Assembling your A-Team

**Moderator:** John Treleaven, CITP

**Panelists:**
- Financial wizards – Julie Pottier
- Truly global accounting – Andre Oliveira
- Legal Eagles – Katherine Xilinas
- The parties in your 3PL – Darryl Wettlaufer

**Further Resources:**
- Julie Pottier
- Andre Oliveira
- Darryl Wettlaufer

**John:** customers create jobs – the only way they can create and sustain jobs it to understand the market and protect margins.

**How do we mitigate risk?**

**Julie:** Your export strategy is just as important as your financial strategy. Risks exporters are concerned about:

a) Where are you in your journey as an exporter?
b) What market are you targeting?

**Four keys financial risks:**

1. Ensuring you get paid
2. Dealing with foreign exchange risks
3. Tying up working capital – anticipate needs
4. Worrying about political risks (potentially in less developed markets)

Tools exist to mitigate these risks. EDC will take the risk – you take the reward.

**Andre:**
There are always opportunities and challenges of trade. Tax will eat up a substantial of your performance. An in house or internal team will help ensure that you are not paying more tax than required.

Maximize value – what are tax and accounting implications

a) Global planning: Maximize global profit and cash flow
b) Global tax compliance: local legislation, tax and custom returns/forms; tax and custom authorities review and audits

Exports only: Possible issues

- Legal structure/Canadian income tax
- Custom duties
- State and local taxes
- e-commerce/online sales tax
- withholding taxes
- payroll taxes
- permanent establishment risks
- other local taxes or contributions

Branch/permanent establishment entity

- value chain/transfer pricing model/global income tax
  - role of each entity of the group
  - allocation of profits or losses among entities
- legal structure
  - types of entities
  - taxation and shareholder’s liability
  - capital gains exemption
- tax treaties/withholding taxes
- customs duties
  - planning and compliance
  - interaction with inter-company transfer pricing
- value add taxes
- payroll taxation
- other local taxes and contributions

Katherine:

Build an integrated practice to ensure that your business is protected.

Key issues:

- Check to see if your products require certification
• Are there labeling requirements?
• What happens if you need to recall a product?
• Does the cross border require certification?
• Is the product subject to quotas?
• Provisions of free-trade agreements (e.g. rules of origin, labour mobility rules? IP protection?) - Failure to comply can lead to seizure of goods or costly tariffs.

Personal property security is based on jurisdiction to ensure that it is all covered. Your protection does not necessarily extend to your export jurisdictions.

Consider the tax implications of protecting your IP.

International agreements

• Terms are hugely important
• Payment terms (risk of non-payment)
• Misuse of Inco terms
• Whose laws apply?
  • CISE – brought into law in 7 countries
• Dispute resolution: how do disputes get resolved?
• International corporate arbitration (language, country, how many arbitrators)?

These all need to be integrated to avoid tripping over one or more aspects.

Darryl:

Emerging trend: International express - Consumer behaviour is changing, they want everything “on demand” (anytime, anyplace and to buy anywhere).

• Customers demand speed, flexible delivery and easy returns
• Consumers are increasingly purchasing via their mobile devices
• Speed of delivery can be valued greater than cost
• 68% of millennials would choose a retailer solely because of its delivery options.
• Emerging markets are growing at 25% year on year

Everyone can benefit from this revolution – regardless of company size. International e-commerce is growing at twice the rate of domestic. Customers who choose express or international shipping options will show a higher basket value.

How important is the business plan in your determination for eligibility for financing?

Julie: Depends on what you need. We can help determine day to day needs – what additional capacity do you need (e.g. Higher line of credit, what is the strategic angle to go into that market – do you have the financial strength to support the expansion)? Foreign reps of EDC lend to those buyers to procure services and goods from Canada. Knowing the supply chain – matchmaking sessions to connect delivery channels to organizations
that can supply goods and services.

**How can SMEs get legal, customs and tax advice without racking up huge costs?**

**Katherine:** Remember that Canadian and local tax authorities may be at odds.

It is difficult. Having a trusted advisor is important (enough to be dangerous and flag the issues) to look at your business interests from a practical perspective, what are the main issues that will arise and what are the high risks that could end up costing you?

**What is the common risk that is overlooked by SMEs? Why do they overlook or forget to mitigate it? Ignorance, innocence or lack of resources?**

- All four financial risks would apply – why do people not think about the risk? You don’t know what will happen – sometimes it is simply an oversight. There are lots of considerations to keep in mind when exporting.
- Get into the minutia before you get into trouble
- Not enough internal resources to ensure that you are protected

**How small of a financial value will EDC support?**

There is no minimum amount. Direct financing $250k – there are legal costs involved in direct financing. Suggest speaking to EDC – our tool set has expanded.

**What range of in house counsel is optimal for SMEs?**

- Not being informed of the various foreign markets – it has become a more simplified process. An SME can ask the right questions up front and be very successful in covering their bases.
- From a legal standpoint - ask the questions. However, as a business expands legal/customs/logistic and taxes should likely be “inhouse”.

**How can Canadian companies take advantage of CETA?**

We will need to ensure we understand the rules of each country in Europe. Have a holistic approach of the tax burden – structure your transactions to pay less tax.

**How can business leverage DHL?**

We are a connected business – you can get local expertise. Today people have the ability to filter their web traffic. Somebody who wants it fast is willing to pay to get it fast. Our website also provides access to databases and a landed cost model.

**Can you discuss DHL regarding climate change?**

DHL has a very aggressive climate change program – we plan to be emissions free by 2050 and plan to cut fuel emission by 50% by 2025. We are also importing our first electric vehicles next year.