



Business Structure and Pricing

Challenge:

A manufacturing client was shipping parts to a client out of the country and the gross margin on the sales of these parts was very low. The client decided to open a location in this foreign country in a free trade zone and needed assistance with the structure of the entity and ideas on pricing of the product to their customer and the US entity.

Solution:

GBQ met with the client to review the objectives of the new entity and how to bring any profits back into the United States. GBQ was able to determine the best possible way the entity should be structured in order to defer taxes on the profits of the new entity until those profits are distributed back to the US company. Additionally, pricing was established in order to successfully meet the foreign country's income requirements while at the same time, increasing the overall gross margin of the products that were produced.

Benefits:

The Company successfully established a foreign entity that began generating better margins for the consolidated group. Cash flow improved since taxes were deferred until distributions were made back to the United States.