

2019 BRITISH COLUMBIA TAX CONFERENCE & LIVE WEBCAST

TOPIC OUTLINE

EXPAND TO THE US THE RIGHT WAY – KNOW BEFORE YOU GO

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With the recent changes to private corporation taxation coupled with the U.S. tax reform, the decision for a Canadian business to expand into the US has become increasingly complex and filled with potential pitfalls. This session offers a practical “checklist” approach, with a focus on issue identification, of what to watch out for from both US and Canadian tax perspectives for advisers dealing with clients expanding into the US.

- I. Assumption: “Canadian” is a corporation and not an individual or partnership. Accordingly, issues relating to U.S. Estate Tax will not be addressed.
- II. “Expanding” to the US – What does that mean?
 - a. Canco sales to US customers
 - b. Canco with fixed place of business in the US
 - c. Canco forms US subsidiary or other business entity to operate business
 - d. Acquisition of US real estate
 - e. Acquisition of US business
- III. Canadian structural issues
 - a. U.S. business a division of Canco
 - b. Separate corporation
- IV. When should a Canadian company consider forming and operating a business entity organized in the US?
- V. Types of business entities in the US
 - a. Branch
 - b. US C/S Corporations
 - c. Limited Partnerships, Limited Liability Partnerships, Limited Liability Limited Partnerships
 - d. Limited Liability Companies
 - e. Disregarded Limited Partnership
 - f. How Canada views these legal entities?
- VI. How to finance US operations?
 - a. Loans
 - i. Interest deduction limitations
 - ii. Withholding tax on interest payments to Canco
 - b. Equity
 - i. Treaty withholding tax rate on dividends

- VII. Repatriating Profits from the US
 - a. Dividends, interest, royalties
 - b. Management Fees
- VIII. Employees of Canco working in US
 - a. Compliance obligations
 - b. Personal tax considerations for Employee
- IX. Compliance in the US
 - a. Treaty can provide relief from taxation but not provide relief from compliance
 - b. Issues involving US real estate
- X. Transfer Pricing
- XI. US State and Local Tax Considerations
 - a. Income or Gross Receipts Tax
 - i. Nexus
 - ii. Foreign tax credits
 - b. Sales and Use Tax
 - i. Wayfair Decision
 - ii. Nexus
- XII. Foreign Reporting Associated with US Business Entities Owned by Canadian Residents