

Need an Offshore Sales Office in a Tax Free Environment?

Contributed by Tom Azzara

The 100 year old investment-banking firm of Warburg, Dillon Read (on Park Ave. N.Y.) (now UBS Warburg) has offices in 39 foreign countries - including the Bahamas, the tiny Cayman Islands, Hong Kong and the Channel Islands. Makes you wonder why, doesn't it?

Non-resident foreign companies, trusts, banks and individuals can trade stocks, bonds, commodity contracts and options 100% free from U.S. capital gains taxes.

Under the U.S. Tax Code, only when a foreign company, foreign trust or nonresident alien individual takes up permanent residence within the United States will he be subject to U.S. capital gains taxes in the same way as domestic taxpayers. For a corporation permanent residence would be a U.S. office or warehouse. Capital gains realized by foreign corporations and other nonresidents "not engaged in a trade or business within the United States" are exempted from tax under IRC Section 871 and IRC Section 881 & IRC Section 897(c)(3). Moreover, U.S. Treasury Regulations Section 864-2(C)(1) & (2) provides an exception for what embodies being "engaged in a trade or business within the United States". Under U.S. regulations, a nonresident's Stock Market transactions carried-out through a U.S. stock broker, independent agent, or an employee are not considered to cause the nonresident to be "engaging in a trade or business within the United States".

Publicly traded stock market gains (from NYSE, NASDAQ or AMEX listed stocks and bonds) accruing to an offshore company are free of US capital gains taxes by the Internal Revenue Tax Code's statutes, but "US Shareholders" can have a tax liability (indirectly) if the offshore company is a "Controlled Foreign Corporation (CFC) (i.e., "more than 50% of voting and non-voting stock is owned by US SHAREHOLDERS). See sections 951 thru 958 of the IRC. See especially Code-Section 951(b) for the definition of US SHAREHOLDERS.

American taxpayers that use tax havens are taking more risks (generally) than a foreign non-resident alien (not a US citizen). Whether an American citizen taxpayer will have a tax liability on the offshore company profits depends on a lot of things - including what kind of income is produced by the company (i.e., Subpart F or non-Subpart F) and how many shares in the company you own, and whether the offshore company is a CFC - as defined in the Internal Revenue Code in Sections 957 and section 958.

More on the No-tax haven of Anguilla. Click onto the link below for the details
<http://www.geocities.com/taxhavens123/caribbeantaxhavens.html>

A Tribute in Honor of: Bank Confidential Ordinances in the Caribbean

http://www.geocities.com/taxhavens123/bank_confidentiality.html

The Old Monied Dupont Nemours and Roosevelt Families Buy a Tax Haven

Want to know why and how the old monied Dupont Nemours and Roosevelt families were able to buy 4,000 acres of waterfront property on the island of Providencials in the tax free, crown colony (or "Overseas Territory") of the Turk and Caicos Islands for 1 cent an acre?

This 4,000 acre sale (now a marina and resort town - with an airport for jumbo jets (the \$50,000,000 airport was donated by the UK government) went down in the 1970's - not the 1870's!?!?

Source: A Turks & Caicos Government 3 full page advertisement in Investor's Daily (1985).

Was this the most profitable real estate investment of the 20th century? A quarter acre lot in the gated community of Sandyport here in Nassau, Bahamas sells for approximately \$260,000 today. Half acre canal lots in Lyford Cay sell for about one million dollars.

Do the math. On an initial investment of just \$40, the 4,000 acre property might be worth almost 4 BILLION dollars today.

YOU BE THE JUDGE.... Are the use of the world's tax havens a blessing or a detriment? Before you answer, see some of the IRS's loopholes from our "Tax Code" - discovered for your viewing below, and buried inside the tax law for the taxpayers! There's a very important loophole for the non-resident alien you should not overlook!

Tom has lived offshore in the Bahamas for over 10 years. When I'm not working on my newsletter, or with a client, I'm out swimming, diving or sport fishing in the sunny- tax-free Bahamas.

Call me at 242-327-7359 with your questions. - 9AM to 5PM - New York time zone is best.

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