

The Open A
European Guide
To Opening
A Business
In *Europe*



openAeuropeancompany

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Introduction

With a range of tax rates, processes and business variants, setting up a company in Europe can seem confusing. But that variety is also the continent's great strength. Europe has an abundance of skilled workers for every sector, and market appetites for the most niche of products. It also benefits from edicts which make trading inside and out of Europe a breeze.

Thinking about setting up a business in Europe?

Benefits of opening a business in Europe



Competitive tax rates in many countries, with corporate tax as low as 9% in Hungary and 12.5% in popular destination Ireland



Bilateral double taxation treaties between vast majority of countries, within and outside of Europe



Network of assistance for businesses, including MOSS VAT system and availability of R&D funding



Top destination for female entrepreneurs - 9 of the world's 10 best countries in the 2015 Female Entrepreneurship Index



Ease of trade, contiguous trade laws and freedom of movement among other benefits of the European Economic Area (EEA)



Highest ranking continent in the World Bank's Ease of Doing Business Report, with 35 of the top 50 countries



Excellent telecommunications and transport infrastructures



Low capitalisation costs when compared with many global jurisdictions



Many locations for Joint Ventures where participants wish to incorporate in a neutral state



Choosing a company structure

When setting up a business there are a number of issues you need to consider. Different regulations and requirements will apply depending on your individual situation and specific location.

You may be employed, unemployed or coming from outside Europe to set up a business. Thankfully, there are only 4 main types of company across Europe to consider:



01

Private limited company

UK - LTD
France - SARL
Germany - GmbH
Netherlands / Belgium - bv

Known by many initialisms, a private limited company is the most popular business entity for private and commercial businesses in many European nations. Approximately 90% of all companies formed in Ireland are limited liability.

Some countries only demand a nominal fee to set up a business, but this is often deceptive. In France for instance the fee is a mere €1, but banks require several thousand to open the necessary account.

A limited company may only have one director, but people often choose to have two. When setting up in Europe, a partner who knows the country may help!

As a small incorporated business, there are also avenues you can explore for extra funding. You may be eligible for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) scheme, and each territory will have its own grants and funding.

02

Public limited company

UK - PLC
France - SA
Germany - AG
Netherlands - nv

A public limited company is a business which is eligible to list its shares on the stock market and offer them to the public. Liability tends to be limited to the amount that each person invested.

A PLC will usually have at least two directors. They will ordinarily Must hold an annual general meeting (AGM) to keep shareholders up-to-date.

Most countries will demand a significant amount of investment in share capital. In Ireland this is €25,000, where as France requires €37,000.

Between a quarter and half of this will normally be demanded upfront, with the rest allocated for public shares.

Larger companies setting up in the EU are potentially eligible for research and development funding. As well as local incentives, the EU Horizon 2020 scheme offers €79 to promote innovation.

03

Sole trader / entrepreneur

UK - Sole proprietorship
France - Micro-entreprise / EI
Germany - e.K.
Netherlands - Eenmanszaak

A sole trader, sometimes known as a sole proprietorship, is a business operated by a single person. It differs from self-employment as you can use a trade name, as well as some potential tax benefits.

A sole trader may also hire people for assistance with projects and decisions. However, they are not technically employees, and the business owner is liable for any debts or legal issues.

Forming a business as a sole trader can be the easiest way to incorporate in Europe. In many (but not all) countries, changing business classification is an easy process, so single-person companies sometimes start as sole traders and scale up later.

Sole traders are usually exempt from corporate tax and can keep all their profits. However, you may find that some clients will not trade with a sole proprietor, seeing formal limited company status as a sign of legitimacy.

04

Partnerships

UK - General partnership / LLP
France - SNC / SCS
Germany - GbR
Netherlands - vof / cv

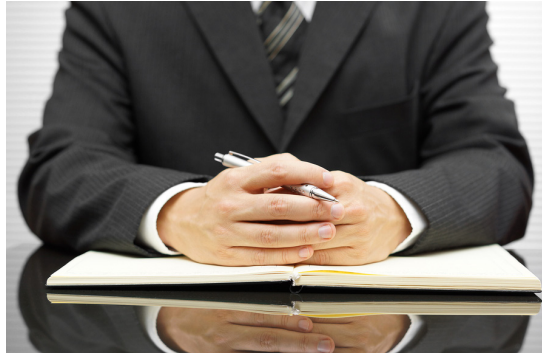
When two or more people carry on any form of business together with a view to making a profit - but without incorporating as a limited company - they form a partnership.

The relative ease at which partnerships can be formed makes them a common form of business arrangement across the continent. They can consist of formal arrangements between firms, or even informal relationships where the parties involved may not actually realise they are (technically speaking) partners.

One of the primary reasons why people choose to form a partnership is that certain professions (e.g. lawyers, accountants) are prohibited from creating companies in many jurisdictions. Because they are held personally liable for the work they undertake with their clients, they often choose to form a partnership.

Corporate and Value Added Tax

Although lawmakers have pushed for unified tax rates, as of writing each European nation still decides its own corporate and value added tax (sometimes called a goods and services tax) rates. Both taxes will differ significantly depending on the country, while certain products will usually be exempt from VAT.



Value added tax (VAT)

- VAT in Europe is fairly consistent, with rates between 17% and 25%.
- All members of the EU VAT area (most major nations) are required to make certain goods and services 'VAT exempt', including medical products, dental care, welfare services and sporting goods.
- Some countries still have pre-EU tax laws. In the UK this results in the zero rate of tax. While EU VAT area states cannot lower existing rates of tax below 5%, countries with existing 0% taxes are allowed to uphold these rates.



- 0% tax differs from tax exemption as business are allowed to reclaim VAT on materials used to create 0% goods. If a business buys paper at 20% VAT and sells books at 0% VAT, they are allowed to claim the cost of the paper back. If they were creating something sold with VAT exemption, they would not be able to claim it back.



Corporate tax

The rate of corporate tax in Europe varies significantly from country to country. Developing economies such as Hungary and Bosnia have opted to lower tax to 9% in order to attract businesses. Ireland has become an especially popular western European destination with

its 12.5% rate of tax, while the UK is planning a Brexit boosting reduction to 18% from 2018. Tax is not the be all and end all, however. A number of successful industrial nations have higher rates of tax thanks to their other significant benefits. Some examples would be administration costs, infrastructure and local market saturation.

MOSS VAT

As of 2015, businesses selling products in European Union countries are required to charge and pay the correct amount of tax local to the customer. This was designed to stop countries with low VAT rates from dominating online sales. However, it created a burden on smaller businesses who might find it tough to comply with the law. The new EU MOSS VAT system acts as a 'one stop shop' for international sales. Instead of registering in each country you sell in, MOSS allows you to pay the VAT you charge straight to your local tax authority.

Immigration and labour

One of the major benefits of setting up a business within Europe is the availability of labour. The continent has some of the best educational facilities in the world, and laws which allow quick and easy passage of workers, making it ideal for specialist startups and large enterprises.

Freedom of movement

One of the defining principles of the European Union is the free movement of individuals for work purposes. Anyone with an EU passport is entitled to seek work across the continent, and relocate in the pursuit of work. A well-known element of this directive is the Schengen Area, which removed border control for many of the mainland areas of the European Union. The advantage for businesses is massive: talented employees can be approached and brought in from outside the country (as long as they are also in the EU) without having to wait for a visa.



Recruiting from outside the EU

While movement is free for EU citizens, recruitment from outside the EU depends on the visa rules of individual countries. Securing a visa will be dependent on the industry and talent of the individual: including formal qualifications, prior experience and what they are likely to earn in their new role. Employees may be subject to certain limits and extra fees in applying for

and keeping their residence status. Some countries do also offer relief for immigrants, such as Sweden, who offer tax relief on personal belongings, including vehicles. This will tend to be based on the individual's intention to stay for more than a set period. For further information on worker visas, visit our sister site [Immigration Into Europe](#).

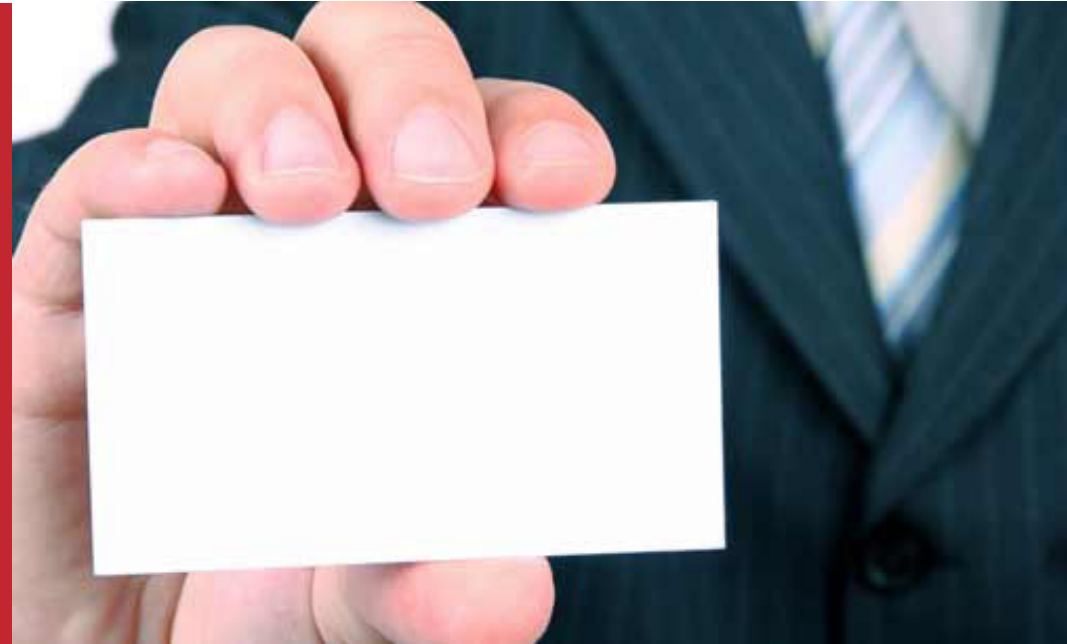
While a lot of EU law is standardised, some of the legislation affecting workers differs from country to country. This may include pensions, severance, contracts and strikes



Bank accounts

Almost all countries will stipulate that you open a local bank account in order to receive VAT refunds, make tax payments and prove you have the money to invest in your new company.

While Open A European Company can assist with bank account introductions and the application process, depending on the structure of your company at least one director will normally be required to attend the branch after the application has been submitted. In some countries a native speaker will be required to navigate the paperwork and face-to-face application process.



Most banks will require you to sign up for an account in person. This will often require someone who speaks the native language, as many countries do not have English speaking clerks or English paperwork.

There are also other formal stipulations, such as translated, signed and stamped letters of introduction, and a detailed business plan. The latter not only has to be translated, but must be palatable for the bank in question and show an understanding of the market. Some banks even require turnover in excess of €1 million, though this is rare.



Most countries (and most banks) will require a registered office address where all official documents are sent.

This does not always have to be the address from where you trade, but the physical address must be located in the same country as the business (PO Boxes are not permitted).

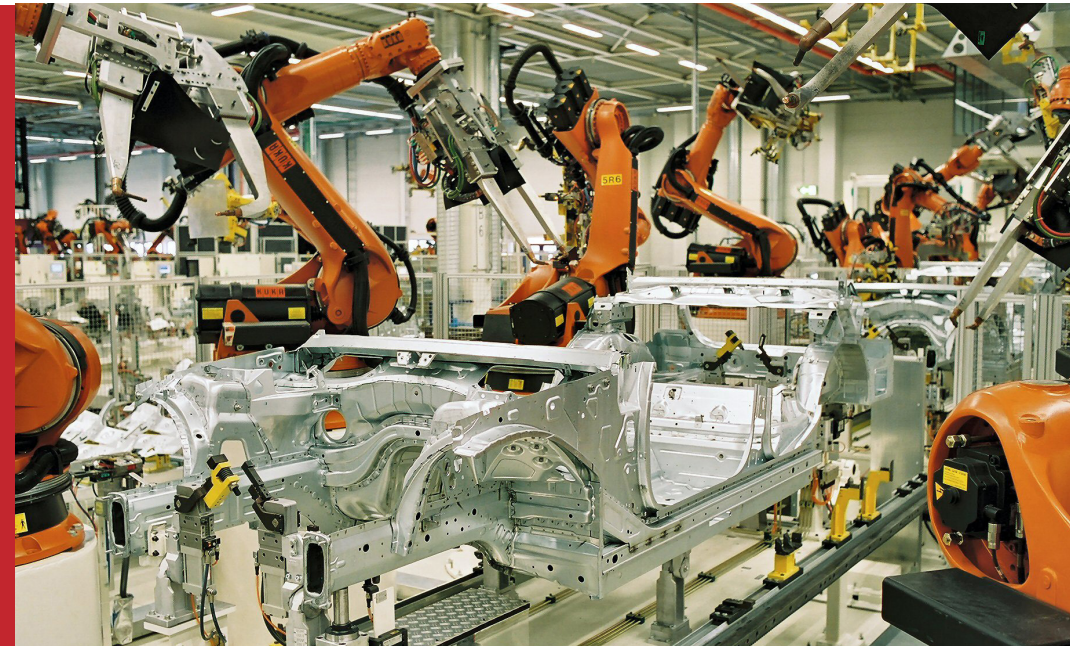
When opening an account for a limited company, the bank will need to see your:

- ✓ Memorandum of Association
- ✓ Certificate of Incorporation
- ✓ Articles of association
- ✓ Evidence of the Registration of Business Name

Popular sectors

Whatever you're looking to sell, you'll find a market for it in the European Union. From financial services to technology to niche retail opportunities, the continent is home to some of the world's biggest business and most up-and-coming entrepreneurs.

While you will be lucky enough to source labour from across Europe, every country has its specialities and market preferences. Here are just a few of the sectors that are thriving in EU nations:



Agriculture
*Netherlands, Spain,
Germany*



Logistics
*Netherlands, France,
Germany*



Construction
*France, Spain,
Sweden*



Tourism
*France, Spain,
Italy*



Financial services
*UK, France,
Luxembourg*



Law
*UK, Spain,
Germany*



Manufacturing
Germany, France



Chemicals
*Germany, France,
Italy, UK*



Aerospace
*UK, France,
Sweden*



Defense
UK, France



While the above is a general outline of opening a business in Europe, there may be subtle differences in the process depending on your own unique circumstances.

Open A European Company.com can provide assistance through the entire process. If you have any further questions please get in contact with one of our professional formation experts who will be happy to help.

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