

When you're ready to take your business overseas, you might consider establishing a subsidiary. This process can be challenging, but it comes with benefits. At Globalization Partners, our subsidiary outsourcing service allows you to enjoy the benefits of operating in a new country without the hurdles.

## How to Set Up a Tonga Subsidiary

Establishing a subsidiary starts with reserving your company name with the Business Registries Office. Your name needs to be unique, and your reservation will last for 20 days. If you don't finish your incorporation within those 20 days, you have to reserve your name again.

Then, you need to apply for incorporation with the Business Registries Office to receive your certificate. For this application, you have to identify your directors, shareholders, and secretaries as well as specify a physical address for conducting business.

When your incorporation processes, you can apply for a business license at the Ministry of Labor, Commerce, and Industries. While you won't need to renew this license annually, you will have to file a notice for continued business every year you operate.

Tonga also requires you to apply for a foreign investor license if you are not a subject in the country and own more than 25 percent of the entity's voting shares. You must apply for this license at the Ministry of Labor, Commerce, and Industries.

Once you've applied for incorporation and the appropriate licenses, you can register for consumption and income tax. Registration for consumption tax is only compulsory if your annual turnover is more than 100,000 Tongan pa'anga (¢). You can handle these registration needs through the Ministry of Revenue and Customs.

## Tonga Subsidiary Laws

One of the country's notable subsidiary laws is the required company constitution. You have to submit this official document with your application for incorporation, and it details your entity's rules and operating procedures. The Companies Act of 1995 outlines the required topics you need to cover in your constitution, including the powers of your directors and shareholders.

Your subsidiary must have at least one director, shareholder, and secretary. There are no rules regarding the nationality or legal citizenship of these positions.

### **Benefits of Setting Up a Tonga Subsidiary**

While incorporating your company comes with many responsibilities, it results in considerable benefits. Your subsidiary will have its own personal and legal identity. While this allows the entity to create a business culture separate from your parent company, it also gives it distinct liability. If your subsidiary runs into legal trouble, your parent company won't be responsible, which can significantly reduce damages.

With Globalization Partners, you gain all the benefits of a subsidiary without spending the time and money to create one. As your Employer of Record (EOR), we hire your employees through our subsidiary. Rather than merely reducing the legal damages, you offload all legal risks to us for complete peace of mind.

### **Other Important Considerations**

One of the essential resources you need for establishing a subsidiary is time. While the processing time for your applications, licenses, and registrations will take about two weeks, your establishment process is much more time-consuming.

When you apply for incorporation, you need a physical address for conducting business, so you have to rent, buy, or build a property. While this may take time, you also need to identify your directors, shareholders, and secretaries. This process, paired with writing a constitution,

may take weeks or months.

Before establishing a subsidiary, you should consider how much money you have to spend to get the company running, such as flight costs, property expenses, and application fees.

### **Let Globalization Partners Help With Your Expansion**

Globalization Partners allows you to enjoy the advantages of a subsidiary without setting one up in Tonga. [Contact our team](#) today to learn more about how we can support your expansion.