The true costs of setting up your own legal entity

A guide for growing global companies

Setting up a legal entity is costly business. From registration fees and legal consultations to navigating complex local regulations, the expenses can quickly mount.

International expansion is a challenging endeavor for businesses, involving complex legal and administrative procedures, heavy paperwork, and constant worry about missed deadlines.

Let's consider a hypothetical scenario: a German marketing agency eyeing the French market. Setting up a French subsidiary might involve (just to name a few):

Legal fees	Engaging local lawyers to guide the process, draft necessary documents, and ensure compliance with French law.
Registration fees	Paying government fees for company registration, tax registration, and other necessary permits.
Payroll costs	Costs associated with paying employee salaries, taxes, and benefits in compliance with local labor laws.
Ongoing compliance costs	Meeting ongoing tax and legal obligations, such as filing annual reports and adhering to local employment laws.

So the question to ask here is: Is it really worth it?

"Deciding on which external vendor you should work with is crucial. Based on our learnings, the experience varies a lot from country to country.

If you go for a big vendor, you pay a hefty price. Or you can go for a local vendor but you need to evaluate them correctly.

Looking at the costs and risks involved in entity setup and management, you end up spending upwards of **€60,000** per year"

Jan Boeckstiegel

CFO and Managing Director at WorkMotion

Let's take a look at a step-by-step breakdown of the costs involved in setting up an entity to help you make an informed decision about your global expansion strategy.

Initial setup

Service	Cost	Timeline
Sourcing a law firm & initial legal consultation to set up a subsidiary in a foreign country	One-time fee ranging from **€2,500** (e.g. North Macedonia) to **€5,000** (e.g. Mexico)	**1-2 months**
Incorporation of a foreign subsidiary	One-time fee ranging from **€1,200** (e.g. Finland) to **€3,000** (e.g. Lithuania)	**2-6 months**
Notarization of documents	One-time fee ranging from **€400** to **€2,000**	**1-2 months**
Sourcing of tax/physical address & office costs	Office rent ranging from **€50** to **€1,300** per month	**1-4 months**
Local directorship services	A monthly fee ranging from **€250** (e.g. Ukraine) to **€700** (e.g. Mexico)	**1-2 months**
Bank account opening	A one-time fee ranging from **€300** (e.g. Mexico) to **€1,000** (e.g. Ukraine)	**3-10 months, depending on the KYC process**

Recurring fees

Service	Cost	Timeline
Payroll setup fees	One-time fee ranging from **€450** (e.g. Finland) to **€1,000** (e.g. Spain)	**2-4 months**
Recurring payroll services	Variable monthly fee eg. from **€200** for 1 hires in Slovakia to **€4,000** for 113 hires in Italy	
Recurring accounting fees	Monthly fee ranging from **€250** (e.g. Ukraine) to **€1000** (e.g. Italy)	
HR vendors (Health and Safety + Medical exams	Yearly fee from **€700** (e.g. Greece) to **€9,000** (e.g. Spain).	
Employment agreements drafting	One time fee ranging from **€2,000** (e.g. Ukraine) to **€4,000** (e.g. Mexico)	**1-4 months**
Ah hoc legal, payroll and accounting support	Ranges from **€2,000** to **€20,000** per year	
Dedicated in-house project management	Ranges from **€3,000** to **€10,000** per month	

Total estimated cost

At best	At worst
€13,900	**€62,000**

“Something that’s underestimated is the effort it takes to run these entities. What happens if there are situations when things go wrong and you’re not familiar with the processes? How much will you have to pay if something is not part of a standard process?

Sometimes you can have crazy cost spikes because you might run into unexpected situations.”

Jan Boeckstiegel

CFO and Managing Director at WorkMotion

What are the risks of establishing your own entity?

There are some typical risks that companies don't think about when setting up an entity in another country.

Compliance deadlines	Meeting strict deadlines for various filings and regulations can be challenging and costly if missed.
Outlier processes	Navigating unfamiliar processes that vary significantly from country to country can be time-consuming and inefficient.
Strict government authorities	Underestimating the complexity of government rules and the limited room for negotiation leading to delays and costs.

Every country has its tax deadlines, social contribution deadlines and they vary drastically throughout the month. You need to make sure your processes are speedy enough to deliver payments on time. Something else that’s overlooked is that as your company and headcount grows, different rules will start to apply and this will vary from country to country. You might have requirements to do training or security representations for employees. So you need to be aware of these thresholds and these dates.

“Something people tend to underestimate is how strict government authorities are in other countries with the enforcement of rules. This is where it becomes tricky because you have to deal with local authorities.

Eg. in Spain, you not only deal with the national authority but also with local authorities such as the Labour Inspector in Barcelona. That’s why your team and processes need to be super-efficient to deliver on time.”

Jan Boeckstiegel

CFO and Managing Director at WorkMotion

At WorkMotion, we have built an in-house tool to deal with this complexity. This tool helps us manage everything automatically.

Because nobody can manually keep track of all these dates and deadlines especially with all the different countries we manage.

Is there an easier way to hire abroad?

Absolutely. With WorkMotion, you can hire skilled talent in 160+ countries without setting up a local entity with our Employer of Record (EOR) services. An EOR is a service provider that manages the legal, HR, tax and local compliance responsibilities of your talent in any country where you don't have your own legal entity.

An EOR hires, onboards and pays your talent on your behalf. The EOR is the legal employer while you retain the role of managing employer, looking after the day-to-day management of the talent.

"People underestimate how much of this process is still paper-based, even though we live in a digital world. So setting up a bank, for example, takes much longer, sometimes several months to be set up"

Want to find out how our EOR can help you circumvent all this effort and cost in the most compliant way possible?

Let’s talk