

Case Study

Cross-border taxation

BATES|COSGRAVE
CHARTERED ACCOUNTANTS

Designing a cross-border strategy helped an established global business transition its operations to Australia.

Globekey is an online reservation solution, providing booking engines for hotel and travel agent websites which offer accommodation

For over eight years, the business has been providing cost-effective reservation systems to website operators who offer accommodation, including hotels, resorts, motels and guesthouse providers. The software is a turnkey solution that can be scaled to suit a single property or multiple properties, enabling them to offer travelers an easy way to check availability and book online.

Globekey has sales office across the world, including Australia, the USA, UK and Europe, Thailand, Greece, China, Indonesia, India and representatives in Mexico, Malaysia, Belgium, Singapore, Japan and the Netherlands.

Overview

Globekey's original business structure had been established with four shareholders based in Australia, the UK and Thailand, each with their own objectives and operation strategies for their respective regions. Scattered business operations across multiple locations were a legacy of the group's history and had become cumbersome.

Recent tax and investment reforms in Australia and the managing director's decision to reside permanently there presented an opportunity to consolidate the business to

deliver better efficiencies in operations and more effective taxation strategies.

The issues

Globekey had four stakeholders based in Australia, the UK and Thailand, with responsibilities for the operations and objectives in their specific region.

The Managing Director's decision to move to Australia presented a range of issues, from residency obligations of an Australian director to the consolidation of operations, which had taxation and entity structure implications.

Bates Cosgrave reviewed the existing tax strategy, which showed the current practices to be inefficient and we worked with the client to create a new entity, options for taxation across borders, and ensure that all stakeholders were satisfied with the entity agreements.



The screenshot shows the Globekey website homepage. At the top, there is a navigation menu with links for Home, Benefits, Products, Demo, Trial, Pricing, Our Clients, About Us, and Contact Us. Below the navigation, there is a main heading 'Online reservation software' with a sub-heading 'Globekey maximises internet revenue through sales direct from your property's website.' To the right of this heading is a 'Free Trial' button and a 'Demo' button. Below this is a section titled 'Getting started with globekey is easy ...' which contains three steps: Step 1: 'Send us your property details and enjoy a one month free trial'; Step 2: 'Add rates & availability to your 'back office' on the internet'; Step 3: 'Add a 'check availability' link for guests to book from your website'. To the right of these steps is a 'Quick information' box with a 'Read more' link. At the bottom, there are two columns of text: 'Affordable & Economical' and 'Online Hotel Reservation Software'. The 'Affordable & Economical' section lists benefits like 'Affordable fixed monthly fee', 'Cut third party commissions', 'No set up fees', and 'No fixed contract period'. The 'Online Hotel Reservation Software' section lists features like 'There is nothing to download, all you need is an internet enabled PC', 'Guests visiting your website click on a Globekey reservations link to check availability and book', and 'We make the Globekey screens look exactly the same as your website'. There is also a 'Learn more' link at the bottom right.

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The objectives

Bates Cosgrave was tasked with designing a cross-border tax strategy and business structure that would address these issues and deliver a more efficient, tax-effective business.

The new entity would operate differently, subject to Australian tax and foreign income tax regulations. The Australian Government reforms have been implemented to make Australia a more attractive location for foreign-owned and Australian-owned businesses to operate.

Our role was to present options and facilitate negotiation for the shareholders, outlining the pros and cons of each option for the new entity.

We explored the cost benefits and tax implications with the director and shareholders, to ensure they understood their obligations, particularly the ongoing taxation requirements and the issues that may arise should the business wish to exit from Australia in the future.

We also helped to address a range of issues that arose during negotiations.

The outcome

The Bates Cosgrave team worked with the stakeholders to implement the agreed strategies and an integrated business operations structure designed to deliver better efficiencies across their business.

Our ultimate goal was to ensure that the integrated business model would deliver better efficiencies in both the cross-border taxation obligations of Globekey, and its international operations.

The new entity has already created a better synergy for Globekey and posting profit within six months of implementation.

Client Testimonial

'I chose to work with Bates Cosgrave when I first moved to Sydney in 2002 and needed assistance with the structure of a marketing agreement between my Australian company and an off shore company.

Bates Cosgrave provided tax advice on getting my Australian company paid for services offered to an off shore company. As the business grew, shareholders in the off shore company decided to move the whole company into Australia.

The tax implications of the re-structure were complex and Bates Cosgrave certainly saved us money in the long-term by delivering good advice on how best to proceed with a new structure and its transition into the final form. As a small business operator, we have found the services of Bates Cosgrave to be invaluable, particularly in terms of the international tax expertise that they have been able to offer us.'

**- Sarah Capes, Managing Director,
Globekey Systems Pty Ltd**



www.globekey.com

Need to know more?

Bates Cosgrave is a specialist advisor to business on aspects of strategy, business efficiency, taxation and accounting. Visit our website for more information about the services we provide.

www.batescosgrave.com.au