

### ***Business transfers: impacts on import and export***

***The transfer of ownership of a business is a crucial transaction for entrepreneurs, owners and company executives, whether they are acting as owners, buyers or successors to the business. We all know that for any type of transfer, a regulatory audit is the process key.***

Similarly, we know that the various steps of this regulatory audit will logically target the owner himself, finance and its team, human resources, information technologies, production, sales and marketing of the business being transferred.

But - what about their import-export operations? These must, in particular, be examined. In my experience, 80% of all companies are involved in some type of trade - import or export, or both. How many of these companies perform regular performance audits other than just looking at sales numbers? Unfortunately, very few.

In business ownership transfers, import-export operations are either ignored or only briefly audited, and most often by auditors or evaluators who lack real expertise in this domain. I have witnessed at times reviews wherein international transactions are often just carried-over from comments or misunderstandings passed on from the previous owners or operators.

Amongst the many items that require being included in a regulatory audit, you should be mindful of the following: conformity and compliance of goods to the laws and regulations countries where they are destined, labelling and markings, customs and various import regulations, intellectual property rights, contracts, traceability, maintenance of registers and fiscal or tax aspects.

These are but a few examples of recommended audits. In addition, I would add whether any contractual agreements comply with current regulations and under what legislation? Are you sure that your goods or services are protected under intellectual property right regulations? If claim preferential tariff treatment for goods you produce NAFTA (or other Regional or International Trade Agreements), do the goods qualify? Can you demonstrate the origin and traceability from your raw materials to your finished goods? On what basis were import costs and sales prices established?

Through these audits, you may well discover that while some elements may conform and be appropriate, others will not. What are the potential risks? What costs, financial and/or operational, would these compliance deficiencies or lags in conformity represent for the company?

During a regulatory audit, our team consists of at least three professionals. Under our guidance, teams may comprise lawyers, taxation analysts, accountants and other experts as dictated by the type of company, its goods, its market, its processes and/or services.

We conduct these verifications using data from the company and the country (ies) involved in transactions. We issue recommendations to allow all parties to grasp an improved understanding of the situation, the required work and its imparted value.

The scope here is to plan and not simply react. Our vast experience supports our ability to plan and to participate in a successful

transfer of a business' assets. We can identify dangerous transactions or even incorrect ones resulting from inadequate audits. In some cases, especially if we might have been invited late in the process, some significant consequences of faulty or no compliance processes become unavoidable.

Here is an example of a dangerous transaction: import customs operations were not audited properly at the time of the transaction (we need to remind all that the responsibility of importers and exporters is retroactive). Consequently, a successor finds himself with a sizeable debt and the loss of one or more privileges. As you may well imagine, the market impact and/or commercial value of this successor could bring significant damages.

When dealing with import or export controls, the consequences and impacts of actions or inactions (whether by improper knowledge or ignorance) are often significant, even crucial to the whole company, its value and ultimately, in this case, on its transfer.

This regulatory verification adds itself to all audits performed by other experts/consultants to create a whole. When conclusions and negotiations are decided upon, they will be fashioned based on a thorough study.

At all times, we focus on the SUCCESS of all transactions for both parties.

***All the best!***

**By: Thérèse Vanasse**

ADMINISTRATOR AND MANAGEMENT CONSULTANT

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**More information on our website:**



***www.vanasse-associes.com***

**info@vanasse-associes.com - Telephone : 514-955-4701**