

Expanding your business into Europe? What you should know first.

Canadian businesses, well versed in financing their operations in Canada, face different challenges when they wish to expand into other parts of the world. Europe is a good example. While a number of European countries now share a common currency – the Euro – business and financing requirements throughout Europe vary greatly. Here are some examples of what you should know before expanding your business into Europe.

Business bank accounts can take much longer to open overseas. It can take months for a Canadian business to open its first bank account in a European country, due to differing legal systems and regulatory requirements.

Deposit interest might not be paid on current accounts. Various short-term investment vehicles are available to hold surplus funds.

Withholding taxes often apply. Withholding tax – which varies significantly from country to country – is often deducted from payments made both to resident and non-resident companies. This tax is commonly deducted from income derived from interest, dividends, royalties, or other financial instruments; withholding tax also may be deducted from commercial payments made to non-resident entities. As well, tax treaties impact the effect of withholding tax.

Popularity of payment methods varies within Europe. While companies can make and/or receive payments in many ways in Europe, the use of each type of payment varies by region or even by country. For example, European countries such as the Netherlands seldom use cheques; in France, while their use is declining, cheques still account for about 20 per cent of all non-cash payment. To find out whether credit cards are widely accepted and ATMs are readily accessible in the country you want to visit, check with your financial institution or visit the VISA or MasterCard websites. The government of Canada also provides useful information for specific countries in the Travel and Currency section on its Travel Reports webpage, which can be found at <http://www.voyage.gc.ca/index-eng.asp>.

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The European banking environment is complex. While some harmonization is developing, banking processes that still vary significantly throughout Europe include operating hours of payment systems, central bank reporting requirements, practices and clearing rules.

“A big part of the advance preparation for Canadian companies wanting to do business in Europe is ensuring they understand how financing works abroad,” advises Jana Henderson, director of Global Solutions for RBC Royal Bank. “With that understanding in place, they can then focus on what’s most important to them – operating their business, here at home and around the world.”

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