

Doing business in Europe

Europe represents an opportunity for UK SMEs but there are also many hurdles. We asked five experts for their views on the challenges to look out for.



Simon Drakeford
CEO at Eurooffice

"A good example of how countries require different approaches is Italy's attitude to adopting technology. Trust issues mean credit card penetration is low. This culture meant we couldn't use the payment system we use elsewhere and had to develop a 'cash on delivery' option where buyers pay the delivery driver in cash.

"It is also very expensive to get broadband in Italy – a connection in Milan costs around ten times as much as in London, so access to applications in the cloud can be slow or expensive."



Nick Farmer
Partner at Menzies

"From a tax perspective, Europe isn't coordinated; it is 27 different tax regimes. Countries are very protective of how they raise taxes so it can be challenging to understand the nuances of local tax obligations, whether related to compliance, planning or administration.

"Companies trading between countries need to identify where their profits are arising so they can work out which territory has the right to tax those profits."



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Sarah Barron
VAT Manager at Menzies

"Changes to VAT across Europe since 2010 have simplified the process to some extent. However, companies are often not fully compliant with reporting requirements – EC sales lists are now required when selling services, in addition to goods sales.

"Companies selling over the internet may need to register for VAT in any country where they sell to the general public.

"The little differences catch people out. A company registered in different countries has different deadlines for filing returns. Whether or not a local representative must be appointed varies between countries and there are different requirements for invoice wording.

"We work closely with our HLB contacts across Europe to assist clients with their overseas compliance."



James O'Callaghan
Founding Director at Eckersley O'Callaghan structural design

"Of the EU countries we have worked in, we encountered most difficulties in France. In order to do the work we do – structural engineering – we were legally required to carry a certain sort of insurance. We were forced to form a French company as no insurers would offer the ten-year policy to a non-French entity. This means paying French taxes and VAT."



Andrew Denley Managing Partner at Menzies

"Most SMEs are nervous of expansion because, notwithstanding much standardisation across the EU, there are always local laws and regulations that differ from the UK and SMEs are stepping into the unknown.

"It's important to find strong local firms experienced in handling inward investment that are the right size and fit for a start-up in a

new territory, rather than larger national firms. Menzies is a member of HLB International, an international network of accountancy firms, so can offer UK companies access to the right advice.

"HLB members produce *Doing Business In ...* guides so clients have an easy-to-follow booklet on local issues, and these have proved very valuable as a quick and easy source for finding out about expansion into any particular new country."

More information
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