



Offshore Companies

THE COMMON CHARACTERISTICS OF AN OFFSHORE COMPANIES ARE LOW OR ZERO TAX AFFORDED BY THE JURISDICTIONS WITH STRONGER PRIVACY LAWS THAN THEIR ONSHORE COUNTER PART.

INTRODUCTION

The reasons for owning an offshore company will, of course, vary from situation to situation and we recommend that clients obtain specialist tax advice from an advisor familiar with their country of domicile/residence before establishing a company. The tax and other advantages which can be gained will depend upon the country of residence of the beneficial owner and its anti-avoidance legislation.

ADVANTAGES

- Mitigation of local taxes
- Confidentiality of ownership; nominee directors and shareholders are provided
- Flexibility and adaptability, whilst a company may commence for a particular purpose it can, in most cases be used to deal with other types of transactions
- Facilitate transfer of underlying assets by transferring shareholding

USES

The following is just a small selection of the uses which may be considered (this should not be taken as advice).

INVESTMENT COMPANIES

Investment in property, stocks and shares, commodities and other assets. The offshore company may provide anonymity and tax savings. Funds accumulated can be invested or deposited throughout the world, although the funds may be subject to the tax regimes of the countries in which the investments are located. There are countries with tax free bonds or bank deposits where interest is paid gross.

INHERITANCE TAX PROTECTION

Where a person is domiciled outside a territory and owns assets located in that territory, for instance, property, then such assets may be protected against inheritance tax and higher rates of taxation by holding the assets through an offshore investment company.

USING DOUBLE TAXATION TREATIES

The use of companies incorporated in certain jurisdictions may be of benefit where double taxation treaties exist between the offshore jurisdiction and the country in which an investment (business/enterprise) may be made. Good examples of this are Mauritius (which has double taxation treaties with India and China) and Cyprus (which has many, but of significance are those with the ex-Russian states).



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ROYALTIES/PATENT/COPYRIGHT HOLDING COMPANIES

The purchase or assignment of the right to use a copyright, patent, trademark or know how by an offshore company which may accumulate the royalties received in the tax haven. In some circumstances the royalties may be subject to withholding tax at source, however, the interposing of a second company in another jurisdiction may reduce the rate of tax withheld at source.

SHIPPING COMPANIES

Ships or yachts may be owned by an offshore company and registered in an offshore jurisdiction which can prove a cheaper and more tax efficient method of ownership.

OVERSEAS PROPERTY

Many of the difficulties and expenses associated with investment in overseas property, such as holiday villas or commercial property may be avoided through the use of an offshore company to hold the title of the property. Sales of the property at a future date can be dealt with quickly and easily by the sale of the company shares to the purchaser. This also saves legal fees and overseas transfer and value added taxes levied by certain foreign countries. It can also be used to successfully avoid capital gains and inheritance taxes.

LIMITED LIABILITY COMPANIES (LLPS) IN THE UNITED KINGDOM

A limited liability partnership is a form of legal business entity with limited liability. Limited liability partnerships are taxed as partnerships but in most other respects they are very similar to companies. They must have at least two, formally appointed, designated members at all times. (Designated members are similar to executive directors and the company secretary of a company). If there are fewer than two designated members then every member automatically becomes a designated member.

TAXATION OF A UK LLP

Provided that no business or trade is carried out with or within the United Kingdom and the members are located outside of the UK then UK LLPs have no liability for UK taxation. Basically this is because the limited liability partnership itself will not be liable for taxation on profits or gains, the profits or gains of the partnership will be assessed to tax separately on the individual partners. If these are located outside the UK then no UK tax is payable.

JURISDICTIONS

The choice of jurisdiction depends very much on the reason the company is being established. For example in certain cases a UK company may be the best choice if property was purchased in Italy as this type of company would mitigate stamp duty. Alternatively, if a company is trading with China, Mauritius could be considered as it has a double tax treaty.

In most cases a simple British Virgin Islands company would be the easiest and one of the cheapest jurisdictions to use.

Whichever jurisdiction is recommended by the clients tax advisor they can be administered from either our Guernsey or Geneva office.

Companies can be formed in a vast range of jurisdictions to suit the relevant transaction and to take advantage of certain tax treaties and benefits. The Louvre Group is able to form and administer companies in jurisdictions such as:-

Anguilla, Bahamas, Belize, Bermuda, British Virgin Islands, Canada, Cayman Islands, Costa Rica, Cyprus, Delaware, Gibraltar, Guernsey, Hong Kong, Luxembourg, Madeira, Netherlands Antilles, United Kingdom, etc...

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Established in Guernsey in 1976 the Louvre Group has grown into a successful, privately owned international operation offering confidential, personal and professional offshore and onshore services to both private and corporate clients