

**The practical guide to**

**Total  
Financial  
Freedom**

**Volume 5**

- **Avoiding Taxes**
- **Offshore Tax Havens**
- **The PT Way**

**Samuel Blankson**

*The Practical Guide to Total Financial Freedom: Volume 5*

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## Contents

<b>ACKNOWLEDGEMENTS .....</b>	<b>V</b>
<b>CONTENTS .....</b>	<b>VII</b>
<b>INTRODUCTION .....</b>	<b>XIII</b>
<b>CHAPTER 5 .....</b>	<b>1</b>
<b>Tax Avoidance: Keeping Your Returns From Erosion Through Unnecessary Taxes .....</b>	<b>1</b>
<b>Introduction To Tax Avoidance .....</b>	<b>2</b>
<b>Onshore.....</b>	<b>3</b>
Introduction To Onshore Tax Avoidance .....	3
Cutting Back On Your Taxes .....	7
Income Tax.....	7
Take full advantage of your entitled allowances .....	7
Family .....	8
Tax credits.....	8
Parents.....	8
Child tax credit .....	9
Working tax credit .....	9
Married couples file separately .....	9
Child maintenance.....	9
Allowances .....	10
Children's personal allowance .....	10
Married couples allowance .....	10
Personal allowance for under 65s .....	10
Personal allowances for over 65s.....	10
Capital gains tax (CGT).....	10
CGT and couples .....	12
Offset your CGT allowance .....	12
CGT, shares, and securities .....	13
Taper relief.....	13
Other reliefs .....	15
Residence and domicile status .....	16
Inheritance tax (IHT).....	16
Investment Types Suitable For Tax Efficiency .....	19
Use tax-exempt savings .....	20
Married or partnered investments .....	20
Invest in unit trusts, investment trusts, and OEICS.....	20
Pension .....	21
Pensioners investments.....	21
Overseas pensions .....	22
Invest offshore.....	22

Warning on using offshore investments .....	22
Life Insurance Tax .....	22
Void ISAs .....	22
Buy-To-Let And Stocks .....	22
Invest In Small Companies.....	23
Enterprise investment scheme (EIS) .....	23
Qualifying companies .....	23
Losses made on Securities.....	24
Employment.....	24
Taking income tax rates into consideration.....	24
Working from home.....	24
Repayment claim form .....	25
Multiple employments .....	25
Receive interest gross.....	25
Employee share schemes.....	25
Tax free fringe benefits .....	25
Property .....	26
Letting your home .....	26
Buy-to-let.....	27
Rental losses.....	27
Rent-a-room relief .....	27
Stamp duty .....	27
Other Tax Saving Ideas.....	28
Change cars.....	28
Relocate .....	28
Duty free.....	28
Gifting.....	28
Gift aid.....	28
Confirm your tax code is correct .....	29
Make sure tax details are up to date.....	29
Minimising Your Current Tax Liabilities Through A Business .....	29
Types of businesses .....	29
The sole trader.....	30
Advantages.....	30
Disadvantages.....	30
Partnership.....	30
Advantages.....	30
Disadvantage.....	31
Limited company.....	31
Advantages.....	31
Disadvantages .....	32
Limited liability partnerships (LLP).....	32
Using your business to minimise your taxes.....	32
National insurance .....	33
Consult or contract.....	34
Partnership tax return.....	34
First year allowances .....	34
Pre-trading expenditure.....	35
IR35 .....	36
Reducing payments on account.....	36
Roll over relief .....	36
IRS mistakes in tax calculation .....	36
Provision of computer equipment .....	36

Cars .....	36
Pool cars .....	36
Using your own car .....	37
Advisory fuel rates for company cars.....	37
General advice .....	38
More Information .....	39
<b>Offshore.....</b>	<b>41</b>
Introduction To Offshore Tax Havens .....	41
Why Consider Moving Offshore .....	41
Types Of Tax Havens .....	43
Offshore Havens.....	44
Language .....	44
Geography.....	44
Religion .....	45
North America And Canada.....	46
Canada.....	46
USA .....	50
Bermuda.....	54
Bahamas .....	56
South America .....	58
Cayman islands.....	58
St. Vincent and the grenadines .....	60
Anguilla.....	62
Aruba.....	64
Barbados.....	66
United States Virgin Islands .....	68
Saint Lucia.....	71
Saint Pierre and Miquelon .....	73
Trinidad and Tobago .....	75
Antigua & Barbuda .....	78
Montserrat.....	80
Guadeloupe.....	82
St Martin / Sint Maarten .....	84
Dominica .....	87
St Helena, Ascension, and Tristan Da Cunha (dependency of St. Helena) .....	90
Turks & Caicos .....	92
The others .....	94
Panama.....	94
Belize .....	95
Costa Rica .....	96
British Virgin Islands.....	96
Netherlands Antilles .....	97
St kitts and nevis .....	97
Western Europe.....	98
UK.....	98
Ireland .....	102
Isle Of Man .....	105
Jersey.....	108
Guernsey.....	111
France .....	114
Monaco.....	118
Germany.....	121

Switzerland.....	125
Campione.....	129
The Netherlands.....	133
Denmark.....	136
Luxembourg .....	140
Liechtenstein .....	145
Austria .....	148
Andorra .....	151
Eastern Europe And Russia .....	153
Lydhveldidh Island (republic of Iceland).....	153
Alderney .....	155
Sark.....	155
Spain - Livia and Os De Civis .....	156
Åland Islands - Finland.....	157
Kaliningrad Oblast - Russia .....	160
Baarle-Nassau and Baarle-Hertog - Netherland or Belgium.....	162
Helgoland, Schleswig-Holstein, Germany.....	163
Büsingen Am Hochrhein - Germany .....	165
Livigno.....	167
Mediterranean, The Aegean And North Africa .....	169
San marino.....	169
Mount Athos.....	171
Azores .....	173
Canary Islands .....	175
Cyprus.....	176
Portugal.....	180
Spain .....	184
Ceuta and Melilla .....	188
Gibraltar .....	190
Greece .....	193
Madeira .....	196
Africa .....	199
Somalia .....	199
Anjouan .....	202
Botswana .....	204
Liberia.....	208
Sao Tome and Principe.....	210
Republic of Cape Verde.....	212
Mayotte .....	214
Swaziland.....	216
South Africa.....	221
The Indian Ocean And Middle East.....	228
Mauritius.....	228
Seychelles.....	233
Maldives .....	236
The Middle East.....	238
Dubai.....	238
Lebanon .....	241
Qatar .....	243
Bahrain.....	246
Asia And The Orient.....	248
Hong Kong .....	248
Singapore.....	254

Malaysia .....	258
Labuan .....	267
Brunei Derussalam.....	273
Christmas Island.....	275
Aomen Tebie Xingzhengqu (Macau Special Administrative Region) .....	277
Australasia .....	279
Australia .....	279
Cocos (Keeling) Islands .....	281
Oceania .....	283
Cook Islands.....	284
Vanuatu.....	286
Fiji.....	288
Niue .....	290
Tonga .....	292
Tuvalu.....	295
New Caledonia.....	297
French Polynesia.....	299
Samoa .....	301
Nauru.....	304
Tokelau Islands (Atafu, Nukunonu and Fakaofu Islands) .....	306
Territory of American Samoa .....	308
Solomon Islands.....	310
Norfolk Island .....	312
Wallis and Futuna Islands .....	314
Marshall Islands .....	316
Federal states of Micronesia .....	318
The PT Way: How To Become Invisible To Big Brother .....	321
<b>Summary To Tax Avoidance .....</b>	<b>323</b>
<b>APPENDICES .....</b>	<b>325</b>
<b>Appendix 1 .....</b>	<b>326</b>
Offshore Tax Consultants .....	326
<b>Appendix 2 .....</b>	<b>350</b>
Offshore Countries With Little Or No Taxes .....	350
<b>Appendix 3 .....</b>	<b>353</b>
States And Their Religions .....	353
<b>Appendix 4 .....</b>	<b>355</b>
Bahamian Banks .....	355
<b>Appendix 5 .....</b>	<b>361</b>
St Lucian Banks .....	361
<b>Appendix 6 .....</b>	<b>369</b>
Map Of Europe.....	369
<b>Appendix 7 .....</b>	<b>370</b>

UK Banks ..... 370

**Appendix 8 ..... 378**

    Swiss Banks..... 378

**Appendix 9 ..... 387**

    Map Of Oceania..... 387

**NOTES..... 389**

**OTHER WORKS BY SAMUEL BLANKSON ..... 391**

**ABOUT THE AUTHOR..... 403**

## **Introduction**

If you are reading this book, you probably want to be free. Free from the rat race, free from the boss, free from the wage trap, free from the mediocrity and hopelessness of poverty, and your lack of options. Until now, you may have had no other way of achieving this within the next half a decade, but this book will change all that forever.

Time, well utilised is money. So let us get started. This book, unlike many self-help books out there will actually tell you what to do in order to achieve Total Financial Freedom.

This book is the last volume of a five volume series on creating Total Financial Freedom. This series is the sequel to, *How to Destroy Your Debts*. If you have read and applied *How to Destroy Your Debts*, then you should be debt free or at least on your way to that goal. In this volume, you will learn how to lower your taxes, avoid paying unfair and unnecessary taxes, and move offshore and pay no taxes at all.

This book will be of little use to you if you have not read and applied the *How to Destroy Your Debts*. The topics covered in this book will only be applicable if you have your finances in order. That is if you are spending less than you earn and saving at least 10% of your income. If not, you will not be able to use or apply the advice and lessons in this book, as most of what is covered require you to have some disposable income or savings. After all, the best way to make money work for you is to have money to send out to work for you. If you read, learn and apply the lessons in this book you too will achieve Total Financial Freedom.

All information given in this book should be checked out with your legal and independent financial advisor. Not all information will be applicable to everyone, as financial situations and jurisdictional laws may be restricting you from utilising some of the advice given. It is your responsibility to check out the legal position in your jurisdiction or country. Please respect local and international laws, and you will not only achieve Total Financial Freedom, but enjoy it too.

**Samuel Blankson**



## **Chapter 5**

### ***Tax Avoidance: Keeping Your Returns From Erosion Through Unnecessary Taxes***

- Avoiding Taxes
- Offshore Tax Havens
- The PT Way

## **Introduction To Tax Avoidance**

In the previous volumes of *The Practical Guide to Total Financial Freedom* series, we have covered many ways of securing, protecting, and accumulating wealth. There are people who have an interest in getting some, if not all, of your money. Whilst you can shield yourself against most of these potential wealth stealers with insurance cover and good legal representation, you are limited to what you can do against the biggest wealth stealer of them all: governments and their wealth eroding strategies incorporated into their tax laws.

Every year, new tax laws are introduced to plug loopholes. The Inland Revenue achieves this by introducing new reporting and disclosure laws, further limiting your ability to avoid paying excessive taxes.

Taxes were originally introduced to fund war campaigns, but today they have matured into institutions of their own. Governments introduce laws that will increase their main source of financing - taxes. This leaves you almost powerless to stop the ever-increasing routes in which your hard-earned money is siphoned through the taxes we pay.

There are some avenues for the private individual to legally secure and protect themselves against some of these taxes. However, these methods are never long lasting, as the tax departments of the government are constantly reviewing ways to plug these benefits and loopholes.

Governments also introduce new legislations and tax laws, which restrict and further complicate the methods and structures that you can legally use to avoid these taxes. This means that you almost have to be a qualified tax lawyer who is constantly studying new proposals and tax laws, in order to creatively identify and devise ways to avoid taxes.

In this chapter, we will look at the various ways of avoiding taxes in the UK. The advice given in this book will be somewhat general, because nowadays, tax laws change so often, that by the time you read this volume, any specific advice offered would have lost its advantage. The nature of the advice given here is general, in the sense that it is applicable in most countries. Therefore, you can take some of the ideas and advice given here to your accountant or tax advisor as a basis for discussion, to find how you may achieve similar results in your country.

The second part of this volume deals with offshore tax havens. In the Offshore section, we shall look at how you can find the ideal offshore jurisdiction for your purposes. To this extent, we will look at offshore tax havens in every continent on the globe and analyse their benefits and disadvantages. The focus will be on total tax eradication; however, many low tax havens will also be discussed.

For those of you who seek the highest levels of privacy, financial protection, and freedom, The PT Way at the end of this volume, will show you ways to achieve this.

## **Onshore**

### **Introduction To Onshore Tax Avoidance**

There are two main categories of taxes: personal and business. Business taxes are related to taxes levied against businesses, and business owners. Most governments are careful not to over exert themselves in this area, as they do not want to drive corporate investment abroad where lower taxes on businesses will allow businesses lower operating costs.

To this extent, although complex, business taxes are geared towards taking a percentage of business profits after many allowed deductions. For this reason, business owners generally have a better tax position than non-business owners do. For instance, a business owner's car, home, travel costs, investment losses etc, can be offset against taxes, thus reducing his/her overall tax exposure. Private individuals on the other hand, are more exposed to the government taxes because of the limited deductions they are allowed to include in their tax calculations, compared to businesses.

There are taxes for the value added to raw materials; taxes on commodities that are harmful for the individual's health, like tobacco and alcohol; taxes on large purchases; taxes on property purchase, ownership, and sale; taxes on income; capital gains from investments; and the list goes on. In fact, it seems that every year, governments think up more ways of siphoning tax money from their citizens. Those who oppose or complain are fined, jailed, or have their livelihood and good name discredited or destroyed.

We will look at personal taxes, and business taxes. We will look at how to minimise or avoid these taxes. At the end of this chapter, you will have examined options and methods available to you today for greatly reducing your tax exposure, or eliminating your taxes altogether.

We will first look at various methods of minimising your tax exposure without leaving your home country. In most western countries, you will not completely be able to avoid taxes, but you will drastically be able to reduce your taxes, by over 75% in some cases. You can achieve this by using some simple techniques, systems, and methods for arranging your financial situation.

We covered earlier that as an employee, you are in the ideal position to be exploited by the government tax offices. They do this through a range of high tax rates levied directly or indirectly on residents. Business owners have many tax advantages over their employees. The tax laws for businesses affect the individuals who own these companies; therefore, we will look at a mixture of personal and business tax saving ideas in this section.

We will concentrate on the UK tax laws for 2004/05. You will find that UK tax laws have many similarities with other country's tax laws. The list that follows, will give UK taxpayers specific ideas and information that they can take to their tax consultant or Independent Financial Advisor (IFA), to discuss in more detail. Readers from other countries can also take these ideas and concepts for further investigation to their tax consultants or IFAs, to find ways of achieving similar results using their country's tax laws. The following list is a list of taxes levied against UK residents and UK businesses:

**VAT on Income** – Tax deducted from your income at source, from your employer. This tax rate is 17.5%.

**Income Tax** – Tiered tax deductions made at source from your salary. The highest rate in the UK is 40%. (See <http://www.inlandrevenue.gov.uk/rates/it.htm>).

**Saving's Income Tax** – This tax is similar to income tax, but is deducted from your saving's income. Tiered deduction claimed after your tax return. The highest rate in the UK is 40%. (See <http://www.inlandrevenue.gov.uk/rates/savings.htm>).

**National Insurance** – Compulsory deduction for national pension, deducted at source from your salary. The highest rate in the UK is 12.8% of your income. A complex table of classes is used to calculate this. (See <http://www.inlandrevenue.gov.uk/rates/nic.htm>).

**Car Tax** – In the UK, if you use your own car for work, and you exceed the allowance on fuel and mileage, it will attract added national insurance, and other taxes. (See <http://www.inlandrevenue.gov.uk/rates/travel.htm>).

**Capital Gains** – Profits made from the sale of any assets are added to your income and taxed for income tax and capital gains, at a tiered rate similar to the income tax tiered rates. (See <http://www.inlandrevenue.gov.uk/rates/cgt.htm>).

**Stamp Duty** – A tiered rate deducted on transfer of property or land. In the UK, the highest rate is 4% of the property value. (See <http://www.inlandrevenue.gov.uk/rates/interest.htm>).

**Inheritance Tax (IHT)** – This is a deduction against inheritances. In the UK, this is charged at 40% over the threshold of £263,000. This figure may change annually. (See <http://www.inlandrevenue.gov.uk/rates/inheritance.htm>).

**Tax Charges** – If you under pay your taxes or are late in paying your taxes, there will be an interest rate levied against the sum owed, over the period owed. This is normally close to the Bank of England base rate. (See <http://www.inlandrevenue.gov.uk/rates/interest.htm>).

**Value Added Tax (VAT)** – A 17.5% deduction made on the sale of goods that undergo production and distribution. This tax is charged at every sale point. (See <http://www.hmce.gov.uk/business/vat/vat.htm>).

Taxes are levied against manufacturers and affect the prices you pay for goods:

**Aggregates Levy (AGL)** – Tax for manufacturers who use sand, stone, rocks, and gravel. (See <http://www.hmce.gov.uk/business/othertaxes/agg-levy.htm>).

**Alcohol** – A tax for manufacturers of spirits and beers. (See <http://www.hmce.gov.uk/business/othertaxes/alcohol.htm>).

**Air Passenger Duty (APD)** – This is the latest UK introduction. It is a tax for passenger carriers (airlines) per passenger. Currently this tax ranges from £5 to £40, depending on the destination and class of travel. (See <http://www.hmce.gov.uk/business/othertaxes/air-pass-duty.htm>).

**Climate Change Levy (CCL)** – A tax for power generation and green house gas generating companies. (See <http://www.hmce.gov.uk/business/othertaxes/ccl.htm>).

**Excise Assessments, Penalties, and Appeals** – Interest charged on underpayment or late payment of VAT. (See <http://www.hmce.gov.uk/business/othertaxes/interest-charged.htm>).

**Gambling** – The rates of the different gambling duties are:

- *Lottery duty* – Levied at 12% of gross stakes.
- *General betting duty* – Levied at 15% of net stake receipts.
- *Pool betting duty* – Levied at 15% of net pool betting receipts.
- *Bingo duty* – Levied at 15% of bingo promoter's profits.
- *Gaming duty tiered* – This ranges from 2.5% to 40%.
- *Amusement machine licence duty* – This is tiered from £30 to £1950 per machine, based on licence period.

(See <http://www.hmce.gov.uk/business/othertaxes/betting.htm>).

**Insurance Premium Tax** – This is a tiered levy from 5% to 17.5% on all insurance policies. (See <http://www.hmce.gov.uk/business/othertaxes/ins-prem-tax.htm>).

**Landfill Tax** – This is a tax on waste disposal companies. This tax has some complex rules, but roughly amounts to £15 per tonne of disposed waste. (See <http://www.hmce.gov.uk/business/othertaxes/landfill-tax.htm>).

**Lorry Road-User Charge** – This is a tax for lorry users. This tax is still under development, but is likely to be calculated via information from a compulsory onboard GPS device that tracks distance travelled. Its billing system converts the GPS data into costs, and automatically bills the hauliers monthly. (See <http://www.hmce.gov.uk/business/othertaxes/lruc.htm>).

**Road Fuels and Other Oils** – Tax levied through regularly changing prices for light oils, heavy gas oils, fuel substitutes, and road fuel gas. (See <http://www.hmce.gov.uk/business/othertaxes/roadfuels.htm>).

**Tobacco** – Price per kilogram weight charged on all tobacco products. (See <http://www.hmce.gov.uk/business/othertaxes/tobacco.htm>).

**Warehousing and EC Movement of Excise Goods** – This is a tax on tobacco storage and alcohol storage, their sale in warehouses, and their movement within the European Union. See <http://www.hmce.gov.uk/business/othertaxes/warehousing.htm>.

**Petroleum Revenue Tax** – A tax levied at 10% against North Sea oil fields. (See <http://www.hmce.gov.uk/business/othertaxes/ptr.htm>).

**Congestion Charge** – This is a fixed daily tax for entering a controlled area of a participating city during a set period. London currently charges £5 per day. (For London, see <http://www.cclondon.com>).

**Council Tax** – Annual property tax based on area and cost of home bands. (See [http://www.voa.gov.uk/council\\_tax/index.htm](http://www.voa.gov.uk/council_tax/index.htm)).

**Vehicle Excise Duty** – This is known as road tax, and is a dual rate tax. It is dependent on vehicle engine size (£110 and £165). (See <http://www.dvla.gov.uk/vehicles/taxation.htm>).

**MOT** – The Ministry of Transport tests for vehicles over 10 years old. This tax was introduced in 1960. Today every car owner has to pay annually for this test to be carried out. MOT will cost you around £25 per test. (See <http://www.vosa.gov.uk>).

**TV Licence** – All television receiving equipment must be licensed. This tax was established in 1949 to raise funds to install, develop, and supply television transmissions through the then only supplier, the BBC. With the advent of commercial TV stations and cable TV stations, this service should not need to be paid for any more, but it is still charged annually. This is an example of how the government introduces a tax, but does not withdraw it when the initial reason for the tax is no longer valid. Currently a colour TV licence costs £121.00, and a black and white licence costs £40.50. (See <http://www.tvlicensing.co.uk>).

From the long list above, you can now understand why the cost of living is so high in the UK, and similar tax structured countries. Today the UK government raises 40% of its Gross Domestic Product (GDP) from taxes. UK residents find themselves paying ever-increasing taxes, whilst the services provided by the government are not represented by this ever-increasing sum. Education, Healthcare, Law and Order, Employment, and Transportation are all suffering. Today in most cases, the government is providing an inferior service compared to 30, 20, and even 10 years ago when these services were better. Therefore, we are paying more taxes now, but maybe getting less value for them.