
Offshore News Digest

Volume 12

March, 2006

BRITISH COMPANIES: THE CHOICE OF BUSINESS PEOPLE
CONDUCTING ACTIVITIES IN THE EC MARKET AND WORLDWIDE

CONTENT:

British Companies: The Choice Of Business People Conducting
Activities In The EC Market And Worldwide

TAXATION:

- Isle of Man Introduces Standard 0% Corporate Tax Rate
- Bill Passed To Exempt Offshore Funds
From Profits Tax In HK

NEWS FROM JURISDICTIONS:

- Hong Kong's Tang Cuts Taxes
- Australia: Tax Break For Temporary Residents
- Guernsey: Island Has Not Set A Tax Cap
- UK: Council Tax Set For Rise
- Ireland: Growth Forecast Hints At Tax Cuts
- China Announces 58-point Plan To Boost Science

BANKING:

- EFG Bank Joins Dubai International Financial Centre
- Deutsche Bank Opens Dubai Branch In The DIFC
- HSBC Offers SME Insurance

INVESTMENT AND FINANCIAL ISSUES:

- Inflation Concerns Hit US Stocks

INTERNET GAMBLING:

- Federal Internet Gambling Prohibition Legislation
Re-Introduced
- Antigua Slams US For Non-Compliance To WTO Ruling

A PIECE OF ADVICE:

- Personal Financial Planning Offshore?

BRITISH COMPANIES: THE CHOICE OF BUSINESS PEOPLE CONDUCTING ACTIVITIES IN THE EC MARKET AND WORLDWIDE

British companies are very popular in the business world of today. Lack of initial capitalization, relatively low corporate tax rates, easy, fast and cost-effective incorporation make British ventures attractive for businessmen planning conducting business in Europe. Perfect reputation of these companies on the European and world markets, also possible prospects in establishing one's presence in the United Kingdom – these are the main benefits and attractions of incorporation in the UK.

We would like to outline in brief two most popular business ventures existing in the British corporate legislation: Private Limited companies and Limited Liability Partnerships.

BRITISH PRIVATE LIMITED COMPANIES

Nowadays a private UK limited company is considered as one of the most easily managed and cost effective business structures in Europe. The Companies Act 1985 declares that a private limited company can be formed for any lawful reason by one or more persons with one subscriber (or shareholder) to the Memorandum of Association.

Advantages and features of a British private limited company are as follows.

Legal status

A limited company has a legal existence separate from management and the shareholders. The company can own and hold property, register domains, buy and sell goods, conclude the agreements, open business and other bank accounts, employ the directors and staff and generally perform economic functions in just the same way as a private individual. Company management and directors are the agents of the company.

Limited liabilities

The protection given by limited liability is perhaps the most important advantage of incorporation. A shareholder cannot be personally liable for the debts of a limited company. The member's liability is for the amount invested in their shares. Since majority of companies issue shares as "fully paid", in case of liquidation of a company the shareholders' loss is only the value of the shares and loans (if any) made to the company. Personal assets of the shareholders and directors are protected. This protection does not apply to the fraud, though. If the creditors lost their assets due to the director's fraud, the director's personal liabilities are unlimited.

Lack of capitalization

British limited companies do not need to be capitalized as is required by law in all civil law countries. The authorized share capital is not to be paid – it can be only announced.

Taxation

Sole traders and partnerships pay income tax. British Limited companies pay corporation tax on their declared profit. Profit is what the company makes when the company has paid out all its commitments, i.e. wages, including personal income tax (IT) and national insurance (NI), all invoices, VAT, rent, rates, electricity, stationery, office equipment, software, telephone bills, etc. for the year (12 months trading). There is a wide range of allowances and tax-deductible costs that can be offset against a company profits. Moreover, the corporate tax is now much lower than income tax in the UK.

The table below shows the current tax rates as announced in Pre Budget Report of December 5, 2005. These rates are subject to confirmation in the 2006 Budget.

Corporate tax rates:

01/04/06 – 31/03/07 %		

Starting Rate *	1 – 10,000	19
Intermediate Profits	10,001 – 50,000	19
Small Company Rate	50,001 – 300,000	19
Intermediate Profits	300,001 – 1,500,000	32,75
Large Companies	1,500,000 +	30

01/04/05 – 31/03/06 %		

Starting Rate *	1 – 10,000	0
Intermediate Profits	10,001 – 50,000	23,75
Small Company Rate	50,001 – 300,000	19
Intermediate Profits	300,001 – 1,500,000	32,75
Large Companies	1,500,000 +	30

* The payment of dividends to non-corporate shareholders may affect this band.

It is worth mentioning that if the company director is not resident in the UK, then his salary is not taxed in the UK, thus it could be collected at the offshore account tax-free.

Flexibility of operations

One of the advantages of a UK limited company is that it does

not require directors/managers to reside or be physically present in the UK. A company can be owned by non-residents and operated from abroad.

Reputable outlook

Unlike tax havens, it is almost impossible for investigating tax authorities from highly-regulated countries to discriminate against properly managed UK companies. The reason is simple – Britain on its own is a highly respectable European Union country.

Name protection

A limited company is not required to start trading within any set time period after its incorporation. Thus formation of a limited company can be considered a simple method to protect a business name. Many clients form companies in anticipation of future development of new businesses or in order to protect the limited company name of an existing non-limited business for the future. The same name cannot be used by two or more companies.

There are also other advantages that can be described as:

- an Ltd. can have a VAT number, which is an advantage for those trading within Europe;
- Interest in business can be easily transferred through ownership of shares.
- A private limited company also offers improved national insurance benefits.

Disadvantages:

Lack of financial privacy

Each limited company is required to file annual return. Moreover, within 18 months from the formation date the company is required to prepare the accounts for collation by certified accountants. Every payment in and out of the bank and every sale has to be checked by the accountant. Thus the company needs to collect all the invoices and the bank account statements to prepare the accounts in the end of the company financial year.

Lack of flexibility

The management of the company has to comply with legal standards in conducting business.

BRITISH LIMITED LIABILITY PARTNERSHIPS

A new form of a legal entity - Limited Liability Partnership (LLP) - was introduced in the UK in 2000. This new type of venture, now available to any “two or more persons associated for carrying on a lawful business with a view to profit”, arose in response to intensive lobbying by accountancy firms for a

business vehicle, which protect their partners' personal assets against increasing liabilities with respect to negligent audits.

The essential feature of an LLP is that it combines the organizational flexibility and tax status of a partnership with limited liability for its members.

This limited liability is possible because an LLP is a legal entity separated from its members.

Advantages and features:

Legal status

An LLP is a legal entity separated from its members. An LLP can own property, employ people and enter into contractual obligations. Debts incurred are the debts of the LLP.

Limited liabilities

The liability of LLP members is limited to the amount of their investment into LLP. The key issue here is whether a member has any liability to make a contribution to the assets in the event of the liquidation of the LLP. In the case of a Limited company, liability of each beneficiary is limited to the amount due (if any) on his shares. But an LLP has no share capital. The member's liability to contribute on winding up is limited to the amount the member has agreed with the other members (which is stated in the Membership agreement). Such a contribution is not a legal requirement, though.

Taxation

An LLP is taxed as a Partnership. Its income is passed through to its partners and taxed at the individual partner level, without any income tax assessment at the LLP entity level. Such taxation is advantageous when the partners/members are foreigners. In this case LLP members are supposed to be taxed at the personal level in the country of their residence, not in the UK.

Membership

An LLP has no directors or shareholders; it has no share capital.

An LLP is formed by members.

Any person or legal entity may be an LLP member. There are no restrictions on the nationality or residency of the members - they may be either residents or non-residents of the UK. For entities other than individuals, it is important whether or not they have legal personality. If they have, they could act as members. So any corporate body (for example, British limited company or an offshore IBC), acting on its own behalf or as a trustee, may be a LLP member.

Two or more members must be identified as the designated members.

They are not the management team of the LLP, but are responsible for these defined statutory tasks which include:

- signing the accounts and delivering them to the Registrar of companies;
- appointment and removal of the auditors (if required);
- notification of membership changes to the registrar of companies;
- preparing, signing and delivering the annual return;
- applying for the LLP to be struck off the register.

All members (not just the designated members) are agents of the LLP. The typical obligations of agents include obligations to act in the interests of the principal (i.e. the LLP), to avoid conflicts of interests and a prohibition on the making of secret profits. The limited liability partnership is bound by every contract made by any partner, unless first, the partner had no authority to make the contract and second, the third party was aware of that fact. The limited liability partnership is bound even by contracts by former partners, unless the other party has been told that the former partner is no longer a member, or the registrar has received a notice to that effect.

At the same time, the LLP members are not agents of one another. The legislation does not regulate the relationship between the members. The members' responsibilities, rights and duties are regulated by the private Membership Agreement.

Flexibility

The LLP legislation makes no provision for directors or a board structure: there are no requirements for board or general meetings or decision-making by resolution. An LLP does not have a memorandum or articles of association.

Instead, there is a Membership agreement. This is a private document that all the members draw and sign. This Agreement is the main document that declares the company structure, corporate activities, the rights and duties of members, the share percentages, etc. The LLP agreement also covers the relationship between the members and the separate corporate entity, which is the LLP.

The Membership Agreement is not to be registered at the Companies House. There are no general regulations on how this document should be completed and what provisions it must include. Therefore, an LLP is as flexible business tool as the members make it according to their needs.

Speaking about the advantages and features, we can also add that:

- an LLP can have a VAT number, which is an advantage for those trading within Europe;
- an LLP must be formed for the purpose of carrying on a lawful

business with a view to profit;

Disadvantages:

Legal uncertainty

There is no single statute, which contains the legislation applicable to LLPs. These ventures are regulated by a cross-referencing legislation.

Necessity to draw an LLP agreement

There are no general provisions as to the structure and Management of the LLP. To complete a suitable and proper agreement the partners normally require assistance of a professional lawyer.

Lack of financial privacy

An LLP should maintain accounting records, prepare the audited annual accounts and deliver them to the Companies House, and submit an annual return.

MAKING A CHOICE

When comparing pros and cons of UK limited companies and LLPs, the following points are to be considered:

Taxation

An LLP is taxed as a partnership rather than a company, which may be more advantageous for all concerned, especially for non-UK businessmen.

Limited liabilities

The same for both types of ventures

Legal certainty

Limited company is a well regulated tried and trusted business mechanism with high degree of legal certainty. LLP is a new form of a legal entity, regulated by cross-referencing legislation, which may create additional problems for tax and legal advisers. However thousands of British LLPs have been registered already and used worldwide.

Privacy

Both UK limited and UK LLP corporate details are public and can be accessed via Companies House database.

Internal flexibility

A limited company has default standard provisions outlined in the Memorandum and Articles of Association. An LLP has no general provisions – an LLP Agreement must be drawn in each specific case

to determine the LLP structure and responsibilities of members.
Most of the LLPs can do with a rather standard Agreement, though.

Permissible activities

While a limited company can undertake any nature of business,
an LLP must conduct a profitable business.

So as you see, both British Limited company and UK LLP can make
a valuable tax planning tool for business people conducting
activities in the EC market and worldwide. It is a workable
solution especially if you have a proper person or a specialized
company providing reliable support for these entities in the UK.

You could learn more (including the incorporation details)
visiting:

- British private limited companies web page:

<http://www.privacy-solutions.com/UK-company-incorporation-service.html>

- UK LLPs web page:

<http://www.privacy-solutions.com/UK-company-incorporation-service-llp.html>

TAXATION:

• Isle of Man Introduces Standard 0% Corporate Tax Rate

The Isle of Man has is hoping to further stimulate the inflow of
investment and business to the island with the introduction of a
standard 0% corporate tax rate.

The new zero rate, which takes effect from 5 April 2006 is part
of a package of business and individual tax measures announced
by Treasury Minister Allan Bell as part of his 2006 Budget speech
to Tynwald, the Isle of Man Parliament.

Read more at:

<http://www.hedgeweek.com/resourcenewsrelease.asp?ReleaseID=02AFA412-C6D4-4F7E-873A-9B5A30AE7A7D&CategoryID=1CC7AB73-07B3-4FE9-A3B9-8319ADF6C519&Type=News>

• Bill Passed To Exempt Offshore Funds From Profits Tax In HK

Hong Kong's Legislative Council yesterday passed the Revenue
(Profits Tax Exemption for Offshore Funds) Bill 2005 which seeks
to amend the Inland Revenue Ordinance to implement the proposal
to exempt offshore funds from profits tax, a piece of legislation
thought essential to maintain the competitiveness of Hong Kong's

financial centre.

Read more at:

http://english.people.com.cn/200603/02/eng20060302_247186.html

NEWS FROM JURISDICTIONS:

- Hong Kong's Tang Cuts Taxes

Hong Kong Financial Secretary Henry Tang cut taxes for the first time in eight years and plans to lower port and securities levies, seeking to make the city more competitive with regional rivals such as Singapore.

Read more at:

<http://www.bloomberg.com/apps/news?pid=10000080&sid=aUUIho1G7gzk&refer=asia>

- Australia: Tax Break For Temporary Residents

THE Howard Government should use its looming review of taxation to ensure Australian business can attract the best international executives and also raise enough finance to expand offshore, according to Ernst & Young.

The accounting firm urged the Treasurer Peter Costello to press ahead with key international tax reforms, including handing high-flying foreign executives a tax break on their offshore investments and overhauling the current dividend imputation regime.

Read more at:

http://www.sundaytimes.news.com.au/common/story_page/0,7034,18290023%255E462,00.html

- Guernsey: Island Has Not Set A Tax Cap

TREASURY minister Lyndon Trott has denied that Guernsey has set an income tax cap of L250,000. Proposals will go to the States this summer which would see a L200,000-L250,000 cap to remain competitive with other jurisdictions seeking to attract wealthy individuals. The Isle of Man announced a L100,000 limit on income tax payments, benefiting super-rich residents earning more than L570,000 a year.

Read more at:

<http://www.thisisguernsey.com/code/shownewsarticle.pl?ArticleID=000288>

- UK: Council Tax Set For Rise

Local council tax bills are set to soar in the coming financial year says a new independent survey published today.

The Chartered Institute of Public Finance and Accountancy (CIPFA)

report found.that average council tax bills are set to rise by 4.5 per cent, almost twice the current rate of inflation.

- Ireland: Growth Forecast Hints At Tax Cuts

ECONOMIC growth will pick up over the next two years potentially allowing the Government to cut tax rates, according to the latest economic analysis by Goodbody Stockbrokers.

Read more at:

http://www.irishexaminer.com/pport/web/business/Full_Story/did-sgLvA7wqhKzK-sgTbBP-2fa91M.asp

- China Announces 58-point Plan To Boost Science

China has announced a broad set of policies intended to boost its scientific and technological development over the next 15 years. Insurance companies and investment banks will, for instance, be able to supply venture capital to assist new companies doing research and development. Businesses will also be given new tax breaks to offset research costs.

Read more at:

<http://www.scidev.net/news/index.cfm?fuseaction=readnews&itemid=2691&language=1>

BANKING:

- EFG Bank Joins Dubai International Financial Centre (DIFC)

EFG International - a global private banking group offering private banking and asset management services, headquartered in Zurich - announced that its subsidiary EFG Bank has been granted a license by the Dubai Financial Services Authority (DFSA).

Read more at: <http://www.ameinfo.com/77316.html>

- Deutsche Bank Opens Dubai Branch In The DIFC

These days Deutsche Bank officially opened its Dubai branch in the DIFC (Dubai International Financial Centre).

Read at: <http://www.ameinfo.com/79182.html>

- HSBC Offers SME Insurance

Based on a foundation of 25 years of operations in the UAE, HSBC's Dubai based team provides an extensive range of insurance broking and consultancy services from the large multi-national corporations to the individual personal needs for insurance.

Read more at: <http://www.ameinfo.com/77959.html>

INVESTMENT AND FINANCIAL ISSUES:

- Inflation Concerns Hit US Stocks

Last week strong reports from the Institute for Supply Management on the services and manufacturing sections of the economy fuelled concern about inflation risk in the US. The Dow Jones and S&P fell driven by declines in the financial sector.

Read more at: <http://www.ameinfo.com/79593.html>

INTERNET GAMBLING:

- Federal Internet Gambling Prohibition Legislation Re-Introduced

On February 16th, 2006 United States Congressmen Bob Goodlatte and Rick Boucher reintroduced proposed legislation (the "Bill") entitled the "Internet Gambling Prohibition Act" in the United States Congress. The Bill seeks to amend certain definitions in the United States Code and Federal Wire Act to make it clear that the prohibition on the use of the wires to conduct a betting or wagering business includes the use of the Internet. Also, the Bill seeks to expand the prohibition to extend to all bets or wagers, not merely bets or wagers on "sporting events" or "contests."

Read more at:

<http://www.casinocitytimes.com/article.cfm?ContentAndContributorID=25464>

- Antigua Slams US For Non-Compliance To WTO Ruling

With less than six weeks remaining to comply with a 2005 World Trade Organization (WTO) decision, the US has come under fire from Antigua and Barbuda, the jurisdiction that last year challenged American policies regarding online casinos.

The government of Antigua and Barbuda has sent a written complaint to US Trade representative Rob Portman, claiming that he had exerted no effort to modify America's online casino gaming policy to comply with the WTO ruling.

Read more at: <http://www.mycaribbeannews.com/news3/060223f.htm>

A PIECE OF ADVICE:

- Personal Financial Planning Offshore?

Does investing offshore means just sending your money to a questionable tropical island? Think again with Richard Colburn.

Read at:

<http://www.huahintoday.net/index.php?action=show&type=news&id=738>

That is all for today...

Wishing you success in your business,

Privacy Unlimited Team

<http://www.privacy-solutions.com>
