

Alejandro GARCIA CANEDO

JURISDICTIONAL IMMUNITY IN
TAX HAVEN COUNTRIES

Trabajo Final de Carrera
dirigido por
Carolina FONS RODRIGUEZ

Universidad Abat Oliba CEU
FACULTAD DE CIENCIAS SOCIALES
Llicenciatura en Derecho

2010

Own nothing, control everything

JOHN D. ROCKEFELLER

Resumen

El siguiente proyecto contiene información sobre qué son los paraísos fiscales, sus ventajas, y dónde se ubican. También se analiza el proceso que alguien tiene que seguir para ir a un paraíso fiscal y evalúa cómo la gente rica y las grandes empresas operan sus negocios a través de los paraísos fiscales y toman ventaja de ellos reduciendo sus obligaciones fiscales de manera significativa. El proyecto también considera la cuestión del secreto bancario, que ha sido un gran conflicto entre los países en los últimos años.

Resum

El següent projecte conté informació sobre què són els paradisos fiscals, els seus avantatges, i on s'ubiquen. També s'analitza el procés que algú ha de seguir per anar a un paradís fiscal i avalua com la gent rica i les grans empreses operen els seus negocis a través dels paradisos fiscals i prenen avantatge d'ells reduint les seves obligacions fiscals de manera significativa. El projecte també considera la qüestió del secret bancari, que ha estat un gran conflicte entre els països en els darrers anys.

Abstract

The following project contains information about what tax havens are, their benefits, and where they are located. It also analyzes the process someone needs to follow in order to go offshore and evaluates how rich people and big corporations operate their business through tax havens and take advantage from them by reducing their tax liabilities significantly. The project also considers the bank secrecy issue, which has been a big conflict among countries in recent years.

Palabras clave / Keywords

Tax haven – Tax avoidance – Tax evasion – Tax planning – Piercing the corporate veil – Tax forms – John D. Rockefeller – Bank secrecy – Offshore process
--

Contents

Introduction.....	p. 9
1. What is a Tax Haven?.....	p. 15
2. Going Offshore Process.....	p. 22
3. “Own Nothing, Control Everything” John D. Rockefeller.....	p. 28
4. Bank Secrecy.....	p. 32
5. Strategies.....	p. 40
6. Conclusion.....	p. 44
Appendix A: Form 2555.....	p. 47
Appendix B: Due Diligence Form.....	p. 50
Appendix C: Due Diligence Information For Incorporation.....	p. 53
Appendix D: Complete Services for the Incorporation of a New Panamanian Corporation.....	p. 57
7. Bibliography.....	p. 60

INTRODUCTION

An offshore tax haven, or tax haven, is a refuge from some sort of persecution. The persecution can be economic, social, political, religious, physical, or any other. It can be against the person directly, or indirectly through his income or property. A tax haven, therefore, is a refuge from the persecution. Many individuals share the view that their earnings and other incomes are their own property, and consequently are not a proper source of tax revenue. They believe that the taxes imposed in them by their government are unfair, excessive, and irresponsible. That is why tax havens are prosperous and so many frustrated taxpayers are demeaning them.

A tax haven is a nation that affords -usually- secrecy to investors and allows the accumulation of wealth without any significant tax burden. This description fits many countries, especially small ones. Every tax haven country is different, but the principal characteristics we can find in most of them are listed next:

- a) Existence of a dual system. The tax treatment is different as it applies to nationals of that country or persons belonging to another country. A tax haven imposes no income tax, or imposes a very low income tax that is smaller than the tax imposed by the countries whose taxpayers utilize it.
- b) A tax haven often protects the confidentiality of financial and commercial information. In doing so, it may adopt bank secrecy acts or similar internal laws that make it a crime to disclose information to any person. In other instances, confidentiality is assured by the absence of relationship with other nations that required the haven to provide such information.
- c) Existence of a restrictive law that prevents the lifting of bank secrecy and the limits of information (low and no tax significance) can be obtained from public records, the tax administration itself denies any kind of mutual assistance and exchange information with other tax administrations are or are not covered in agreements to avoid double taxation.

- d) These jurisdictions preclude the negotiation of any kind of agreement containing a clause regulating the exchange of information, it being one of the indicators that reflect the international community against the will of these countries to set itself as an area of privileged taxation.
- e) Even with this clause, in practice, these actions are limited or annulled on the grounds that the conduct of those supposed to reveal a trade secret or industrial, or practice on grounds that hinder its implementation may ultimately choose by extending the time frames when delivering the required documentation.
- f) Banks and financial institutions frequently assume a dominant role in the haven's trade and commerce. That is why its residents include the best bankers, lawyers and accountants in their financial transactions.
- g) There is an absence of any rule that limits or controls on capital movements that have their origin or destination in a tax haven. This lack of restrictive rules regarding the control on foreign exchange control allows the recycling of capital used to support legal and tax structure that provides the tax haven.
- h) A tax haven normally possesses modern communications facilities of all kinds necessary to conduct financial and commercial affairs, as also favor the movement of goods and people, goods and services and the existence of a legal infrastructure, accounting and tax to allow access consultants, advisors and professionals with expertise in harnessing the benefits of the tax haven.
- i) A tax haven often does not impose currency controls or similar restrictions on foreign nationals.
- j) If the haven has a tax treaty with another nation, the haven may offer benefits, such as reduced tax rates, on income taxable by its treaty partner.
- k) Some developing countries or politically unstable, offer immutability clauses guaranteeing legal and tax, in some cases, maintaining the current tax status until a specified time or, more reasonable, automatic transfer and instantaneous, in emergencies head office or the amounts deposited there to other countries that leave no doubt as to its reliability and international relevance.

Not all countries classified as tax havens necessarily possess each of these characteristics.

Tax havens allow individuals and businesses to seize the global level of wealth that should involve the rest of the citizens. In states where parent companies are located, higher budget deficits, increase public debt interest, reduced public services, and other issues are some of the consequences those states must bear.

While the existence of tax havens is now legal from the standpoint of international law, they constitute one of the most important aspects of financial crime. In addition, it is also of huge money laundry from illegal activities such as drugs, prostitution, corruption of minors, pornography, etc.

The problem of the existence and tolerance of tax havens is eminently political. The world of finance is often closely linked to politics. Management by governments is a very complicated problem: firstly against their fellow citizens because many national and international companies, leaders of these companies, politicians, sports celebrities and entertainment reside or use the offshore financial services; secondly against other governments because the richer countries host or manage these countries economically and politically from "tax privileged" (France, Monaco and Andorra, among others, in Britain: Ireland, the Isle of Man, Gibraltar, in the United States, Bahamas, Bermuda, etc., in Asia and the Middle East: Lebanon, Macao, Singapore, Hong Kong, the Marshall Islands). So what government would or should start the debate?

However, some people can argue some of the following opinions in defense of tax havens:

- A first argument could be that privileges accorded to foreign residents can attract capital and thus develop poor countries. In fact, the advantage elites but it is doubtful that they are equally useful for the rest of the population. Also Monaco, Switzerland, Hong Kong are far from poor countries and many others are also far from developing countries. Anyway, what privileges some countries, weakening the other is perhaps the best and only solution?
- Another argument is the rejection of interference in the affairs of third countries. According to experience, this principle was born and was quickly buried by the more powerful nations.

- A third argument is to say that a state cannot respond individually against this problem. Could not this issue be questioned on the international community and promote a concerted general reaction?

As regards this last argument, we are told that other countries reject this point of view. Like all governments say the same, this ends up being true: the problem has never been addressed either in the European Union or the UN (except address the issues of money laundering but even in this case the measures taken are insufficient).

Tax Haven's Benefits.

The principal benefits of partaking in legal offshore tax havens are accessible to both individuals and businesses. The biggest and most known benefit when going offshore is not having to pay taxes. However, as I will mention further on in this project, individuals who want to take advantage of this situation must fulfill some specific requirements. In any event, tax havens present very attractive benefits to foreigner residents, such as:

- Investment diversification.
- Asset protection.
- Currency diversification.
- Easy access to your offshore funds no matter where you are.
- Reduced taxation.
- Increased business opportunities.
- Keeping your physical location secret.
- Greater safety and security in banking and investment.

- Higher investment returns and interest rates.
- Avoid potential failure of U.S. financial institutions.

On the other hand, some people decide to go offshore creating companies rather than going individually. Tax haven corporation laws have specific attributes that cannot be found in other non tax haven countries. Thus, corporations created in tax haven countries entail more advantages and flexibility. To achieve this goal, there is an international vehicle you can create: International Business Companies (IBCs). They are specifically designed for offshore use by nonresidents, it is easy to create and easy to operate. An IBC is like a domestic corporation. It provides mostly the same the same features for the same reasons you would incorporate in the United States. The general benefits offered by the IBCs are characterized as follows, although they can vary depending on the country of incorporation:

- Personal liability is limited to the amount of money paid into the corporation by the shareholders.
- A corporation is more attractive to potential investors than other business forms.
- A corporation has many more tax options than do other forms of business (i.e.: proprietorships or partnerships).
- Life insurance and health programs are offered to the members at lower rates. Pension plans, profit-sharing and stock option plans may be adopted for all members too.
- Earnings may be accumulated by the corporation to ease the tax burden.
- Corporate owners receive greater benefits than self-employed individuals.

There are many advantages an IBC may offer. Some of the most usual are mentioned as follows, where allowable. The advantages will also vary depending on the tax haven. We can regularly find these advantages:

- A minimum of one shareholder is allowed.
- A minimum of one director is allowed and is not required to be a shareholder. It can be a trust, corporation or partnership.
- Names of shareholders and directors are not public record.
- No filing of annual statements or financial returns are required.
- No taxes are levied on corporate income.
- Government regulations and fees are low.
- There are no limitations on nationality, citizenship, or residency of shareholders and directors.
- Company books may be maintained in another jurisdiction.

1. - WHAT IS A TAX HAVEN?

Tax havens are usually small countries or territories in which certain taxes are at a very low rate or with no rate at all. They are mostly colonial territories which have young economies. For this reason, among other many, they have adopted policies to encourage foreign investment through tax incentives and legislation deliberately flexible.

Both individuals and corporations like doing business in these territories, since the tax issue is very attractive. Operating in them is open to anyone without the requirement to be wealthy, allowing lower your tax burden, political and institutional stability, bank secrecy and discretion, increasing the return on investment while retaining the anonymity and acquiring a broader view of economics and businesses. This creates a situation of tax competition among governments. Different jurisdictions tend to be havens for different types of taxes, and for different categories of people and/or companies.

There are many grounds for a country to become a tax haven. Countries might not need to charge as much as some developed countries in order for them to be making enough revenue for their annual budgets. Some of them propose a little tax rates to big companies, in exchange for the corporations establishing a branch of their parent company in the host country and employing some of the local population. Others find this a mode to boost groups from industrialized nations to transmit wanted skills to the local population.

Today, around thirty-five territories/countries are under the watch of international organizations such as the Organization for Economic Cooperation and Development (OECD), accused of promoting tax evasion, and in the worst scenario, the laundering of drug money, corruption, arms trafficking and other crimes.

Note: Tax Evasion, Tax Avoidance, Tax Planning and “Piercing the Corporate Veil”.

It is important to understand that there is a big difference between tax avoidance tax evasion.

Most people might identify the use of tax havens with activities of tax evasion and fraud. Others, however, think that such territories are more related to the legitimate activities of international tax planning. Hence, the struggle between people and governments in favor of their existence versus those who fight against them and want to impose them sanctions that seek to eliminate their effects.

So, under that definition, we should define and distinguish a number of important concepts such as “tax evasion” (which is illegal), “tax avoidance” (which is not illegal) and the “tax planning” (which share the same effects), and “piercing the corporate veil”.

Tax avoidance is the key issue for tax planning. It represents the use of legal resources available to achieve the lowest tax burden or to differ in their impact over time. It also allows the taxpayer to avoid the taxable event from taking place, in order to not pay taxes or to lower tax costs, trying not to push any legal form established by law. Avoidance is perfectly legal and is fought with an economic analysis of the facts to enable the auditor to determine the true nature of the operations performed by operators to avoid paying taxes.

Tax evasion consists on subtracting the tax audit activity from the fiscal authorities and therefore not paying taxes. Therefore, it is configured as a criminal activity because the taxpayer does not meet their tax obligations, making his conduct a violation that should be punished. It tries to reduce tax costs using illegal means and forbidden by law, such as smuggling or fraud, against which the authorities must fight with all legal means to get back the lost revenue.

Tax evasion is a crime that has existed since the days when the tribute, a name formerly given to the tax, was considered a symbol of submission of the vassal to his lord and was perceived as arbitrary, because it was attracting strongly repudiated.

There have been various definitions of tax avoidance, for example, notes economist Brazilian Antonio Alberto Sampaio: “Estimate the tax evasion 'lato sensu' as all and any act or omission tending to suppress, reduce or delay the implementation of any tax liability.”

Gioretti in his book “Tax Evasion” indicates that: “Any fact, confiscation or passive, the taxable tax that violates or infringes a tax rule and under which a wealth tax in any form which is subtracted in whole or in part, to the payment of the duty provided by law, is a tax evasion.”

When we talk about **tax planning**, we must understand it as that tool used by professionals linked to taxation, whose primary objective is to study appropriate ways to save on taxes, avoiding possible penalties and fines.

Under U.S. law, a corporation exists as a separate legal entity autonomous of its owners and therefore the owners are not normally liable for the debts of the corporation. Indeed, “it is perfectly legal to incorporate for the express purpose of limiting the liability of the corporate owners” (*Morris v. N.Y. State Dep’t of Taxation and Fin.*, 82 N.Y.2d 135, 140, 623 N.E.2d 1157, 1160, 603 N.Y.S.2d 807, 810 (1993)). Nonetheless, the courts can take away the protection given to the shareholders of a corporation for criminal activity by “**piercing the corporate veil**”. Thus, treats the rights or duties of a corporation as the rights or liabilities of its shareholders or directors and makes these members responsible for their own actions.

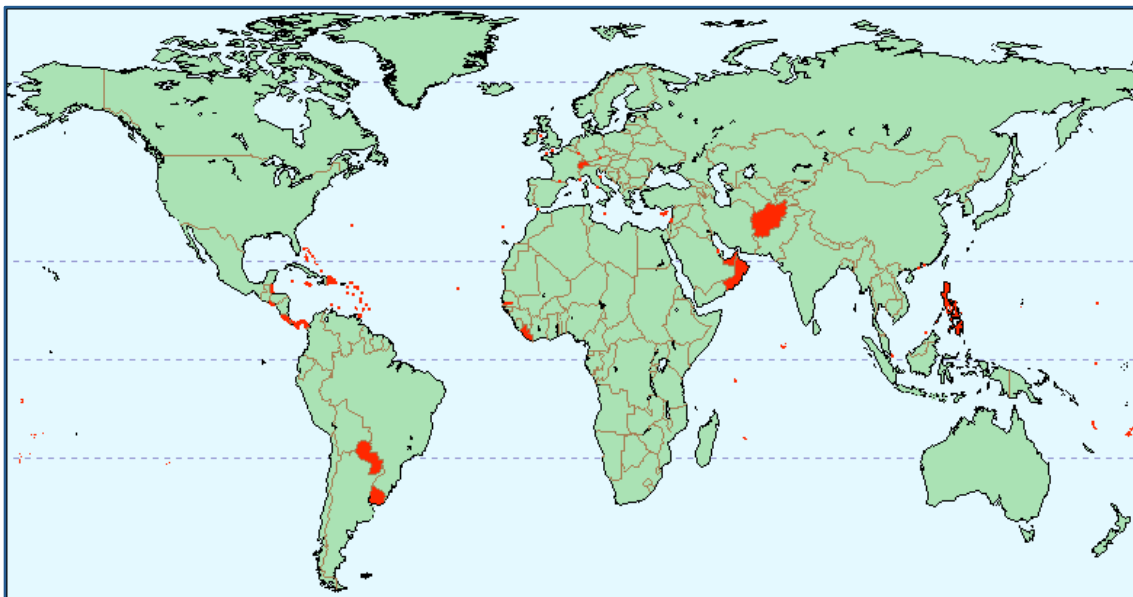
Some professionals of the subject complain of the ignorance that exists in the broader public

about tax havens. In fact, when you talk to someone about his issue, their first thought is that if he had money he would take it to the Cayman Islands, Jersey, the Virgin Islands, Gibraltar, Andorra and Switzerland. But the dimension that these financial centers have is such that it has crept up in the political systems of democratic countries and obstructs the growth of the South.

Until the 80s, such places operated as a B box where wealthy people deposited money, but after the financial globalization that allowed the free movement of capital from one country to another, became law centers. Today those tax havens are geographical enclaves that have become financial centers to non-residents. They are also known as offshore advantages like tax exemption, opacity, secrecy and a lot of leeway to make transactions in countries normal could not be done.

According to United Nations (UN) data, there are seventy-four tax havens in which it is placed a quarter of the world Gross Domestic Product (GDP). Only 1% of that money would meet the essential health and food needs around the globe.

“Over 40 jurisdictions were identified as meeting tax haven criteria in June 2000. By 2007, the vast majority of these countries have made commitments to implement transparency and effective exchange of information and are therefore not considered to be uncooperative jurisdictions by the OECD”. According to the U.S. National Bureau of Economic Research¹,



¹ Map: Tax Haven Bank Site; <http://www.taxhavenbank.com/?tag=tax-haven-countries>

roughly 15% of the countries in the world are considered tax havens.

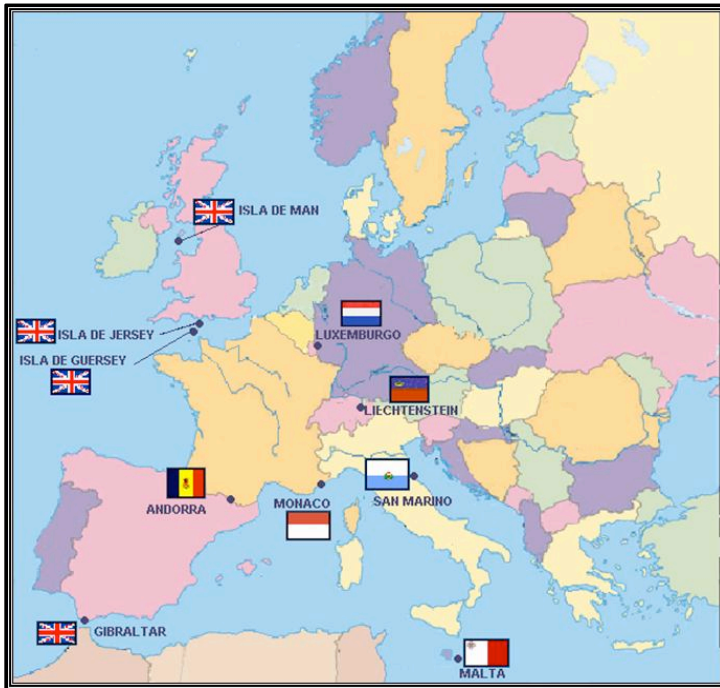
In order to identify a tax haven, the Organization for Economic Cooperation and Development (OECD) established in 1998 four key factors that are used to determine whether a jurisdiction is a tax haven or not²:

- 1) The jurisdiction imposes no taxes or only nominal taxes. The no or nominal tax criterion is not sufficient, by itself, to result in characterization as a tax haven. The OECD recognizes that every jurisdiction has a right to determine whether to impose direct taxes and, if so, to determine the appropriate tax rate.
- 2) Whether there is a lack of transparency. Transparency ensures that there is an open and consistent application of tax laws among similarly situated taxpayers and that information needed by tax authorities to determine a taxpayer's correct tax liability is available (i.e.: accounting records and underlying documentation).
- 3) Whether there are laws or administrative practices that prevent the effective exchange of information for tax purposes with other governments on taxpayers benefiting from the no or nominal taxation.
- 4) Whether there is an absence of substantial activities. This factor was not considered when determining whether a jurisdiction was cooperative. Thus, in order to avoid being listed as an uncooperative tax haven, jurisdictions that met the criteria were asked only to make commitments to implement the principles of transparency and exchange of information for tax purposes.

The technical difficulty in determining when a territory is considered a tax haven does not exist among the various organizations for a uniform approach to determine their exact number. Thus, the OECD published in the Report of 2000 a list of 35 countries identified as tax havens. However, the UN has enumerated a total of 74 territories, although other studies have been recorded over a hundred areas with these characteristics. The Spanish law governing this figure is the *Real Decreto 1080/91, de 5 de Julio*, which lists a total of 48.

² Organization for Economic Development and Cooperation, *Harmful Tax Competition: An Emerging Global Issue*, 1998, p. 23.

Europe.



Principality of Andorra, Republic of Cyprus, Gibraltar, Republic of Malta, Bailiwick of Guernsey, Principality of Liechtenstein, Swiss Confederation, Grand Duchy of Luxemburg, Principality of Monaco, Republic of San Marino, Isle of Man.

America.

Netherlands Antilles, Aruba, Anguilla, Antigua and Barbuda, The Bahamas, Barbados, Bermudas, Caiman Islands, Republic of Dominica, Grenada, Jamaica, Malvinas Islands, Montserrat, San Vicente and Las Granadinas, Saint Lucia, Trinidad and Tobago, Turks and Caicos Islands, British Virgin Islands, U.S. Virgin Islands, Republic of Panama

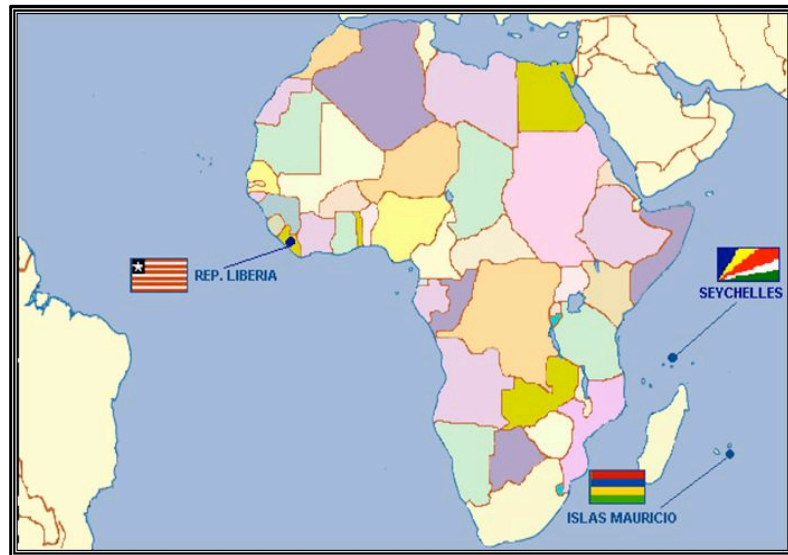


Asia.



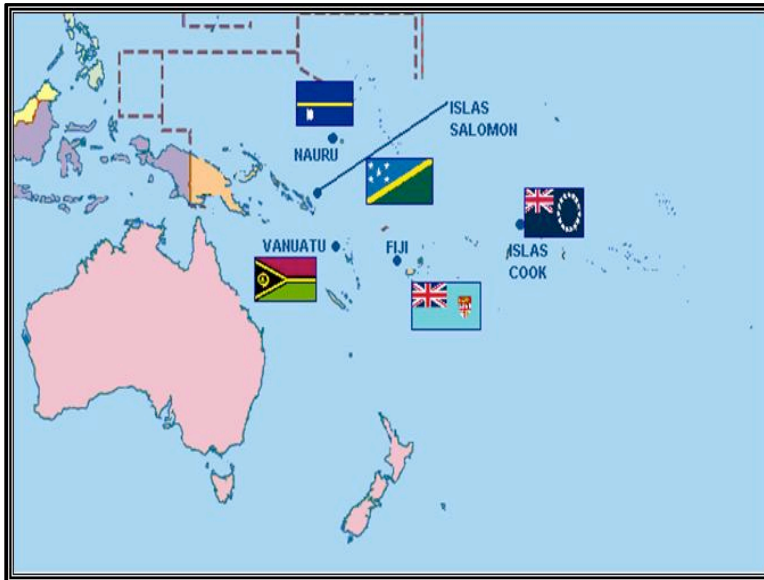
Kingdom of Bahrain,
State of Brunei
Darussalam, United Arab
Emirates, Hong-Kong,
Hashemite Kingdom of
Jordan, Republic of
Lebanon, Macao,
Sultanate of Oman,
Republic of Singapore,
Mariana Islands.

Africa.



Republic of Liberia,
Republic of Seychelles,
Mauricio Islands.

Oceania.



Fiji Islands, Cook Islands, Republic of Nauru, Salomon Islands, Republic of Vanuatu

³ **Sources:** Organization for Economic Development and Cooperation (OECD), *Towards Global Tax Competition*, 2000; Dhammika Dharmapala and James R. Hines, “Which Countries Become Tax Havens?” December 2006; Tax Justice Network, “Identifying Tax Havens and Offshore Finance Centers: http://www.taxjustice.net/cms/upload/pdf/Identifying_Tax_Havens_Jul_07.pdf. The OECD’s “gray” list as of April 2, 2009 is posted at <http://www.oecd.org/dataoecd/38/14/42497950.pdf>. The countries in Table 1 are the same as the countries, with the exception of Tonga, in a recent GAO Report, *International Taxation: Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions*, GAO-09-157, December 2008.

J.R. Hines and E.M. Rice, “Fiscal Paradise: Foreign Tax havens and American Business,” *Quarterly Journal of Economics*, vol. 109, February 1994, pp. 149-182.

Government Accountability Office, *International Taxation: Large U.S. Corporations and Federal Contractors with Subsidiaries in Jurisdictions Listed as Tax Havens or Financial Privacy Jurisdictions*, GAO-op-157, December 2008.

2. - GOING OFFSHORE PROCESS

Unlike many countries, the United States taxes the income of its citizens worldwide. Naturally, it is much easier to enforce the United State's tax laws within their own country than it is abroad. Beyond their shores, the task is far more difficult. The U.S. tax collector runs up against bank secrecy laws, numbered bank accounts, and a host of other barriers to information about the income that American taxpayers earn or send abroad. There is evidence that some sophisticated taxpayers have successfully hidden substantial wealth in secret foreign bank accounts and trusts and are not about to volunteer that fact to the International Revenue Service. And the extent to which current treaties and intelligence gathering efforts are effective in getting to the truth is at best debatable. There is an impression that the agencies of the U.S. Government know little about the extent to which U.S. taxpayers use the facilities of tax haven countries to hide income, or the amount that is actually hidden out there. However, the growth in the use of tax havens by American citizens has been rapid and the potential such havens offer end up frustrating the U.S. revenue laws and Government authorities.

The revenue losses from tax avoidance and evasion are difficult to estimate, but some have suggested that the annual charge of offshore tax abuses may be around \$100 billion per year⁴. Thus, the Internal Revenue Service has setup a special unit to conduct investigations on tax havens. The House of Representatives has been holding hearings on the use of offshore tax havens for the purpose of evading income taxes by American citizens. Tax evasion through the use of tax havens has become a public issue.

For these reasons, many people decide to go offshore. But, how do you go offshore? Making this decision is not an easy one. Most people who finally decide doing so move part or all of their finances, investments and assets while still maintain their lifestyle in their home country. This is the most usual decision people make when deciding to go offshore. On the other hand, some people make another decision: take not just their finances, investments and assets offshore, but their lives too. When trying to do this legally, most people shy away from it or lose interest.

⁴ See U.S. Senate Subcommittee on Investigations, *Staff Report on Dividend Tax Abuse*, September 11, 2008.

Expatriating is a very tough decision. In doing so, you should first make sure you made correctly some actions first: your banking and investments are safely offshore. Once you do that, you are ready to physically move offshore. In making this decision, you should always seek counsel on this matter before doing anything by yourself, since this process requires completing very detailed issues that might consequence problems if done incorrectly. Some steps you must follow to achieve the goal of going offshore are the following:

a) Temporarily Relocation.

When talking about U.S. citizens, there is something known as the “foreign earned income exclusion” or “\$80,000 offshore loophole”. Some people might think that by living outside the States none of their income earned abroad will be taxable. Others might think that all of the income they earn when they are working outside the country is taxable. Neither of them is correct.

The “foreign earned income exclusion” is a provision in the American tax code (Internal Revenue Code) which sets forth that American citizens living and working outside the country are allowed to exclude their foreign earned gross income up to \$80,000 from taxation⁵.

⁵ **Internal Revenue Code § 911. Citizens or residents of the United States living abroad.**

(A) Exclusion from gross income

At the election of a qualified individual (made separately with respect to paragraphs (1) and (2)), there shall be excluded from the gross income of such individual, and exempt from taxation under this subtitle, for any taxable year—

- (1) the foreign earned income of such individual, and
- (2) the housing cost amount of such individual.

(B) Foreign earned income

(1) Definition For purposes of this section—

(a) In general

The term “foreign earned income” with respect to any individual means the amount received by such individual from sources within a foreign country or countries which constitute earned income attributable to services performed by such individual during the period described in subparagraph (A) or (B) of subsection (d)(1), whichever is applicable.

(b) Certain amounts not included in foreign earned income

The foreign earned income for an individual shall not include amounts—

- (i) received as a pension or annuity,
- (ii) paid by the United States or an agency thereof to an employee of the United States or an agency thereof,
- (iii) included in gross income by reason of section 402 (b) (relating to taxability of beneficiary of nonexempt trust) or section 403 (c) (relating to taxability of beneficiary under a nonqualified annuity), or
- (iv) received after the close of the taxable year following the taxable year in which the services to which the amounts are attributable are performed.

(2) Limitation on foreign earned income

(a) In general

However, in order to benefit of this exclusion, you must fulfill the following requirements:

- 1) Establish a tax home in a foreign country.
- 2) Pass a foreign-residence test or physical presence test.
- 3) Must have earned income.

b) Residence.

The Internal Revenue Service will state that your home is the place where your principal business is developed (you are taxed according to where you work, not where you live). In addition to the prior requirement, you do not only need to be

The foreign earned income of an individual which may be excluded under subsection (a)(1) for any taxable year shall not exceed the amount of foreign earned income computed on a daily basis at an annual rate equal to the exclusion amount for the calendar year in which such taxable year begins.

(b) Attribution to year in which services are performed

For purposes of applying subparagraph (A), amounts received shall be considered received in the taxable year in which the services to which the amounts are attributable are performed.

(c) Treatment of community income

In applying subparagraph (A) with respect to amounts received from services performed by a husband or wife which are community income under community property laws applicable to such income, the aggregate amount which may be excludable from the gross income of such husband and wife under subsection (a)(1) for any taxable year shall equal the amount which would be so excludable if such amounts did not constitute community income.

(d) Exclusion amount

(i) In general The exclusion amount for any calendar year is the exclusion amount determined in accordance with the following table (as adjusted by clause (ii)):

For calendar year –	The exclusion amount is –
1998	\$72,000
1999	\$74,000
2000	\$76,000
2001	\$78,000
2002 and thereafter	\$80,000.

(ii) Inflation adjustment In the case of any taxable year beginning in a calendar year after 2005, the \$80,000 amount in clause (i) shall be increased by an amount equal to the product of—

(I) such dollar amount, and

(II) the cost-of-living adjustment determined under section 1 (f)(3) for the calendar year in which the taxable year begins, determined by substituting “2004” for “1992” in subparagraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of \$100, such increase shall be rounded to the next lowest multiple of \$100.

working outside the country, but also you must establish a place of residence there. That means you need to sell or rent your U.S. property and establish a residence outside the States.

c) Days: Physical Presence.

In order to qualify for the IRS distinction of being abroad, you must be outside the United States at least 330 days of the previous 12 months (days do not need to be consecutive).

d) Bona Fide.

If going offshore, you will also need to pass the “foreign-residence test”. The way of passing this test is by establishing yourself as a legitimate resident in a foreign country and your residence continues uninterrupted for more than a year and you intend to stay there indefinitely.

In order to establish yourself in a foreign country you must consider the following issues:

- 1) *Where you sleep*: a resident expectedly has a home or a lease.
- 2) *Where is all your stuff?* If you have the vast majority of your personal belongings with you in the foreign country, that makes it look like you want to spend there a considerable phase of time.
- 3) *Your former home in the country you were residing*: if you unoccupied the home you have been living in, that might be interpreted as your intention on coming back.
- 4) *Paperwork*: in order to show any intention of staying in the foreign country, two of the first things you should do is to get a foreign driver’s license and register to vote.

- 5) *Get involved*: being a member of as much as organizations as possible in the foreign country where you are planning on going will display a viable intent to stay active.
- 6) *Taxes*: as opposed to the U.S. foreign countries usually build taxes on where you live.
- 7) *Banking*: opening at least one bank account in the foreign country you are planning on going would be a good idea. The fact that you maintain your accounts in your former country of residence is not a relevant question.
- 8) *Address*: at the time of filling out all the paperwork your Government requires you, putting down your foreign address is always a good idea (specially when asked “permanent address”).

e) Foreign Earnings⁶.

Once the other steps are fulfilled, you need to establish what amount of your income will qualify for the offshore qualifier. Those earnings will be basically based on salaries, fees, tips or any other kind of compensation (interests, dividends, or any other capital gain do not qualify). In any event, your total earnings cannot be exempted from federal taxation unless U.S. law says so. Thus, you must report that income on your tax returns.

Note: Tax Forms.

The Internal Revenue Service (IRS) provides its taxpayers many tax forms to report them all their financial information. The following tax forms are the most relevant in relation with this project:

- **Form 2555: Foreign Earned Income.** *Taxpayers who have earned income from sources outside the United States must file this form. Remember, as stated above, there is an \$80,000 cap. Please find attached the Form 2555 in Appendix A.*

⁶ <http://www.dfas.mil/retiredpay/taxinformation/foreignincome.html>

- **Form W-2: Wage and Tax Statement.** Used to report wages paid to employees and the taxes withheld from them. This form is also used to report Federal Insurance Contributions Act (FICA) taxes to the Social Security Administration.
- **Form 1040: U.S. Individual Income Tax Return.** Regular form for personal individual federal income tax returns filed with the Internal Revenue Service in the United States.
- **Form 1041: U.S. Income Tax Return for Estates and Trusts.** Used to report financial activities of estates, trusts or bankruptcy estates.
- **Form 1065: U.S. Return of Partnership Income.** Used to report financial information such as income, losses, gains, credits, or deductions accumulated during the operation of a partnership for a taxable year.
- **Form 1099.** Used to report various types of income other than wages, salaries, and tips.
- **Form 1120: U.S. Corporation Income Tax Return.** Used to report financial information such as income, losses, gains, credits, or deductions accumulated during the operation of a C Corporation for a taxable year.
- **Form 1120S: U.S. Corporation Income Tax Return.** Used to report financial information such as income, losses, gains, credits, or deductions accumulated during the operation of an S Corporation for a taxable year.
- **Form W9:** Used by a company to request for the taxpayer identification number and certification.

As a part of this project, I did a private investigation where I contacted several law firms in tax haven countries asking for legal advice in order to go offshore. I basically explained and talked to the lawyers that I wanted to create an offshore corporation, take all my money to another country and what ways I had available in order to pay less taxes in my home country. The first thing they did before starting the legal advice was sending me some documents to fill out (see Appendix B, Appendix C and Appendix D) in order to have as much information about me as possible.

⁷ Tax Forms: <http://www.irs.gov/>

3. – “Own Nothing, Control Everything” John D. Rockefeller

Many people think they know how to set up a corporation and save money, but knowing how to do it is totally different. When you start to study all this information, if you go to the absolute depth of it, what you are going to find out is that all the traps, pitfalls and problems in your life are of your own creation.

- Private Interest Foundations: it is a hybrid between an offshore company and an offshore trust. It they cannot touch it. Foundations can own their businesses, but cannot engage directly in commercial business activities. Thus, foundations are never sued, and much less have not even taken anything out of them. This is basically because it is where equity lands that tax liability and liability in general lie. So, if you are not the owner of the money, you cannot be held liable for what the money is or does.

A foundation has a founder, a protector (which would be the equivalent to a trustee), beneficiaries and council members. It has no owners. If you did that in a trust, where you are all three (or even two), it would not be a trust. But in the foundation, you can be the founder, and you can be the protector and the beneficiary, being all legal. The foundation is not a business tool, it is there to hold assets, protect assets, and build assets, for the benefit of the unborn. So it is the future generation that is the equitable interest holder. Even though that is the case, you can become part of that future generation.

This is one of the techniques used by current billionaires, like for instance John D. Rockefeller. In an interview, he was asked how much did he earned during the year and how much taxes did he paid on that. He answered that he made 650 millions and that he did not pay taxes. How can that be? He owns nothing, but controls everything: it is not his jet; it is the Rockefeller's Foundation jet. It is not his suit; it is the Rockefeller's Foundation suit.

- International Business Corporation (IBC): the first step to form an offshore structure is to create an International Business Corporation (IBC) in an offshore country⁸. Many corporations are established as "Holding Companies". An IBC is established

⁸ There is no requirement to start an actual running business or to travel to where the IBC is formed.

so that the client has a legal entity that can own assets like property, businesses, shares and other investments and to have bank accounts in its name - rather than in the client's personal name. Moving assets into the IBC will keep them in your hands and out of the reach of third parties.

However if it is Asset Protection that you want then you should not forward funds directly to the company's bank account - but rather via an intermediary, such as Offshore Legal. Since an IBC is a corporation formed in an offshore country, it is completely private; the founder (you) may be the only person in the company, may completely control it and may be the sole shareholder (owner). No one else needs to be involved or have any knowledge of the IBC's business or affairs. The founder may include others in the IBC if he wishes, but there is no obligation to do so. It is advisable for the client not to be seen on the company register as being either a shareholder or director.

The founder/owner's identity must then remains confidential through the use of intermediaries and trustees. The person or organization that holds the shares is not actually the IBC's beneficial owner.

- Offshore trust: Once the IBC is in place, an additional layer of protection is added. An offshore trust is created which becomes the owner of the IBC. This further removes any connection between the client's personal name and his or her assets.

However, being the owner of the IBC could be problematic if the founder were ever forced to divulge his or her assets. By means of an offshore trust the founder can remove the potential liability of being the IBC's owner - without sacrificing privacy and remaining in control of his asset completely without the necessity to control of an offshore corporation, avoiding reporting requirements domestically.

An offshore trust is created which takes possession of the IBC's shares. The offshore trust then becomes the legal owner of the IBC. Ownership of the IBC is then in the hands of the offshore trust instead of the founder. This removes any liability that might have come with owning an offshore corporation. The offshore trust simply acts as a passive, non-involved shareholder and therefore does not alter the functionality or the privacy of the IBC. The founder retains complete control of the IBC: he/she remains the only individual with any knowledge of the IBC's business, the only one who uses the IBC, and the only one who may sign on any accounts in the IBC's name. The offshore trust may also be used independently to hold domestic assets (car, home, real estate, art collections, etc.) that cannot be moved offshore. Moving domestic assets into an offshore trust protects them from lawsuits by taking them out

of an individual's (or company's) name and placing them into the name of an offshore structure which third parties cannot obtain information about.

By following this kind of structure (there are many others available), you can scope your affairs from the Internal Revenue Code, so that all of your affairs are external to the Internal Revenue Code (see chart on the next page). It is very important, in order to do this, to clean up your record, administratively, extract yourself from all their database, cease being a person in their structure, and have no liabilities because you have no access to benefits (such as Medicare, food stamps, etc.).

In this structure, we have a foundation that owns two IBCs, which can do anything. Three steps to keep in mind:

- Onshore Jurisdiction: where the United States plays.
- Common Law Jurisdiction: where we can play.
- Offshore Jurisdiction: off in another jurisdiction.

So, the United States can play in the first board (onshore jurisdiction), but not in the other two. The way to operate is as follows. We set up two common law trusts: trust A and trust B. Anyone can become trustee in those trusts. Those two trusts set up an LLC and they are the partners that own the LLC. The LLC must be in a state that chooses to impose no income tax⁹. These types of states are very hostile to the United States Government (i. e.: a Nevada LLC has no federal standing, no federal recording requirements).

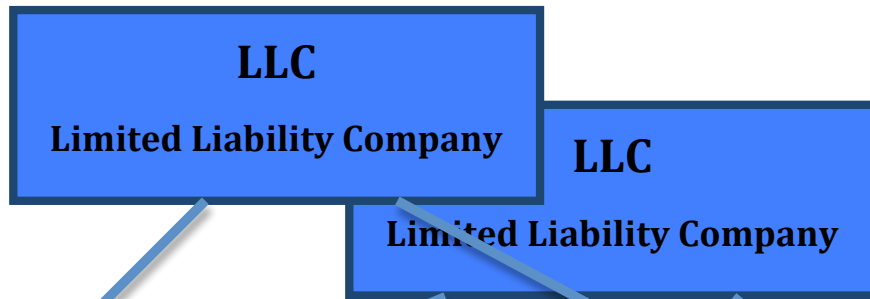
So trust A and trust B are equal partners, they set up the LLC or multiple LLCs, to do statutory interface. What does that mean? You can't go into debt without having an ID. Obviously, there is a national debt, everybody knows somebody has got to pay it, but nobody knows whom. If you carry a Social Security Number, you use it on your affairs, you are admitting to that debt, you owe it. So, rather than use your ID number, and put yourself further in the whole, we get a statutory interface for Nevada LLC and it has an Employer Identification Number (EIN) that can be used on debt, so that you do not have to show up.

⁹ Seven states choose to impose no income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington and Wyoming.

“Legal Corporate Structure”

Structure Varies In Every Case

Onshore Jurisdiction



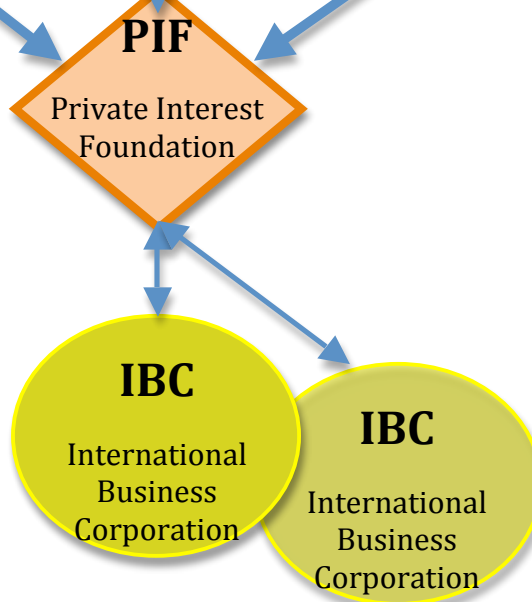
Statutory Interface

Common Law Jurisdiction



Pass Through Entities

Offshore Jurisdiction



4. - BANK SECRECY

There are many income tax treaties between the United States and foreign countries, including tax havens. These are also referred to as double-taxation agreements and provide the U.S. taxpayer living in the United States with a foreign tax credit¹⁰, not a deduction, for all foreign taxes that qualify.

Normally, these treaties include exchange-of-information clauses that allow several possibilities for exchanging information between countries. More disconcerting than having this type of clause incorporated into an income tax treaty is the Tax Information Exchange Agreement (TIEA), which is a way for the IRS to obtain from another country that is party to such an agreement, confidential information that would otherwise be protected by the tax haven's secrecy and confidentiality laws.

These treaties are important in countries such as Switzerland, where there is a 35% withholding tax on investment earnings and will save the taxpayer from paying twice as much tax, once to Switzerland and again to the IRS. The amount of the withholding tax is deducted right off the amount you would be owing the IRS that year. You can also get a refund direct from the Swiss.

Tax Information Exchange Agreements (TIEA).

This type of treaty has had a very negative impact on tax havens that have signed a TIEA with the United States. It has no value to American citizens doing business in tax haven countries.

The TIEA was enacted to trade national tax information between the IRS and tax haven jurisdictions that decide to be a party to it. The only beneficiary of the TIEA would be the IRS, it has no benefit to a private third party like the offshore investor. Secrecy laws in tax havens are the key of success for such jurisdictions. Thus, knowing which countries have signed a

¹⁰ A tax credit is an item that reduces the actual amount of taxes that is owed. It is much more valuable than a deduction, since they are worth dollar for dollar. They reduce the actual amount of tax that must be paid. A tax deduction, on the other hand, only reduces the amount of taxable income. Tax credits do not depend on tax rates, as opposed to deductions, which is subject to the variation in the progressive tax rate.

TIEA with the United States is very important, since it would not be recommendable doing business with a jurisdiction that has no financial confidentiality. In other words, forget bank secrecy, confidentiality or discretion if a tax haven or any other country has signed a TIEA.

The following are tax haven countries that have signed TIEAs with the United States:

- | | |
|-------------------------|----------------------------|
| 1) Antigua and Barbuda. | 4) Barbados. |
| 2) Aruba. | 5) Bermuda. |
| 3) Bahamas. | 6) British Virgin Islands. |
| 7) Cayman Islands. | 11) Grenada. |
| 8) Channel Islands. | 12) Isle of Man. |
| 9) Costa Rica. | 13) Marshall Islands. |
| 10) Dominica. | |

The following are non-tax haven jurisdictions that have signed TIEAs with the United States:

- | | |
|------------------------|-------------------------|
| 1) Dominican Republic. | 5) Peru. |
| 2) Guyana. | 6) Saint Lucia. |
| 3) Honduras. | 7) Trinidad and Tobago. |
| 4) Mexico. | |

This leaves the next tax haven jurisdictions that have not signed TIEAs with the U. S.¹¹:

¹¹ TIEA and MLAT list: Tax Havens Today: The Benefits and Pitfalls of Banking and Investing Offshore, Hoyt Barber

- 1) Andorra.
- 2) Anguilla.
- 3) Austria.
- 4) Bahrain.
- 5) Belize.
- 6) Brunei Darussalam.
- 7) Cook Islands.
- 8) Cyprus.
- 9) Dubai (U.A.E.).
- 10) Gibraltar.
- 11) Hong Kong.
- 12) Labuan (Malaysia).
- 13) Liechtenstein.
- 14) Luxembourg.
- 15) Madeira.
- 16) Malaysia.
- 17) Malta.
- 18) Mauritius.
- 19) Monaco.
- 20) Netherlands.
- 21) Netherland Antilles.
- 22) Panama.
- 23) Saint Kitts and Nevis.
- 24) Saint Vincent.
- 25) Seychelles.
- 26) Switzerland.
- 27) Turks and Caicos Islands.
- 28) Vanuatu
- 29) Western Samoa.

Mutual Legal Assistance Treaty (MLAT).

The MLAT was formed to aid law enforcement in illegal investigations, but is not used in tax evasion cases. This treaty may be used when there is a “reasonable suspicion” rather than “probable cause”, thus, allows assets to be seized even without a court order.

The following countries have signed an MLAT with the United States:

- | | |
|-----------------------------|------------------|
| 1) Anguilla. | 18) Grenada. |
| 2) Antigua and Barbuda. | 19) Hong Kong. |
| 3) Argentina. | 20) Hungary. |
| 4) Australia. | 21) Israel. |
| 5) Austria. | 22) Italy. |
| 6) Bahamas. | 23) Jamaica. |
| 7) Barbados. | 24) Latvia. |
| 8) Belgium. | 25) Lithuania. |
| 9) Brazil. | 26) Luxembourg. |
| 10) British Virgin Islands. | 27) Mexico. |
| 11) Canada. | 28) Montserrat. |
| 12) Cayman Islands. | 29) Morocco. |
| 13) Czech Republic. | 30) Netherlands. |
| 14) Dominica. | 31) Panama. |
| 15) Egypt. | 32) Philippines. |
| 16) Estonia. | 33) Poland. |
| 17) Greece. | 34) Romania. |

35) Spain.

42) Turkey.

36) Saint Kitts and Nevis.

43) Turks and Caicos.

37) Saint Lucia.

44) Trinidad and Tobago.

38) Saint Vincent and the Grenadines.

45) Ukraine.

39) South Africa.

46) United Kingdom.

40) South Korea.

47) Uruguay.

41) Thailand.

48) Venezuela.

The following tax havens have not signed an MLAT with the United States:

1) Andorra.

10) Dubai, U.A.E.

2) Aruba.

11) Labuan, Malaysia.

3) Bahrain.

12) Liechtenstein.

4) Belize.

13) Madeira.

5) Bermuda.

14) Malta.

6) Brunei.

15) Monaco.

7) Cook Islands.

16) Mauritius.

8) Costa Rica.

17) Seychelles.

9) Cyprus.

18) Switzerland.

19) Vanuatu.

20) Western Samoa.

Currency and Foreign Transactions Reporting Act; a.k.a. Bank Secrecy Act (BSA).

In 1970, the Bank Secrecy Act (BSA) was enacted to create a federal anti-money laundering program. In 2001, Title 111 of the USA PATRIOT ACT¹² amended the BSA with provisions to strengthen the existing program and to counter terrorist financing. The Financial Crimes Enforcement Network, a bureau of the U.S. Treasury Department, administers and issues regulations pursuant to the BSA. Check cashing enterprises that meet the definition of a money service business are required to register with FinCEN¹³. Banks providing services to check cashers are expected to have in place systems to manage the risks associated with these accounts.

BSA reporting and record maintenance requirements concern both banks and money service businesses. Both must set up anti-money laundering plans corresponding with the risks posed by their size, location and financial activities. They are required to file currency transaction reports (CTRs) for cash transactions over \$10,000 and to maintain a log on the sale of financial products such as money orders or travelers checks valued from \$3,000 to \$10,000. Information must also be maintained on funds transfer of \$3,000 or more. Finally, money service businesses are required to file suspicious activity reports (SARs)¹⁴. FinCEN has delegated the authority to examine check cashers for BSA compliance to the Internal Revenue Service (IRS)¹⁵.

¹² P.L. 107-56. For more detailed information on this act and pre-existing law, see CRS Report RL31208, International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, Title 111 of P.L. 107-56, by M. Maureen Murphy.

¹³ Nonbank MSBs are defined as a business offering one or more of the following services: money orders, traveler's checks, check cashing, currency dealing or exchange, and stored value. In addition, registration with FinCEN is required if the business conducts more than \$1,000 in money services business activity with the same person in one day or provides money transfer services in any amount.

¹⁴ For detailed information on BSA requirements for MSBs, see Money Laundering Prevention: A Money Services Business Guide, found at the MSB website, at [<http://www.msb.gov>].

¹⁵ For more information on the IRS compliance monitoring, see CRS Report RS22003, *Enforcement of Bank Secrecy Act Requirements: Money Services Businesses*, by Nathan Brooks.

Bank Secrecy Today¹⁶

Even though all these acts and treaties are still valid, the current situation has changed significantly. Among the tax haven jurisdictions stated in this project, Switzerland has been the most controversial. Switzerland is very well known for its bank secrecy policy. Not any more, since it has been involved in many scandals. Swiss bank UBS AG, in August 2009, gave up the identities of many of its clients to U.S. tax authorities, causing negative consequences for both clients and Swiss banking sector. However, the U. S. is not the only government putting pressure on the Swiss over secrecy and tax evasion.

For the first time, Switzerland agreed in 2009 to exchange information with other governments on tax cheats, something unusual until today, since it would only provide information on frauds and other criminals. However, this fact has not influenced in Switzerland itself, since tax evasion is still not a crime in it (under Swiss law, failure to file a W-9 form is not considered fraud in Switzerland, as it would be in the U. S.). This change in Switzerland's way of collaborating with other countries has started making effect.

Germany has been one of the first countries to take advantage of this position, since it paid €2.5 millions (\$3.5 millions) for secret Swiss account data detailing alleged tax evasions by about 1,500 German taxpayers. Nonetheless, this issue has created a big debate, especially regarding procedural law. The fact that information was obtained through illegal means and introduced to the process might be a possible violation of Swiss law. So, this debate has caused diversity of opinions on both German and Swiss government, and even inside their own government. Swiss government does not support the idea that the German government should buy the data, claiming to *return the data to the owner*, a Swiss bank, and *taking criminal measures against the thief*. On the German side, diversity of opinions exists. Some politicians *support the purchase if German officials conclude it wouldn't violate German law or the sale of stolen goods is a crime, but any legal means of obtaining important evidence should be considered*. Others, on the other hand, think that *it would not be proper for the German government to purchase stolen property*. In spite of this, it is not the first time that Germany purchases stolen bank data for tax prosecution in the past.

This entails that future transactions to Switzerland will be smaller from Europe and practically

¹⁶ International Finance: Swiss Aren't So Secret Anymore --- UBS Agreement Upends Tax Haven's Banking Sector; 'Privacy' Is the Word; Stephen Fidler, The Wall Street Journal (Eastern Edition), New York, N. Y., August 14, 2009, pg. C.2

nonexistent from the U. S. Many Swiss bankers are worried that such situation will wear away client trust and conduct away accounts to other countries. Thus, one of the solutions the Swiss banking sector analyzed in order to recover this business is through more money in emerging markets, Asia and Middle East.

In past months, Swiss bank secrecy has come under fire¹⁷:

Date	Taxing Issue
1997 – 2002	A bank employee at LGT Group in Liechtenstein secretly copies the account records of about 1,400 clients.
2001	Swiss bank UBS agrees to provide the IRS information on taxable income earned by U.S. clients. UBS employees in the U.S. develop a strategy to circumvent the agreement, according to U.S. court records.
2005 – 2007	The LGT employee sells the stolen bank-account records to Germany's foreign intelligence service for €4.2 million.
February 2008	Based on copies of the stolen LGT data, German prosecutors in Bochum arrest Deutsche Post's then-CEO Klaus Zumwinkel on tax-evasion charges, and expand the investigation to about 450 suspected tax offenders.
May 2008	U.S. prosecutors announce the indictment of a UBS employee in the U.S. on charges of aiding tax evasion; the employee agrees to cooperate with the U.S. investigation.
February 2009	Switzerland provides the U.S. with bank records on 250 UBS clients suspected of tax evasion in the U.S: Switzerland provides the U.S. with bank records on 250 UBS clients suspected of tax evasion in the U.S.
March 2009	LGT Group announces its withdrawal from the tax-shelter business. Switzerland and Liechtenstein announce a loosening of bank secrecy laws.
August 2009	Switzerland agrees to release UBS account data on 4,450 U.S. taxpayers to the U.S.
January 2010	A Swiss court sets aside part of the Swiss agreement with the U.S. on release of UBS client data. Separately, a person who says they have information on about 1,500 suspected tax offenders negotiates with German tax officials, offering the information for €2.5 million.

¹⁷ Swiss Bank Data Offered to Germany; David Crawford and Deborah Ball, The Wall Street Journal, January 31, 2010

5. - STRATEGIES

Big U.S. corporations do not have to pay taxes on their income earned by foreign subsidiaries until that income gets back into the U.S. as dividends. However, taxes on income that is repatriated is allowed a credit for foreign income taxes paid. There are countless tax planning strategies available, some are aimed at your individual tax situation, some at the business itself. Following are some of the most common tax avoidance strategies utilized by American corporations:

- a) *“A person can, in a transaction that qualifies for non-recognition treatment, transfer income-producing assets (such as stock or bonds) to a foreign corporation organized in a zero-tax jurisdiction”¹⁸.*

- b) *“A parent corporation that sells goods overseas can form a foreign corporation in a tax haven to make those sales”¹⁹.*
 - o What one wants to do is to accumulate different forms of income through different companies and trusts in various jurisdictions in such a way that the total tax bill is minimized. This is the idea: income arises in the United States but it belongs to a corporation that is physically located in another country that has a tax treaty with the United States. The income passes to that company with little or no withholding tax because the terms of the tax treaty between the US and the other country (a treaty haven in this case) require a lesser rate of withholding. If income is paid to a person of company in a jurisdiction with no tax treaty with the US, then the person paying the income must withhold 30 percent for United States taxes. Now that the money is sitting in the treaty-haven company, it is transferred to another entity (for instance, say a trust) in a tax haven jurisdiction, where it is allowed to accumulate.

- c) A complex series of transactions may work better than a simple one because the simple loopholes have probably been plugged long ago.

¹⁸ <http://www.lectlaw.com/files/bbg09.htm>

¹⁹ <http://www.lectlaw.com/files/bbg09.htm>

- d) *Transfer income-producing assets to a foreign corporation or trust and let the income accumulate tax free in some tax haven²⁰. When one wanted to bring the money back to the high tax jurisdiction, one dissolved the corporation or had the trust make a distribution to its beneficiaries and be liable only for capital gains. While the offshore entity existed, one was free to borrow money from it and deduct interest paid on the loans, thus expatriating more money. These foreign corporations or trusts were considered beyond the jurisdiction of the US tax code. Congress did not look kindly upon such transactions however, and beginning in 1932, gradually tightened up the law. The IRS did its part by writing pages and pages of complex, inconsistent, and incoherent.*
- e) Regulations dealing with foreign entities controlled by Americans.
- f) Transactions that are not tax motivated and may have no US income tax impact. For instance, a US bank may open a tax haven branch to avoid US reserve requirements. Another company may use a tax haven subsidiary to avoid currency controls or other regulations imposed by a country that it does business with. A tax haven may be used to minimize the risks of expropriation that accompany business activities in much of the third world. A foreign person may use a tax haven bank or a nominee account to shield his assets from his political enemies.
- g) Transactions that are tax motivated but consistent with the letter and spirit of the law. Some examples of these transactions are flag-of-convenience shipping, (which avoids high registration fees), banking through subsidiaries, (which postpones taxes on the profits from loans to foreign entities), transactions between subsidiaries of unrelated companies that are designed to avoid sales tax, and certain transactions that take advantage of minor loopholes in the laws aimed at tax haven use. While some of these may create anomalous situations, they're legal.
- h) One of the most general tax motivated uses of a tax haven subsidiary is to change US source income into foreign source income. This increases the amount of foreign taxes paid by a U.S. taxpayer that can be credited against, and thus reduce U.S.

²⁰ <http://www.lectlaw.com/files/bbg09.htm>

taxes paid by the taxpayer.

- i) *“Aggressive tax planning that takes advantage of an unintended legal or administrative loophole. For instance: captive insurance companies, investment companies, some service and construction businesses being conducted through tax haven entities, and pricing of transactions. One instance of this might be the establishment of a service business in a tax haven to provide services for another branch of the same business located in a third country. A further example might be the use by a multinational corporation of artificially high transfer pricing to shift income into a tax haven. Often, the parties are aware that if the transaction were thoroughly audited, a significant adjustment would probably be made. They rely on the difficulties involved in overseas information gathering and on the complexity of the transactions to avoid payment of the taxes”*²¹.

- j) Without the anti-avoidance provisions in the law, shareholders engaged in foreign transactions can easily manipulate corporations. For instance: in a transaction that qualifies for non-recognition treatment, a person can transfer income-producing assets (such as stock or bonds) to a foreign corporation organized in a zero-tax jurisdiction. The income earned by the foreign corporation is not taxed by the developed country or by the zero-tax jurisdiction. The assets remain under the control of the high-tax nation's resident but the income is not taxed until repatriated. The shareholder would be taxed on the sale of the stock but at favorable capital gains rates.

- k) Another manipulation could occur if a parent corporation selling goods overseas forms a foreign corporation in a tax haven to make those sales. The parent then sells the goods to the subsidiary at a small or zero profit and the subsidiary sells them to the ultimate customer at a substantial mark-up. The profit on the sale isn't taxed by the developed country and can accumulate free of tax in the tax haven.

- l) Allocating debt to tax havens: borrowing more in high-tax countries than low-tax ones using subsidiaries or foreign entities.

²¹ <http://www.lectlaw.com/filesh/bbg09.htm>

- m) *“Transfer pricing: changing the prices of goods and services sold to company affiliates to shift income from high-tax jurisdictions. Similarly, companies have transferred intellectual property or intangible assets to tax havens”*²².
- n) *“Contract manufacturing: using another company as a contractor to manufacture goods to avoid high tax rates”*²³.
- o) *“Check-the-box provisions: these provisions allow corporations to be considered entities in one country and not in another. For example, a corporation can be recognized as a hybrid entity together with a subsidiary from a low-tax country and thus avoid paying taxes”*²⁴.
- p) Cross crediting: using excess foreign taxes paid in another country to offset U.S. taxes through foreign tax credits. Since companies can defer the process of repatriation of income to their benefit, the Government Accountability Office estimates that American multinational corporations pay virtually zero tax to the U.S. government on foreign source income.

²² <http://www.allbusiness.com/legal/tax-law-income-tax/13662292-1.html>

²³ http://taxes.suite101.com/article.cfm/how_do_tax_havens_work

²⁴ <http://www.allbusiness.com/legal/tax-law-income-tax/13662292-1.html>

6. - CONCLUSION

The so-called tax havens are the result of the money laundering phenomenon from illicit origin such as drugs, political corruption, economic crime, etc., Thus contributing to the insidious growth of poverty in the underdeveloped countries, facilitating corruption of their elites and weak government.

The development of poorer countries is threatened by huge tax breaks offered to attract large corporations, and the huge flow of funds from developing countries to tax havens. About half of the world trade passes through tax haven jurisdictions, as large companies divert their profits to where they can avoid paying taxes. Such behavior is considered economically inefficient, socially destructive and profoundly unethical.

The use of international taxation can be considered a financial instrument through which you can save or delete tax, provided that such income has a legitimate origin, from fully recognized and legalized activities. However, there will always be a fair, moral or ethical conflict, since these strategies reduce the resources of the Treasury and thus a reduction of services provided by the whole public sector. At the same time, businesses can receive an indication of unfair competition, because more resources are available for investment (the part that is left to pay the tax).

Moreover, those who get the benefits of activities clearly contrary to law shall enjoy the same benefits as those who perform their work honestly. This is due to the lack of criteria for what is legal or not, while unscrupulous financial practices at the time of intermediate people's money.

Public officials, insofar as they are people, remain tempted by the side of corruption as their incentives are outweighed by the benefits that continue to offer mischief.

Following are the basic conclusions I extract from this project:

- a) In the context of a fiscal scenario comprising a plurality of jurisdictions, the strategy of multinational groups is to place as much income as possible in companies that benefit from low taxation. This strategy reduces the taxation of the group as a whole.

- b) Income-diversion of companies which enjoy of low taxation is done through:
 - a. The location of the largest possible part of the group's assets in them.
 - b. The location of most of the group's resources in them, by passing the external financial liabilities to companies taxed medium and high.
 - c. The creation of purely domestic financial assets in them, with logic counterpart in purely domestic liabilities of group companies taxed middle and upper.
- c) Most states have reacted to certain profiles of the fiscal strategy of multinational groups with specific anti-abuse rules, but without having to deduce the inapplicability of general rules.
- d) Choice-economics has been recognized by case law, and, consequently, the tax administration is considering it. Express choice-economics is specified in an option under the rule. Tactical choice-economics derives from the texture of the order itself.
- e) The tax regime of the holders of collective investment institutions incorporated abroad allows the placement of financial assets abroad, under the ownership of collective investment institutions, generally exempt.
- f) It is very doubtful that adjustments can be based on capitalization or operations related, directly, in agreements to avoid double taxation.
- g) The relationship between books and the tax basis of the corporate income tax allows the application of the prevalence of economic reality over the legal form (substance over form) principle. This application may counteract the abuses based on creating an appearance different from that dealing, real.

With so much passivity and complicity of institutions, the World Union is determined to finish this lacerating, cynical and transparent state taxation to all transnational corporations, eliminating the possibility of tax evasion and controlling these large corporations and wealthy individuals. The measures are aimed at establishing a regional tax authorities and global representing the interests of citizens.

To remove obstacles to the prosecution of tax fraud, you should proceed to a full tax harmonization, not only in the European Union and highly developed countries, but the whole planet, if not, while there, if only one, an area of low tax payments, companies will go there, billionaire and organized crime. Along with this it is necessary that the laws are clear, exemplary, and are applied equally to everyone and everywhere, or, as before, where the law is softer, we will find some to enjoy at the expense of the rest.

Finally we can say that until there is a socialization aware of all those involved, corruption may continue to exist, that is, until there is a social conscience and ethics of equal respect for the rights to and compliance with the law, every individual in particular try to get your personal maximizing the lowest possible cost and to do so, possibly, end up using all the resources at their disposal, including those which by their nature are not ethical or legal, and therefore considered that the benefit obtained is greater than the harm that could, through suspension, or running out to make an act of corruption.

The motto of tax havens will be removed and these countries will be supported by the World Union in the development of other infrastructure that is productive for its citizens.

APPENDIX A: FORM 2555

Form **2555**

Department of the Treasury
Internal Revenue Service

Foreign Earned Income

▶ See separate instructions. ▶ Attach to Form 1040.

OMB No. 1545-0074

2009

Attachment
Sequence No. 34

For Use by U.S. Citizens and Resident Aliens Only

Name shown on Form 1040

Your social security number

Part I General Information

1 Your foreign address (including country)

2 Your occupation

3 Employer's name ▶

4a Employer's U.S. address ▶

b Employer's foreign address ▶

5 Employer is (check) ▶ a A foreign entity b A U.S. company c Self
any that apply: d A foreign affiliate of a U.S. company e Other (specify) ▶

6a If, after 1981, you filed Form 2555 or Form 2555-EZ, enter the last year you filed the form. ▶

b If you did not file Form 2555 or 2555-EZ after 1981 to claim either of the exclusions, check here ▶ and go to line 7.

c Have you ever revoked either of the exclusions? Yes No

d If you answered "Yes," enter the type of exclusion and the tax year for which the revocation was effective. ▶

7 Of what country are you a citizen/national? ▶

8a Did you maintain a separate foreign residence for your family because of adverse living conditions at your tax home? See **Second foreign household** on page 3 of the instructions Yes No

b If "Yes," enter city and country of the separate foreign residence. Also, enter the number of days during your tax year that you maintained a second household at that address. ▶

9 List your tax home(s) during your tax year and date(s) established. ▶

Next, complete either Part II or Part III. If an item does not apply, enter "NA." If you do not give the information asked for, any exclusion or deduction you claim may be disallowed.

Part II Taxpayers Qualifying Under Bona Fide Residence Test (see page 2 of the instructions)

10 Date bona fide residence began ▶, and ended ▶

11 Kind of living quarters in foreign country ▶ a Purchased house b Rented house or apartment c Rented room
d Quarters furnished by employer

12a Did any of your family live with you abroad during any part of the tax year? Yes No

b If "Yes," who and for what period? ▶

13a Have you submitted a statement to the authorities of the foreign country where you claim bona fide residence that you are not a resident of that country? See instructions Yes No

b Are you required to pay income tax to the country where you claim bona fide residence? See instructions Yes No

If you answered "Yes" to 13a and "No" to 13b, you do not qualify as a bona fide resident. Do not complete the rest of this part.

14 If you were present in the United States or its possessions during the tax year, complete columns (a)-(d) below. Do not include the income from column (d) in Part IV, but report it on Form 1040.

(a) Date arrived in U.S.	(b) Date left U.S.	(c) Number of days in U.S. on business	(d) Income earned in U.S. on business (attach computation)	(a) Date arrived in U.S.	(b) Date left U.S.	(c) Number of days in U.S. on business	(d) Income earned in U.S. on business (attach computation)

15a List any contractual terms or other conditions relating to the length of your employment abroad. ▶

b Enter the type of visa under which you entered the foreign country. ▶

c Did your visa limit the length of your stay or employment in a foreign country? If "Yes," attach explanation Yes No

d Did you maintain a home in the United States while living abroad? Yes No

e If "Yes," enter address of your home, whether it was rented, the names of the occupants, and their relationship to you. ▶

For Paperwork Reduction Act Notice, see page 4 of separate instructions.

Cat. No. 11900P

Form **2555** (2009)

Part III Taxpayers Qualifying Under Physical Presence Test (see page 2 of the instructions)

- 16 The physical presence test is based on the 12-month period from ► through ►
- 17 Enter your principal country of employment during your tax year: ►
- 18 If you traveled abroad during the 12-month period entered on line 16, complete columns (a)–(f) below. Exclude travel between foreign countries that did not involve travel on or over international waters, or in or over the United States, for 24 hours or more. If you have no travel to report during the period, enter "Physically present in a foreign country or countries for the entire 12-month period." **Do not** include the income from column (f) below in Part IV, but report it on Form 1040.

(a) Name of country (including U.S.)	(b) Date arrived	(c) Date left	(d) Full days present in country	(e) Number of days in U.S. on business	(f) Income earned in U.S. on business (attach computation)

Part IV All Taxpayers

Note: Enter on lines 19 through 23 all income, including noncash income, you earned and actually or constructively received during your 2009 tax year for services you performed in a foreign country. If any of the foreign earned income received this tax year was earned in a prior tax year, or will be earned in a later tax year (such as a bonus), see the instructions. **Do not** include income from line 14, column (d), or line 18, column (f). Report amounts in U.S. dollars, using the exchange rates in effect when you actually or constructively received the income.

If you are a cash basis taxpayer, report on Form 1040 all income you received in 2009, no matter when you performed the service.

2009 Foreign Earned Income	Amount (in U.S. dollars)	
19 Total wages, salaries, bonuses, commissions, etc.	19	
20 Allowable share of income for personal services performed (see instructions):		
a In a business (including farming) or profession	20a	
b In a partnership. List partnership's name and address and type of income. ►	20b	
21 Noncash income (market value of property or facilities furnished by employer—attach statement showing how it was determined):		
a Home (lodging)	21a	
b Meals	21b	
c Car	21c	
d Other property or facilities. List type and amount. ►	21d	
22 Allowances, reimbursements, or expenses paid on your behalf for services you performed:		
a Cost of living and overseas differential	22a	
b Family	22b	
c Education	22c	
d Home leave	22d	
e Quarters	22e	
f For any other purpose. List type and amount. ►	22f	
g Add lines 22a through 22f	22g	
23 Other foreign earned income. List type and amount. ►	23	
24 Add lines 19 through 21d, line 22g, and line 23	24	
25 Total amount of meals and lodging included on line 24 that is excludable (see instructions)	25	
26 Subtract line 25 from line 24. Enter the result here and on line 27 on page 3. This is your 2009 foreign earned income	26	

Part V All Taxpayers

27	Enter the amount from line 26	27		
	Are you claiming the housing exclusion or housing deduction?			
	<input type="checkbox"/> Yes. Complete Part VI.			
	<input type="checkbox"/> No. Go to Part VII.			

Part VI Taxpayers Claiming the Housing Exclusion and/or Deduction

28	Qualified housing expenses for the tax year (see instructions)	28		
29a	Enter location where housing expenses incurred (see instructions) ▶	29b		
b	Enter limit on housing expenses (see instructions)	30		
30	Enter the smaller of line 28 or line 29b	31		
31	Number of days in your qualifying period that fall within your 2009 tax year (see instructions)	32		
32	Multiply \$40.07 by the number of days on line 31. If 365 is entered on line 31, enter \$14,624.00 here	33		
33	Subtract line 32 from line 30. If the result is zero or less, do not complete the rest of this part or any of Part IX	34		
34	Enter employer-provided amounts (see instructions)	35		
35	Divide line 34 by line 27. Enter the result as a decimal (rounded to at least three places), but do not enter more than "1.000"	36		
36	Housing exclusion. Multiply line 33 by line 35. Enter the result but do not enter more than the amount on line 34. Also, complete Part VIII			

Note: The housing deduction is figured in Part IX. If you choose to claim the foreign earned income exclusion, complete Parts VII and VIII before Part IX.

Part VII Taxpayers Claiming the Foreign Earned Income Exclusion

37	Maximum foreign earned income exclusion	37	\$91,400	00
38	<ul style="list-style-type: none"> If you completed Part VI, enter the number from line 31. All others, enter the number of days in your qualifying period that fall within your 2009 tax year (see the instructions for line 31). 	38		
39	<ul style="list-style-type: none"> If line 38 and the number of days in your 2009 tax year (usually 365) are the same, enter "1.000." Otherwise, divide line 38 by the number of days in your 2009 tax year and enter the result as a decimal (rounded to at least three places). 	39		
40	Multiply line 37 by line 39	40		
41	Subtract line 36 from line 27	41		
42	Foreign earned income exclusion. Enter the smaller of line 40 or line 41. Also, complete Part VIII ▶	42		

Part VIII Taxpayers Claiming the Housing Exclusion, Foreign Earned Income Exclusion, or Both

43	Add lines 36 and 42	43		
44	Deductions allowed in figuring your adjusted gross income (Form 1040, line 37) that are allocable to the excluded income. See instructions and attach computation	44		
45	Subtract line 44 from line 43. Enter the result here and in parentheses on Form 1040, line 21. Next to the amount enter "Form 2555." On Form 1040, subtract this amount from your income to arrive at total income on Form 1040, line 22	45		

Part IX Taxpayers Claiming the Housing Deduction— Complete this part only if (a) line 33 is more than line 36 and (b) line 27 is more than line 43.

46	Subtract line 36 from line 33	46		
47	Subtract line 43 from line 27	47		
48	Enter the smaller of line 46 or line 47	48		
49	Housing deduction carryover from 2008 (from worksheet on page 4 of the instructions)	49		
50	Housing deduction. Add lines 48 and 49. Enter the total here and on Form 1040 to the left of line 36. Next to the amount on Form 1040, enter "Form 2555." Add it to the total adjustments reported on that line	50		

APPENDIX B: DUE DILIGENCE FORM



Salduba Building, 3rd Floor
 P.O. Box 0816-02884
 Panama, Republic of Panama
 Tel: (507) 269-2641 / 269-2743
 Fax: (507) 269-2591 / 263-8079
 URL: www.quijano.com
 Offices in Belize- British Virgin Islands (BVI) - United Kingdom - Switzerland

FOR OFFICE USE ONLY	
Iden. No.	
KSM	

QUESTIONNAIRE (Q-INI-PRELIM)

PART I: IDENTIFICATION			
<input type="checkbox"/>	Individual Please complete only Section A of Part I and all of Part II of this Questionnaire.		
<input type="checkbox"/>	Non-Individual (a partnership, limited partnership, corporation or other body corporate, financial institution, business trust, family trust, foundation, unincorporated association, joint venture, governmental entity or other entity) Please complete only Section B of Part I and all of Part II of this Questionnaire.		
Section A: Individual			
Last Name	First Name	Second Name	
Date and Place of Birth ____ / ____ / ____ Day Month Year		Citizenship/Nationality	
Passport No.	Place of Issuance	Date of Issuance	Date of Expiration
Name and Mailing Address of current Employer NOTE: If there is no current Employer, please state name and address of previous Employer. If you are self-employed, please state "self-employed" in this section.			
Occupation / Nature of Business			
Principal Residential Address NOTE: Where you have resided at this address for less than 6 months, please provide details of your previous Principal Residential Address.			

Registered Address (State at least 2 addresses):		
Main Address	Postal Address (if different from main address)	Invoicing Address
Telephone		
Cellphone		
Fax		
E-mail		
Website		
Section B: Non-Individual		
Legal Name / Corporate Name Incorporation		Registration # / Date of
Jurisdiction of Registration / Regulation		
Type of Non-Individual		
NOTE: A "Non-Individual" may be a partnership, limited partnership, corporation or other body corporate, financial institution, business trust, family trust, foundation, unincorporated association, joint venture, governmental entity or other entity.		
Name of the Owner and structure control		
List of Directors and Officers		
NOTE: Please include the posts and full name. If the Legal Entity is a public entity, it will only be necessary to provide a list of the directors.		
Business activity(ies) / Nature of Business		

Registered Address (State at least 2 addresses):		
Main Address	Postal Address (if different from main address)	Invoicing Address
Telephone		
Cellphone		
Fax		
E-mail		
Website		
PART II: DECLARATION		
I / We (<i>delete as applicable</i>) declare that the information given in this Questionnaire by me / us (<i>delete as applicable</i>) is true and correct.		

(signature of Individual or duly-authorized representative of Non-Individual)		

(full name and title of signatory)		
For and on behalf of:		

(registered / regulated name of Non-Individual)		
Date: _____		

**APPENDIX C: DUE DILIGENCE INFORMATION FOR INCORPORATION –
PLEASE FILL IN ONE PER EACH BENEFICIAL OWNER:**

Full name: _____
Passport No.: _____ Social Security No.: _____
Place of Birth: _____ Birth Date: _____
Citizenship: _____ Marital status: _____
Country of residence: _____
Residential address: _____
Amount of years living at that address: _____
Home Telephone No.: _____ Home Fax No.: _____
Cell phone No.: _____ e-mail address: _____
Address for correspondence (if other than above):

WORK DETAILS:

ADDITIONAL CONTACT:

Profession or training: _____ Name of closest relative: _____
Highest Educational Degree: _____ Kinship: _____
Place of work: _____ Address: _____
Work Telephone No. _____ e-mail address: _____
Work Fax No. _____ Home telephone No.: _____
Work address: _____ Cell phone No.: _____
Position: _____
Work start up date: _____

CORPORATION:

I. PROPOSED NAMES OF THE CORPORATION (please add INC., CORP or S.A. at the end of the name)

- a. _____
- b. _____
- c. _____

II. DIRECTORS

a. Please give us Name and address of 3 persons or corporations:

Full Name: _____ **Complete Address:** _____ **Passport or**
ID No.: _____

_____	_____	_____
_____	_____	_____
_____	_____	_____

Which of them will be *President, Treasurer and Secretary*:

1. _____
2. _____
3. _____

III. SHAREHOLDERS:

Please mark the type of capital structure of the corporation:

- a. 500 shares without par value. _____
- b. Other (please specify) _____

Please let us know:

- a. how many share certificates you want issued? ____
- b. to whom should each share certificate be issued?

IV. PLEASE ATTACH TO THIS FORM:

- (a) Clear copy of the passport of each Director.
- (b) References
- (c) Copy of utility bill showing your home address
- (d) Short resumé

AFFIDAVIT, RELEASE & INDEMNITY FORM

The undersigned, _____, a national of _____, with Identity card or Passport No. _____, HEREBY SWEARS AND ATTESTS that he/she is the shareholder and/or ultimate beneficial owner of the Panamanian corporation named _____ and that he/she is not acting on behalf of any non-disclosed third party and that the funds and assets which will be used for the incorporation and investment through this corporation are from lawful sources.

Furthermore, the undersigned, HEREBY RELEASES and agrees to hold harmless and indemnify any nominee Director and/or Officer and Resident Agent of the Panamanian corporation named _____, from any liability emerging from or claims resulting from the use and trade of this corporation by the undersigned in his/her capacity as Attorney-in-fact and/or shareholder and/or beneficial owner and/or director or from the actions taken by the Resident Agent and/or nominee Directors-Officers under his/her instructions.

The undersigned expressly includes within the scope of this release all such liability and claims as may arise and waive any rights he/she may have to dispute the scope of this release on any grounds.

Furthermore, the undersigned undertakes to use the corporation lawfully pay all taxes which may apply to the Corporation or its assets in any jurisdiction and agrees to keep the Resident Agent of this corporation informed of his/her current domicile and contacting telephone/fax numbers throughout the time he/she holds the office of Attorney-in-fact or Director or holds an interest as shareholder and/or beneficial owner, and to keep the Resident Agent informed of any changes in the shareholder or beneficial ownership of the above referred corporation.

The use of this Corporation by the beneficial owner for unlawful or criminal activities or his allowing it to be used by others for unlawful or criminal activities, will irrevocably release the Resident Agent and nominee Directors and Officers of the corporation from any confidentiality or privilege constraints.

If the Corporation generates taxable income in the Republic of Panama (even if no profit has been realized) I shall comply with Panamanian regulations to file a tax return in Panama. I irrevocably undertake to provide the nominee directors (if any) notice of any taxable income generated by the Corporation entity in Panama and advise them who will be handling the relevant tax return. I irrevocably undertake to hold harmless, indemnify and reimburse the Law Offices Rainelda Mata-Kelly for any liability that attaches to the nominee directors for the non-payment of taxes or the non-filing of the tax return.

The undersigned understands that the Resident Agent and nominee Directors and Officers may resign at any time without having to show cause.

Given this _____ day of _____ of the year 2009.

Signature: _____

INCORPORATION QUESTIONNAIRE

Submitted to the Law Offices of Rainelda Mata-Kelly for the incorporation of

Corporation Name: _____

1. Beneficial Owner Details

Name: _____

Date of Birth: _____ Place of Birth: _____

Current nationality: _____

ID Card or Passport No.: _____

Social Security No. _____

Home Address: _____

Address for Correspondence: _____

2. Purpose of the corporation or activities it will be engaged in:

3. Is the corporation to trade or conduct business actively? If so, where? And in what trade or business?

4. Is the corporation to open offices overseas? If so, where? What business will it conduct from such offices?

5. Will the company offer any investments or financial services to the public?

6. Will the company operate in the internet? If so, please explain.

This questionnaire was completed by the undersigned who attests he/she is the beneficial owner of the corporation mentioned above and to the veracity of the above:

Signature: _____

Name: _____

APPENDIX D: COMPLETE SERVICES FOR THE INCORPORATION OF A NEW PANAMANIAN CORPORATION

Our fees and expenses to the formation of a standard corporation with a capital not exceeding US \$ 10,000.00 amount to **US \$ 975.00** which includes:

1. Incorporation/registration fees and expenses.
2. One certified true copy of the public deed containing company's Articles of Incorporation.
3. English translation of Articles of Incorporation.
4. Annual payments for the first year including corporate tax, resident agent fee and nominee director's fees.
5. Company's Minutes Book and Stock Register.
6. Five share certificates.
7. Letters of Assignment of Subscribers' Rights to company's Articles of Incorporation.
8. Courier expenses incurred in forwarding company's incorporation documents.

ANNUAL MAINTENANCE CHARGES

The cost of maintaining a Panamanian company is **US \$ 500.00** and it includes:

1. Annual corporate tax.
2. Annual resident agent fee.
3. Preparation of company's annual corporate tax form and handling payment thereof.

EXTRA ITEMS

- **Nominee Director/Officer** **US \$ 200.00 each director/officer**

BASIC INFORMATION FOR THE INCORPORATION OF A PANAMANIAN CORPORATION

PLEASE PROVIDE THE NAME OF THE COMPANY IN ORDER OF PREFERENCE

- a)
- b)
- c)

OBJECTS OR PURPOSES

The articles of incorporation will contain a standard broad objects clause encompassing any act or activity that is not prohibited by law. If any specific object clause is desired, in addition to the aforementioned, please state below:

Specify limitations or restrictions in purpose clause, if any;

AUTHORIZED CAPITAL

The company will be incorporated with an authorized capital of US\$10,000.00, divided into 100 shares for a value of US\$ 100.00 each, registered or bearer shares.

If the standard share capital is not desired, please specify any special features:

i) Desired authorized capital in US \$ _____

ii) Currency of shares other than US \$: _____

iii) Number of par value shares and value per share:

iiii) Number of non par value shares: _____

******If members of our firm act as nominee directors, specify number of share certificates to be issued and number of shares to be represented by each certificate.**

DIRECTORS/OFFICERS

a) If our nominee directors/officers services are not required, kindly indicate the names of a minimum of three (3) directors and their respective addresses, and names /addresses of at least a President, Treasurer and Secretary, which may be directors Corporate directors may also be listed. Provide us with photocopy of the passport or identity card of the beneficial owner.

<u>Name</u>	<u>Office</u>	<u>Address</u>

b) Please indicate which, if any, of the following services you require:

Nominee Director(s): _____

APPOINTMENT OF ATTORNEY (IF ANY)

a) Powers of attorney are granted with the broadest of authorities enabling the attorney to carry out any conceivable activity, for and on behalf of the company, and the appointment is not registered at the Panama Public Registry. Specify complete name(s) of attorney(s), address(es) (optional) and passport number(s) (optional):

b) Any restriction in attorney’s authority should be stipulated below:

c) If there is more than one attorney specify how they will act (i.e. singly or jointly).

OTHER (i.e. registration of power of attorney, forwarding address, etc.)

7. – BIBLIOGRAPHY

Books

- *Tax Havens: How Globalization Really Works (Cornell Studies in Money) (Paperback)*, Ronen Palan, Richard Murphy, Christian Chavagneux
- *The World's Best Tax Havens: How to Cut Your Taxes to Zero and Safeguard Your Financial Freedom (Paperback)*, Lee Hadnum
- *Tax Havens Today: The Benefits and Pitfalls of Banking and Investing Offshore (Hardcover)*, Hoyt Barber
- *LEGAL OFF SHORE TAX HAVENS: How Take Legal Advantage of the IRS Code and Pay Less in Taxes (Kindle Edition)*, Jesse Schmitt
- *How to Be Invisible: The Essential Guide to Protecting Your Personal Privacy, Your Assets, and Your Life (Revised Edition) (Hardcover)*, J. J. Luna
- *Asset Protection : Concepts and Strategies for Protecting Your Wealth (Hardcover)*, Jay Adkisson, Chris Riser
- *Secrets of Swiss Banking: An Owner's Manual to Quietly Building a Fortune (Hardcover)*, Hoyt Barber
- *Tax Havens (Hardcover)*, Anthony Sanfield Ginsberg

Internet

- <http://www.worldwide-tax.com/>
- <http://www.lectlaw.com/>
- <http://www.taxhavenbank.com/?tag=tax-haven-countries>
- <http://www.irs.gov/>
- <http://europe.wsj.com/home-page>
- <http://www.nytimes.com/>

Codes

- http://www.law.cornell.edu/uscode/html/uscode26/usc_sup_01_26.html