

International Tax News

RSM International Tax Newsletter

Welcome to the eighteenth edition of the
International Tax News.

RSM International US member firm to acquire American Express' Tax and Business Services division

Combined firm, with more than \$1bn in revenue, joins
ranks of top five US accounting firms.

RSM McGladrey to become largest firm dedicated to midsized
US businesses.

RSM International announced on 3 August 2005 that its
member firm in the United States, RSM McGladrey Inc.,
expects to acquire the Tax & Business Services division
of American Express for approximately \$220m. The
transaction is expected to close 30 September 2005.

The transaction will place the combined firm in the
ranks of the nation's top five accounting and business
services firms, with more than \$1bn in revenue. *

The combined company, with 7,000 professionals*,
will be the nation's largest tax, accounting and business
services firm focused on serving midsized companies.
Midsized businesses will benefit from access to an
accounting firm of unique size, depth and scope of
resources focused on their needs.

*"This is a very exciting event in the continued growth
and development of RSM International,"* said Chris
Connor, Chairman of RSM International. *"This further
strengthens RSM McGladrey's significant presence and
competitive position in many key existing markets and
extends the reach of our US firm into new markets."*

RSM! International

In this issue

RSM International US member
firm to acquire American
Express' Tax and Business
Services division

International wins

Upcoming events

Housekeeping

Organisational news

Editor: Judit Petho

Chris Connor added, "Clearly, this will provide RSM International member firms worldwide and their clients with additional resources in the United States. The focus of RSM McGladrey on meeting the needs of the extensive middle market in the US is consistent with the focus of the majority of RSM member firms. Our significant presence in the largest economy in the world and our focus on the middle market provide RSM International with access to the depth and breadth of resources needed by our international clients."

Steve Tait, President of RSM McGladrey and Board Member of RSM International, said the acquisition of American Express Tax & Business Services delivers other important benefits. "RSM McGladrey will strengthen its market and strategic positioning as the premiere firm for midsized organizations in the United States," he said. "This combination will make us a leading provider of services in all but a handful of the largest US markets. Our focus on the midsized market represents a significant opportunity for RSM McGladrey, as it truly is the heart of US commerce and industry. And, as the leading firm focused on the middle market, we will continue to be focused on bringing value to our clients and partnering with them in their growth."

This significant achievement in the United States further strengthens RSM International and our ability to meet the ever-growing needs of our clients. RSM International is becoming a dynamic, integrated network of firms and we are proud to be able to deliver the highest level of services to our clients, whenever they have international needs.

* These revenues and employee counts include RSM McGladrey Business Services, American Express Tax and Business Services and McGladrey & Pullen LLP. RSM McGladrey and McGladrey & Pullen (a CPA firm owned by its partners) are separate and independent legal entities, but have an alternative practice structure that allows them to work together to serve clients' business needs.

For further information, please contact:

**Jean Stephens, Chief Operating Officer,
RSM International, T: +44 207 601 1080,
E: jean.stephens@rsmi.com**

**Deborah Ely-Lawrence, Communications
Officer, RSM McGladrey, T: +1 952-921-7660,
E: deborah.ely.lawrence@rsmi.com**

International wins

Thailand – International Tax Consulting wins continue

In the previous issue of International Tax Newsletter, RSM Nelson Wheeler Thailand reported on a number of successes in the early months of 2005, securing substantial taxation consulting work from Thales ATM SA, OTV SA, East-West Seed Int'l BV and the Design Worldwide Partnership.

We omitted to mention that Paul Heiler of RSM Bird Cameron Australia referred Thales ATM SA to RSM Nelson Wheeler, and Steve Gaskill of our RSM correspondent firm in Vietnam, STT Vietnam, suggested East-West Seed International BV to RSM Nelson Wheeler. Credit and thanks go to both.

The summer of 2005 has seen International Tax Consulting at RSM Nelson Wheeler Thailand continue to see the tangible evidence of RSM International referrals. The writer affectionately refers to the summer of 2005 as "the American Re-Invasion of Thailand". Two of these American Re-Invaders were:

- Eclipse Inc; and
- Prosum Inc.

Eclipse Inc is a US corporation, based in Rockford, IL, and is a global provider of combustion products and services. Dave Luzi of the RSM McGladrey Schaumburg, IL office initially contacted us for advice as to a tax efficient structure in Thailand for Eclipse. RSM Thailand was asked to recommend a structure that would provide tax-efficient flow-through of income to the US shareholders of Eclipse Inc. This required RSM Thailand to not only consider the US tax rules and the Thai tax rules, but also Thailand's Foreign Business Act, which restricts foreign ownership of businesses in Thailand.

RSM Thailand met this challenge by advising on, and subsequently establishing (through our own RSM legal staff), a 'US Treaty of Amity' private limited company in Thailand with 100% US ownership. The tax consulting and legal establishment work also extended to obtaining the necessary work permit for the foreign manager of the Thailand operations.

Following establishment, RSM Thailand was further retained by Eclipse to provide tax optimization advice regarding the structuring of its sales and services operations in Thailand, as well as its cross-border interest, management fees and royalty payments.

We were especially pleased when Eclipse's American Vice President and General Manager of the Americas and Asia visited Thailand in August 2005. He made sure that he personally met with the RSM Thailand team to express his delight with the services and the cooperation of both RSM McGladrey and RSM Nelson Wheeler Thailand.

Another of our American Re-Invaders of Thailand was Prosum Inc, California's fastest growing consulting and procurement company for IT networks and applications. It is an Accenture competitor with its main client in Thailand being Unocal. Bert Hawkins of RSM McGladrey's Irvine, CA office contacted us about the Prosum Inc Thailand Branch operations, which had been advised and established by other advisors. Initially, we were asked about the tax implications of the Branch structure for Prosum Inc's intended conversion to an S-Corporation for US tax purposes.

Foreign companies operating through Branch structures is a little known high-risk operating structure in Thailand, and RSM Thailand is proud to have been able to provide both Prosum and RSM McGladrey with the definitive tax risk advice that they were seeking. Our work then continued to include the provision of advice on a range of issues including but not limited to:

- Advising on the taxation and other implications of operating through a Branch structure;
- Advising on the minimum capital requirements for Thailand Branches and the tax treatment of such capital;
- The implications and risks of a transfer pricing audit of the Thailand Branch;
- The implications and risks of the intended cost allocations to the Thailand Branch;
- The risks of deemed profit remittances and the incurring of profit remittance taxes;
- Advising on how Prosum Inc could convert to a wholly-owned 'Borisat Chamkad' structure in Thailand, utilizing the US Treaty of Amity, and providing the tax-efficient structure required by Prosum for its S-Corp conversion; and
- Advising on the possible board of investment privileges that are available for the 'software' business activities of Prosum in Thailand.

*If you would like further information on the above please contact Mark Butters or Steven Herring at T: +66 2670 9002, or
E: mark.butters@rsmnw.com,
E: steven.herring@rsmnw.com*

Lorraine Parkin, Chairman of RSM International Tax Executive Committee, adds: "Eclipse is a brilliant example of RSM working together to win and serve a client around the world. Many member firms are advising on the Eclipse account, including RSM Robson Rhodes in the UK. Back in October 2002, a multinational team pitched for the Eclipse work and I was privileged to be part of the team. It's really pleasing to see that we have the coverage and capabilities to serve clients such as Eclipse as they expand throughout the world."

Upcoming events

APAC seminar

The APAC tax practice under the leadership of Rob Mander of RSM Bird Cameron is preparing for the November conference.

Rob will lead a session on a showcase of tax capabilities in Asia Pacific, including best practices in organisational structures. Rob will be working with leading tax professionals from the region to deliver an exciting session on investment opportunities in the region.

Businesses from Europe and North America are keen on investing in Asia for a variety of reasons. Some are in search of new markets for their products and services. Others want to lower production costs and stay competitive on price. Many others are moving overseas to meet the needs of their key customers. This workshop will outline how RSM Asia Pacific can help you serve your clients better. We will discuss investment opportunities in the region for US and European companies, popular investment destinations and the role of holding company locations, Singapore and Hong Kong. We will outline entry strategies and investment structures that can be of interest to multinationals planning to invest in the region. In an interactive format, we will discuss the most effective ways of providing high quality cross-border services to your clients and targets.

*For further information on this session, please contact Rob Mander at
E: rob.mander@rsmi.com.au*

*For further information on the November conference, please contact Jean Stephens, Chief Operating Officer, RSM International, at
E: jean.stephens@rsmi.com*

November client event

RSM Robson Rhodes and RSM International will be hosting a unique client event in London on 17 November, focusing on the international tax issues: structures for Asia, the legitimate use of tax shelters, and the extent to which tax costs can be removed from the business.

Specialist tax practitioners from around the world will deliver practical workshop-style sessions in an interactive environment. Rob Mander of RSM Bird Cameron will lead the session on Asia, Gwyneth Barber of RSM Robson Rhodes and Chad Koebnick of RSM McGladrey will facilitate the workshop on tax shelters, and Mark Kral of RSM McGladrey and Les Secular of RSM Robson Rhodes will present the third session. Each workshop will focus on sharing and discussing best practice approaches to current tax issues.

Running alongside the workshops, RSM tax professionals from the Americas, Asia Pacific and Europe will be hosting regional tax desks.

We are also thrilled to have secured David Smith, Lead Economist of The Sunday Times, as our key note speaker.

This event is targeted at internationally active clients and targets. The purpose of the event is to bring tax professionals of RSM International closer to UK-based businesses with cross-border operations. This client event will provide an excellent business development opportunity to RSM tax professionals. We really hope that as many tax partners as possible who are attending the conference will stay the extra day and participate in this event.

If you are interested in participating in this event by hosting the regional tax desks or would just like to find out more, please contact Lorraine Parkin, who is hosting the event, partner, RSM Robson Rhodes & ITEC Chair at E: lorraine.parkin@rsmi.co.uk or Judit Petho, ITEC Manager at E: judit.petho@rsmi.com

Housekeeping

Quality Standards Inspections

Are you compliant with the QSM?

Following the launch of the RSM International Tax Quality Standards Manual in 2004, the ITEC will commence the RSM Quality Standards Inspection programme in October 2005. The Inspections will focus on compliance with the Tax Quality Standards Manual.

RSM Member Firms will be inspected or observed on a rotational basis to ensure that each member firm is inspected at least once every three years. The firms to be inspected are contacted in advance.

Impeccable service and common quality standards are integral to our reputation in the market place. The QS Manual aims to set a benchmark in order that all of us and our clients know exactly what to expect in terms of high service standards when they come to RSM.

If you would like to find out more about the QS Inspections, please contact Judit Petho, ITEC Manager, Executive Office at E: judit.petho@rsmi.com

Border Crossing – the global client newsletter

In July, ITEC launched Border Crossing, the first global tax newsletter from RSM International aimed at businesses operating across borders around the world. The next issue of Border Crossing will be issued in October, with a special edition focusing on doing business in Asia Pacific. We would like to thank everyone who contributed to the first two issues.

Please do distribute Border Crossing to your clients via email, hard copy or by placing it onto your website. If you would like to contribute to the January edition of Border Crossing or have not received the previous issue, please contact Judit Petho at E: judit.petho@rsmi.com. This is a great opportunity to address our clients and targets or just to put out your name in the international tax market.

Next issue:

The next newsletter will be published in December 2005. If you have any news or information that you would like to share please contact:

Judi Petho
Manager, International Tax Executive Committee
RSM International Executive Office
T: +44 (0)20 7601 1088
F: +44 (0)20 7601 1090
E: judit.petho@rsmi.co.uk

RSM International is an affiliation of independent accounting and consulting firms.

© RSM International, 2005

Organisational news

RSM International Executive Office move

The Executive Office has moved to a new location in London.

The new contact details are:

RSM International
Executive Office
2nd Floor, 11 Old Jewry
London EC2R 8DU
United Kingdom

T: +44 (0)20 7601 1080
F: +44 (0)20 7601 1090

Judit Petho, ITEC Manager. Direct phone: +44 (0)20 7601 1088

New international directory

The RSM International Directory 2005 has been sent out to the RSM member firms and correspondents.

Please contact the international contact partner at your firm for details.

