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Article Summary The American retailers today are more ready than ever before to consider international expansion. Many American retailers find Canada as a suitable destination not only because of its geographic proximity, but also becomes of the cultural similarities between the two countries and the strong economic performance shown by Canada in the global financial crisis. Considering a successful expansion imparts the need for American retailers to study the tax requirements as well as planning considerations of Canada. Four areas that American retailers entering Canada need to particularly study is income tax requirements, payroll taxes, indirect taxes, and customs of Canada. There are different structuring considerations for different types of businesses. Canadian businesses need registration from the concerned provincial and federal governments for getting the tax account numbers. An allocation formula is used to allocate each corporation’s income to the provinces of permanent establishment. Capital Taxes have been mostly waived, whereas interest expenses are financed and deducted according to the set principles. Canada follows the guidelines set by OECD for the arm-length’s principle for transfer pricing. Earnings of a Canadian subsidiary are distributed through dividends, and the cash is repatriated. Canada applies withholding tax upon the non-residents’ services in Canada. Canada treats leasehold improvements as capital expenditures for the purposes of tax. Tax planning opportunities are there for companies having significant real estate amount in Canada. Canadian income tax laws apply on non-resident businessmen in Canada under domestic law, though sales made over the Internet are exempt from the income tax application.