 per cent).

Ian Evans, global leader for tax services at Grant Thornton International says, "Against a background of tightening market conditions, the results provide a comprehensive picture of opinion on tax issues in this pivotal sector for economic growth. Fundamentally, leaders of PHBs want to see governments act to reduce the burden of taxes on employment and profits in their home states. They also seek meaningful tax incentives to invest in new markets."

He continued, "Governments are under pressure to compete with each other as more and more countries cut their business tax rates to support existing businesses and entice others to relocate."

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About IBR:

Grant Thornton International started a major annual survey of the attitudes and expectations of small and medium-sized businesses in 1992 called the European Business Survey (EBS). In 2003 the research project was widened to an international perspective covering medium-sized businesses and renamed the International Business Owners Survey (IBOS).

In 2007, the survey's name was changed from IBOS to the International Business Report (IBR). The IBR survey draws upon 16 years of trend data for original EBS participants and 6 years for original IBOS countries. The 16 year trend data is available for: France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden and the United Kingdom, while the 6 year trend data is available for Australia, Canada, Hong Kong, India, Japan, Mexico, Russia, Singapore, South Africa and the United States.

IBR 2008 surveyed over 7,800 small to medium privately held business leaders from 34 economies. None of the businesses were publicly listed or open to government investment.

Grant Thornton International will donate US\$5 to UNICEF for every completed IBR questionnaire. In 2008, this will result in a donation of over US\$39,000.

The research was conducted by Experian Business Strategies Limited. To find out more about IBR and to obtain details of IBR reports and results please visit www.internationalbusinessreport.com.

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