

STUDY ON TAX HAVENS



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
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FOREWORD

It is a matter of great pleasure that Committee on Trade Laws and WTO has decided to issue publications on emerging areas for Chartered Accountants in the field of International Trade Laws and WTO.

Over the last few years, startling advances in technology and the telecommunication revolution have made it easier for individuals and businesses to access offshore facilities - so much so, that today's offshore industry has developed into a major global business, spanning all quarters of the world. Certain jurisdictions encouraging foreign investment by offering a no-tax or low-tax environment are often regarded as a tax haven. Becoming a tax haven is generally part of the economic strategy and growth plan of the concerned jurisdiction. There are several incentives that may induce a jurisdiction to convert into or identify as a tax haven. These days a sizeable part of global financial activity is carried through tax havens which makes it imperative for Chartered Accountants to develop an understanding into the various tax haven entities and the regulations prevalent therein.

The present publication provides a guidance on the various tax haven entities and tax systems, their advantages, uses etc. I am sure that this publication will serve a useful tool of information for Chartered Accountants in this emerging field. I appreciate the initiative taken by the Chairman of Committee on Trade Laws and WTO, CA. Mahesh P. Sarda and all the Members of the Committee in bringing out this publication. I would also like to put on record the contribution of CA. Hiten Shah and CA. Gaurang Gandhi who have prepared the basic draft of this publication.

New Delhi.
June 25, 2007

CA. Sunil H. Talati
President



PREFACE

An increasing number of countries often have seized upon the opportunity to offer companies based in high tax areas, a 'tax haven' if they move their legal identity to their own low tax shores. Not only does this save the organization tax, it ensures that the 'haven' country gets both revenue from registration fees (to its government) and employment and income for its citizens and furthering their own businesses. There are a large number of offshore jurisdictions worldwide, each offering different entities but all sharing a common aim - to attract international business by way of offering a low or zero tax base from which to operate.

The present study aims to provide information about Tax Havens by highlighting various aspects viz. their tax systems, corporate laws, trust laws, related regulatory aspects and their uses. This study primarily aims to help all tax professionals and users of tax heavens who are required to tackle a plethora of emerging issues in this era of globalization as it provides a basic understanding of the various practical aspects on this subject without in anyway propagating the use of Tax Havens or otherwise. This study does not boast of being the ultimate guide on Tax havens, it however, will serve as a handy tool on various entities and tax systems. It highlights the major issues and is designed to act as a preliminary guide. I sincerely hope that readers would find it useful.

I am thankful to CA. Hiten Shah and CA. Gaurang Gandhi who have painstakingly authored the basic draft of the publication. I would like to place on record my sincere thanks to all the members of the Committee on Trade Laws and WTO namely, CA. S. Gopalakrishnan, Vice-Chairman, CA. Sunil H. Talati, President, CA. Ved Jain, Vice-President, CA. Rajkumar S. Adukia, CA. Bhavna Gautam Doshi, CA. K. Raghu, CA. K. P. Khandelwal, CA. Manoj Fadnis, CA. Amarjit Chopra, CA. Vijay Kumar Gupta, Shri Jitesh Khosla, Dr. Pritam Singh, CA. Harish S. Waghela, CA. Vyomesh I. Desai, CA. Himanshu V. Kishnadwala, CA. Parimal R. Shah, Shri M. K. Anand, Joint Director, Ministry of Commerce & Industry and Shri P. K. Patni, Deputy Controller of Patents and Designs for rendering their support in bringing out this publication and all the initiatives taken by the Committee during the year. I also wish to put on record thanks to CA. T. P. Ostwal, CA. Kishor B. Karia, CA. Chetan M. Shah, CA. Rashmin Sanghvi, CA. Tara Rao, CA. Mayur B. Desai, CA. Atal Bihari Bhanja, Mr. Dinesh Kanabar and Ms. Daksha Baxi for their valuable suggestions and guidance in bringing out the study. I also wish to express my appreciation for the technical support of Shri Rakesh Sehgal, Joint Secretary & Secretary, Committee on Trade Laws and WTO and CA. Mohit Baijal, Sr. Technical Officer in finalisation of the Study.

Rajkot
June 25, 2007

CA. Mahesh P. Sarda
Chairman, Committee on Trade Laws and WTO

INDEX

SECTIONS	PAGE NO.
FOREWORD	iii
PREFACE	v
1 WHAT IS A TAX HAVEN	1
1.1 Introduction	1
1.2 Tax Havens – Broad Classification	1
1.3 History of Tax Havens	2
1.4 OECD Approach	3
1.5 Incentives for jurisdictions to become a tax haven	4
2 UNDERSTANDING TAX HAVENS	6
2.1 Introduction	6
2.2 Political Threats	7
2.3 Fiscal Crises	7
2.4 Asset Protection	7
2.5 Competition to Attract business	8
2.6 Common Tax strategy	8
3 WHY TAX HAVENS	10
3.1 Introduction	10
3.2 Using a Tax Haven Company: is it legal?	10
3.3 Need for Tax Havens	11
3.4 A few examples of general usefulness of Tax Havens	12
3.5 Offshore Money Magnets	13
3.6 Tax Shelters	13
3.7 Tax Loophole	15
3.8 Restrictions on use of Tax Haven Companies	16
4 USERS AND USES of TAX HAVEN	17
4.1 Users	17
4.2 Individual users	17
4.3 Corporate Users	18
4.4 Uses of Offshore Entities	19
4.4.1 Investment Portfolios	19
4.4.2 Trading and Purchasing	20
4.4.3 Personal Companies	20
4.4.4 Holding Companies	20
4.4.5 Intellectual Property	21
4.4.6 Real Estate and Land Ownership	21





4.4.7	Finance	21
4.4.8	Transport Companies	22
4.4.9	Banking Companies	22
4.4.10	Insurance and Captive Insurance Companies	22
5	CRITERIA OF SELECTING A JURISDICTION	24
5.1	Introduction	24
5.2	Your Profile	24
5.3	Political and Economic Situation	25
5.4	Essential Corporate Characteristics	25
5.5	Legislative Requirements	25
5.5.1	Company Law	26
5.5.2	English Common Law	26
5.5.3	European Common Law	26
5.5.4	US Corporate Law	26
5.6	Double Taxation Avoidance Treaties	27
5.6.1	Treaty Jurisdiction	27
5.6.2	Non Treaty Jurisdiction	27
5.7	Infrastructure	27
5.7.1	Communications	27
5.7.2	Banking	27
5.7.3	Languages	27
5.7.4	Cost	28
5.8	The 10 Golden Rules for Selection of Offshore Professionals	28
6	POPULAR TAX HAVEN ENTITIES	29
6.1	APT or Offshore Trust	29
6.2	Difference between a trust company and a Trust	29
6.3	What actually is a trust?	30
6.3.1	Trusts established for a specific Purpose	33
6.3.2	Law governing the trust	33
6.3.3	Trust Companies	34
6.4	International Business Corporations	35
6.4.1	Origins of limited Companies	35
6.4.2	The Limited Liability Company	35
6.5	Offshore Limited Companies	35
6.6	Summary	37
7	OFFSHORE FINANCIAL CENTRES	38
7.1	Introduction	38
7.2	Captive Insurance Company	43
7.3	Holding Companies	44



7.3.1	Foreign Withholding Tax	45
7.3.2	Taxation of Foreign Dividends	45
7.3.3	Local Withholding Tax	45
7.3.4	Capital Gains Tax Exemption	45
7.4	Country Comparison- Holding Company Regime	45
7.4.1	Basic Criteria	46
7.5	Country-1- DENMARK	46
7.5.1	Withholding Taxes on Incoming Dividends	46
7.5.2	Corporate Tax on Dividend Income Received	47
7.5.3	Advantages of Danish Holding Company Regime	47
7.5.4	Features of Danish Holding Company Law	48
7.5.5	Characteristics of Danish Holding Companies	48
7.6	Country- 2- NETHERLANDS	49
7.6.1	Withholding Taxes on Incoming Dividends	49
7.6.2	Corporate Tax on Dividend Income Received	49
7.6.3	Restrictions to Participation exemption rules	50
7.6.4	Capital Gains Tax on the Sale of Shares	50
7.6.5	Withholding Taxes on Outgoing Dividends	50
7.7	Country-3- SINGAPORE	51
7.7.1	Withholding Taxes on Incoming Dividends	51
7.7.2	Corporate Tax on Dividend Income Received	51
7.7.3	Capital Gains Tax on the Sale of Shares	52
7.7.4	Withholding Taxes on Outgoing Dividends	52
7.8	Country-4- SPAIN	53
7.8.1	Withholding Taxes on Incoming Dividends	53
7.8.2	Corporate Tax on Dividend Income Received	54
7.8.3	Capital Gains Tax on the Sale of Shares	54
7.8.4	Withholding Taxes on Outgoing Dividends	54
7.9	Country-5- Hong Kong	54
7.9.1	Fiscal Advantages to Holding companies	55
7.9.2	Booking Center Companies	55
7.10	Country- 6- CANADA	55
7.10.1	Exempt Surplus Rule	56
8	ANTI AVOIDANCE MEASURES	57
8.1	Introduction	57
8.2	Anti Avoidance Measures	59
8.3	Anti Treaty Shopping Measures	60
8.4	Bonafide Use	61
8.4.1	Safeguard	61
8.5	Important Case Laws of International Courts	63



8.5.1	W.T.Ramsay Ltd. v. Inland Revenue Commissioners, Eibeck (Inspector of taxes) v. Rawling, [1982] A.C. 300	63
8.5.2	Furniss (Inspector of Taxes) –v- Dawson [1984] AC 474	64
9	MONEY LAUNDERING	67
9.1	Introduction	67
9.2	EC- European Directives	69
9.3	USA Patriot Act, 2001	70
9.4	Wolfsberg Principles	70
9.5	EGMONT Group	71
10	THE FUTURE OF THE OFFSHORE	72
ANNEXURES (Contained in CD only)		
1	Important Features of Tax Havens identified by OECD	
2	Location Comparison	
3	Glossary of Offshore Terms	
