

The Ultimate Guide
to
Offshore Tax
Havens

Samuel Blankson

The Ultimate Guide to Offshore Tax Havens

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Introduction

Let us now look offshore to the places you could move your business, family, and investments, to gain privacy, security, and a reduction or total elimination of your taxes.

Before you read any further, you need to decide if moving offshore is the right decision for you. You can regularly move between half a dozen high tax countries without incurring major taxes, as long as you do not generate any sources of income in these countries, or overstay the minimum period to become a taxable resident there. By the latter, I mean that you should never stay for longer than the 182 days¹ that normally entitles you to be considered a resident for tax purposes. For instance, if you spend less than 3 months a year in the US, UK, Australia, Canada, or in the many European and Asian developed countries, you would never qualify as a resident for tax purposes, yet you could enjoy the benefits of these countries whilst avoiding their associated tax headaches. To do this, you must first make sure that you are in a financial position to afford such a lifestyle.

One option would be to move yourself and your family around regularly. However, considerations such as schooling or friends for the children etc, would greatly limit you here, unless you were to take on all your family's assets through special offshore trusts, and a carefully drafted will. To avoid moving your family around, you could leave your family in one country, and support them with sufficient funds that would avoid attracting major taxes whilst you, the main tax liability, moved around to avoid attracting huge tax bills.

However, there are better ways than this complex and inconvenient lifestyle for cutting your taxes. You can relocate the whole family to an offshore tax haven. You can pick any of the many tens of locations that best suit you and your family. We will now explore this option by looking at the offshore options available to you worldwide.

Why Consider Moving Offshore

The benefit for doing anything offshore is normally related to tax avoidance and legal freedom. Many tax havens around the world offer financial security through government legislation, as well as privacy through their banking laws.

¹ This residency period is roughly 182 days a year on average for developed countries, the period differs from country to country. Even in the countries that allow 182 days, there are special rules if you stay more than 3 months a year over a set amount of years, e.g. you may become a resident if you stay for 3 months a year, for over 3 years.

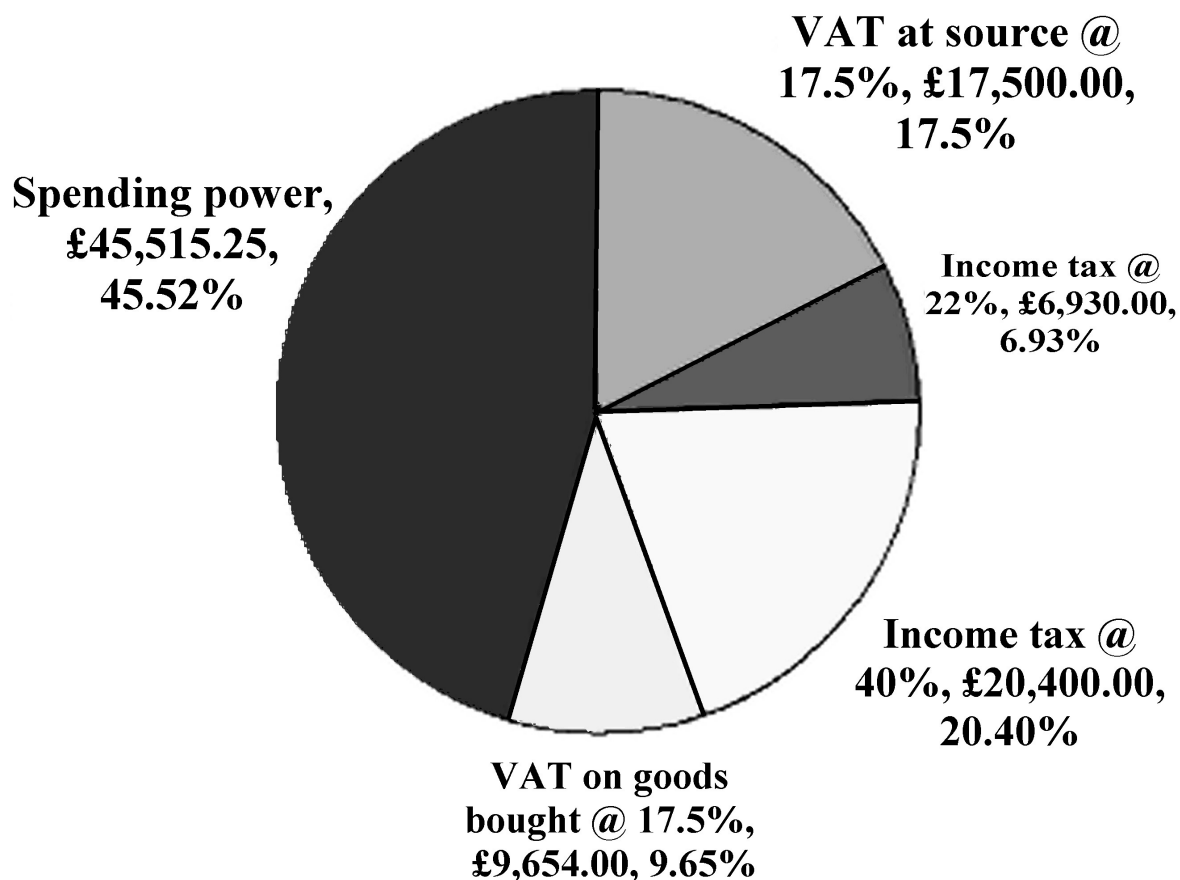


Figure 5-1: Effects of tax on your income

Many countries have restrictive tax laws that will erode your profits and often limit your spending power. In the UK, VAT is charged on most goods at a rate of 17.5%. Income tax is charged at a three-tiered rate depending on your income.

For example, if you generated £100,000 per annum, you would pay £17,500 before you received your gross income of £82,500. This £17,500 VAT would be kept by your employer, and paid back to Customs and Excise at the end of their business year. (If you were VAT registered and self-employed you would do the same). You would lose £6,930 from the remaining £82,500 to income tax at the lower rate (charged at 22% up to £31,500), and £20,400 to income tax at the higher rate (charged at 40% after £31,500). You would be taxed a further 17.5% for VAT on all the goods and services you bought with the remaining £55,170. That would leave you with £45,516.00. See the chart in Figure 5-1 for a visual representation of the effects of these taxes on your income. This means that in total, you would lose 54.48%² of your generated income to taxes.

² This value would be increased further because it does not include all the other taxes covered in the previous Onshore section, i.e. road tax, TV license, council tax etc. You may be able to offset some of these taxes as already mentioned in the Onshore section.

If however, you generated all this income offshore and you lived in a tax haven, you would earn £100,000 and keep £100,000. Do you think it is worth relocating offshore, to save 54.48% of your generated income?

See <http://www.lowtax.net> for a full listing of the offshore jurisdictions, and their detailed reports. Also, see Appendix 2 for a full listing.

Types Of Tax Havens

Not all tax havens are free from all taxes. Some of them offer a lower rate tax, or tax their businesses but not their citizens. Others tax their investors but not their locals, or visa versa. Because of this, you will need to be clear on exactly what you want to do offshore. Will you keep funds offshore, and invest from there internationally? Will you relocate there and become a resident? Will you start a business offshore and generate your income offshore? These options and many combinations of these options are available to you. By deciding which option to take, you will eliminate some of the countries from your list.

The geographical location of the country that you finally select will require great consideration. Do you want to live in a warm country or a cooler one? Do you want to live in a country with a culture that is similar to that of your current home? Alternatively, would you prefer to get away from it all? Do you need to be closer to Europe, America etc, or is the world your oyster?

The national language of the country will also play a part in your decision. Do you want French, English, Spanish, Portuguese, German, or another language to be the main language of the offshore jurisdiction?

The infrastructure of the country will also play a large part in your decision. Do you need the country to have modern communications, public transport, medical facilities, and utilities, or are you prepared to live somewhere without some of these amenities and facilities? Do you need a fax machine, internet, mobile phone etc to do business, and feel comfortable? If you do, you will have to avoid the under developed jurisdictions.

The cost of living in the chosen jurisdiction will determine whether you are financially able to afford the lifestyle in the offshore jurisdiction. In some offshore havens in Europe and the Caribbean, the cost of living is comparable to some western countries.

Security issues are perhaps the most important consideration. Is the country safe? Is there a military government? Are the government and policing forces corrupt? When last was the country involved in a civil war? Have they ever been involved in military action against their neighbours? Are there terrorists operating in the country? What is the crime rate? How are foreigners treated?

Finally, after you have eliminated all the jurisdictions that do not match your requirements, a handful will be left. The best way to finalise your decision is to travel to the jurisdictions and live there for a few months. This is sufficient time to decide whether you want to settle there or not.

Living in an offshore haven is perhaps the best way of accelerating the growth of your net worth. This is because you are saving money through spending less due to a lower cost of living, as well as eliminating loss of income through heavy taxes.

There are many more advantages to living in a tax haven, however for an investor, the privacy of banking, exemption from taxes, and a better quality of life, are often the most important.

For a list of offshore banks, visit <http://www.worldoffshorebanks.com>.

Offshore Havens

We will focus on three identified considerations when deciding on the offshore jurisdiction to select for relocation. These are:

- Language
- Geography
- Religion

Language

Relocation is difficult enough without having to deal with a foreign language. For very few, moving to a country that speaks a different first language is desirable, as perhaps they want to learn that language, but the vast majority would like to move to a country which speaks the same language they are accustomed to. For this purpose, I have arranged the offshore havens linguistically. The main languages represented are:

- English
- French
- Spanish
- Italian
- Portuguese
- Russian
- Indian
- Chinese
- Japanese
- Swahili

Geography

As most of you have ties in your old country of residence, it will be favourable for the offshore locations you chose to be close to home. This will allow for regular visits to family and friends, and allow family and friends to visit you. Therefore, we will divide the world into nine sectors, to meet this geographic goal. These geographic divisions are:

- North America and Canada.
- South America.
- Western Europe.

Eastern Europe and Russia.
Mediterranean, the Aegean, and North Africa.
Africa.
The Indian Ocean and the Middle East.
Asia and the Orient.
Australasia and Oceania.

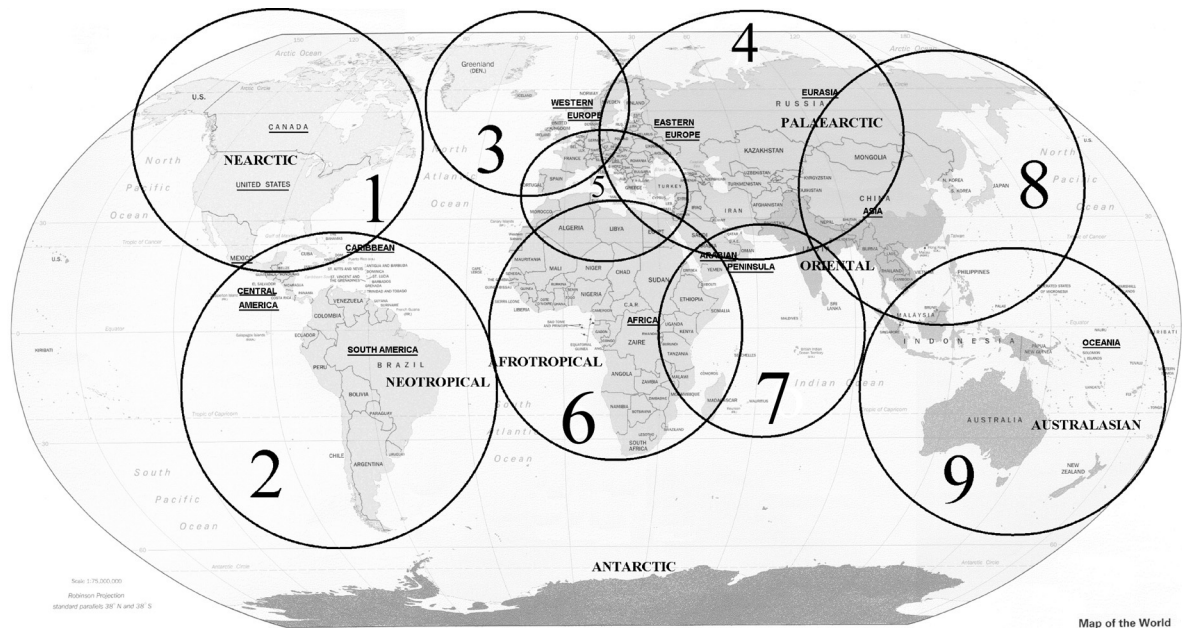


Figure 5-2: Geographic division for offshore selection

Religion

For some, religion is the most important factor to consider when moving offshore. For this purpose, I have included information on the religious representation in each offshore tax haven. These include the following:

- Muslim.
- Judaism and Christian.
- Eastern (Hinduism, Taoism, Buddhism, Jainism, Sikhism etc).

See Appendix 3 for a list of states and their official religions.