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USE OF OFFSHORE CORPORATIONS TO HOLD BANK DEPOSITS, FINANCIAL INVESTMENTS AND U.S. REAL ESTATE

There are two principal reasons to hold United States bank deposits and U.S. real estate investments in foreign corporations: anonymity and estate planning. Once use of a foreign company to hold deposits or real estate is determined, the British Virgin Islands appears to offer the best of cost, stability and efficiency.

A. ANONYMITY

A foreign corporation is useful in protecting a foreign person's anonymity and privacy with his financial affairs. With the execution or negotiation of new tax information treaties between the United States and many Latin American countries, many investors fear that their own governments could obtain information on their investments. Use of a corporation registers the investment in a company's name as the owner of the investment. As a result, information regarding that account is processed in that company's name and not the foreign principals name. Furthermore, even though the corporation officers and directors are registered at the depositing bank, the shareholders' names are usually not required to open an account.

EXAMPLE: The United States Treasury recently froze a bank account (because its owners had dealt with a certain exchange house suspected of money laundering) held in the name of a prominent Latin American businessman. The names of account holders and the amount of their deposits were obtained by newspaper reporters from court records and published throughout the United States and South America resulting in considerable problems to the businessman. If the account had been held in the name of a company, only that name of the company would have been published, and the account holder would not have been linked to the deposit.

B. ESTATE PLANNING

Certain investment accounts and real estate which are held in one person's name are subject to United States probate in the event of the owner's death. This can result in lengthy delays in distribution to heirs, considerable expenses and often the requirement for foreign legal documents and court orders. Corporations do not die and trust agreements for the shares, or bearer share certificates, will provide continuity in the event of the owner's demise.

For additional information on Estate Tax on Foreigners, please see the article entitled “Interrelationship between the Income Tax, Estate Tax, and Immigration Rules.

C. CHOICE OF JURISDICTION

Formation of a United States company to hold deposits, financial investments and/or real estate would result in taxation in the United States since such corporations are United States citizens. Foreign corporations enjoy the same tax benefits as foreign individuals – no taxation of bank interest and no estate taxes. Although a corporation formed in almost any country outside the United States can provide the above benefits, in our experience, that the British Virgin Islands (BVI) offers more benefits than most jurisdictions.

The British Virgin Islands are constitutionally autonomous of the United Kingdom but are governed by England as to external affairs, defense, internal security, civil services and court administration. This results in stability and similarity to the American legal system and makes it easy for bank officers and other Americans to understand and work with such companies. Some of the benefits of the BVI corporations are:

1. There are no taxes on earnings outside of the BVI.
2. There are no minimum capital requirements.
3. Only one shareholder and one director are required.
4. No public record is kept on the identity of shareholders or directors.
5. New corporations may be formed in two to three days, existing “shelf” corporation can be delivered in hours.
6. There is no requirement for an annual accounting or filing of tax returns with local governmental authorities.