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# Why you shouldn't focus on **tariffs** when expanding to the US



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**Foreign companies should base decisions on their strategic goals rather than short-term trade policies when setting up a business in America.**

Foreign investors should avoid letting tariffs imposed by the current US administration drive their decision to set up a business in the US. Instead, they should focus on the long-term strategic and operational advantages of establishing a presence in one of the world's largest and most dynamic markets.

These include gaining direct market access, which can reduce shipping time and costs, and enable them to enhance customer service. Further strategic benefits include stronger market positioning, easier access to resources and the ability to leverage local incentives and support.

The US also has a thriving venture capital market and companies setting up inside its borders are more likely to attract investment through the established legal and financial system. They can also enjoy favourable state laws, such as those in Delaware, which has no income tax and a business-friendly environment.

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# Tariff opportunities

While these are the long-term benefits of setting up in America, the current trading landscape may also present short-term advantages. Companies will pay no tariffs on products made inside the country and could benefit from labelling them 'Made in America'. And, with trepidation about the possibility of rising inflation, we may also see increasingly attractive incentives for foreign companies.

But, still, the rate of tariffs that will eventually emerge remains unclear. As I write, there is a 10% charge on all goods entering the country along with much higher rates for products such as steel and cars. Higher tariffs for some countries have been paused — for now — but the trade war between the US and China remains a flashpoint.

Amid the uncertainty, companies could relocate production from countries that may face higher US tariffs to those with lower tariffs. And it may be possible for some to manage transfer pricing to reduce the price at which they sell goods to their US entity and the tariffs that they pay. Ultimately, though, sourcing materials and basing manufacturing within the US is the only way to be sure of avoiding the tariffs



# Efficient set up

While setting up in the US does offer clear advantages, execution is critical. It's our job to make the process of expanding to the US smooth and efficient. That includes everything from incorporating a new entity, to locating it in a state that has the most advantageous tax regime, labour laws and incentives.

## **We shoulder much of the burden through services focusing on:**

- | Market entry strategy: identifying the best entity type for expansion.
- | Regulatory compliance: ensuring compliance with all laws and regulations.
- | Permanent establishment risk review: identifying and mitigating potential risks.
- | Entity establishment and registrations: handling the entire process accurately and efficiently.

We bring local knowledge to companies that are new to the US. Generally, for example, we advise incorporating in Delaware because the process there is fast and friendly for foreign corporations. And we typically recommend that entities are incorporated as C-corporations because these are legally and fiscally distinct from the parent company. This protects the overseas parent from investigation by US judges and the Internal Revenue Service (IRS).

But, while the decision on where and how to incorporate a business is relatively clear, choosing an operational location can be more complex. Each of the 50 states has its own laws and regulations and we expect to see them introduce different levels of incentives that will complement those from the federal government. We assist companies in evaluating these options, advising on local HR, legal and tax rules and incentives.

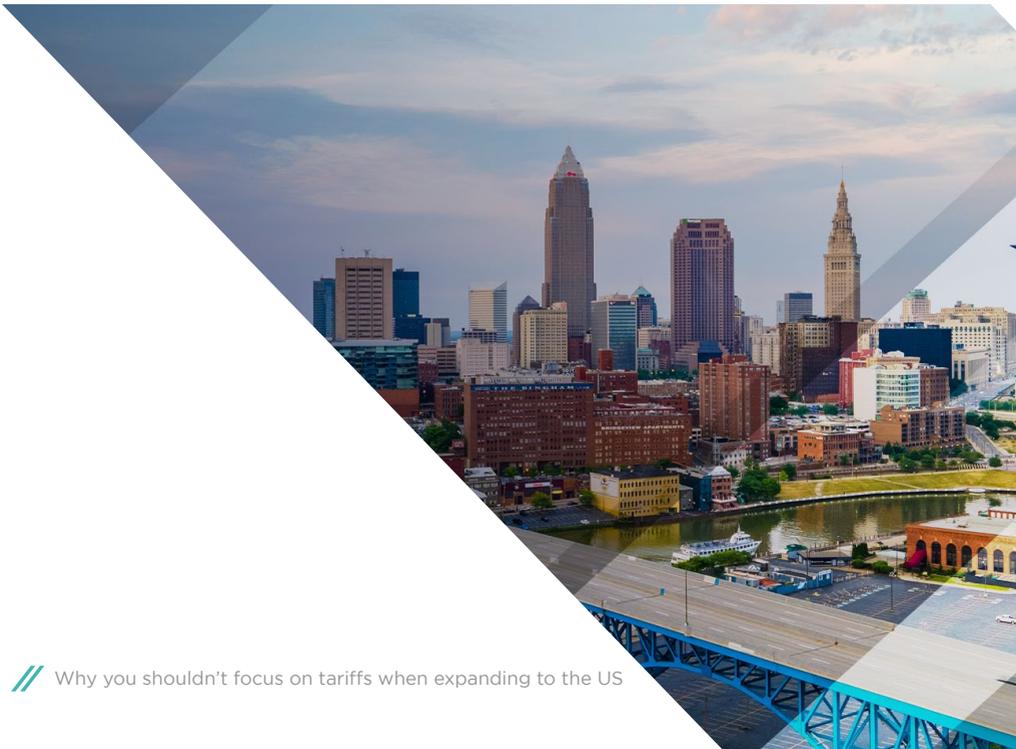


# Ongoing operations

Setting up operations, creating an entity, hiring your first people and opening a bank account can all be done relatively quickly. It may be more complicated in the future, however, for staff to move from the parent company to the US. Under the evolving immigration regime, for example, local staff may need to be hired, and operations begun, before even the most senior staff can qualify to move to the US from an overseas Group.

Meanwhile, we can support ongoing operations because we know how to get things done in the US. We can act as a local, part-time CFO and tax adviser, offering accounting and compliance services. And we can provide HR support and align, to the extent possible, US employment contracts and benefits with those of the wider Group.

And, because every company is different, we customise our services for each client and have highly flexible processes and procedures. Our team is comprised of both US nationals and professionals from other countries, enabling us to fill any gaps in cultural understanding. We can explain, for example, the difference between doing business in Europe or Asia and doing business in the US.



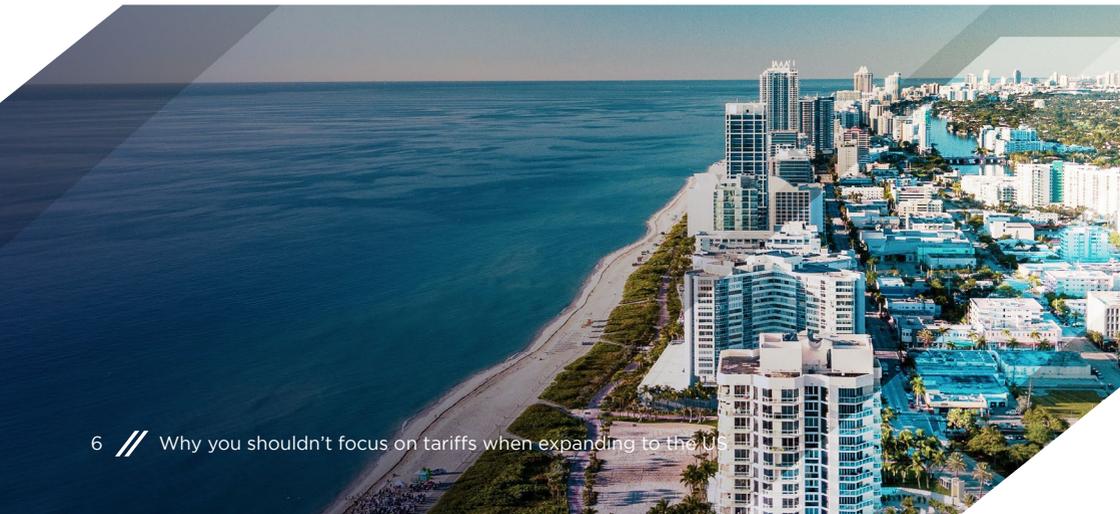
# Creating value

We have already seen a significant increase in the number of clients seeking our support to set up US operations. While some companies have been hesitant due to the rapid changes under the current US administration and have suspended expansion plans, we are working with many that are seizing the opportunity to capitalise on the long-term potential the US offers.

They recognise that, while there is a lot of noise right now, we have weathered many crises since 2020, including the Covid pandemic and the unstable world that followed, yet businesses have continued to grow. There is significant capital in the US that's ready to be invested, so if you want to raise funds, grow your business and create value, this is the place to be.

Businesses don't expand to the US for the short term. They come with a long-term vision to develop their operations, and you can't do that in two years. You come here to build a business, to grow and then, eventually, to look at an exit strategy – potentially within five to ten years. While there will be some trade disruption over the next two to four years, policies may also shift. So, focusing on temporary measures isn't the way to look at your objectives and define your strategy.

The US offers unmatched opportunities for growth, access to capital and operational efficiency, making it a prime location for ambitious companies looking to expand their global footprint. Foreign investors and entrepreneurs can position themselves for success by prioritising long-term strategic goals and leveraging the unique benefits of the US business environment.



# How ZEDRA can help

At ZEDRA, we have extensive experience supporting clients with their global expansion strategies and we have market expertise in several countries.

We are skilled at advising businesses on what they need to do based on what they're trying to achieve.

Contact us to find out how we can help you.

## Why ZEDRA?

Clients often tell us they chose us because of our:



### Experience

Together, our dedicated multidisciplinary team has decades of experience helping companies expand into new markets.



### Service

Quality, efficiency and expertise underpin everything we do. We get to know your changing needs over time and adapt and evolve our offering alongside your business.



### Communication

We think of ourselves as an extension of your team and maintain a close working relationship with everyone including your other professional advisors, leadership team and individual employees.



### Pricing

We provide scalable, tailored charging structures dependent upon the level and complexity of the services required. We know how important transparency is and fees are communicated and agreed upon at every stage.



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or contact us on:



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ZEDRA Group

The content of this document is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

This document must be read in conjunction with our Legal and Regulatory notice at [www.zedra.com](https://www.zedra.com)



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