

International tax advice

Creative

Completely legal

DE HOON & PARTNERS



Tax advice is our passion,
our passion is your benefit.

Who are we?

We are a young business that feels very strongly about personal service. We are always available and respond very quickly. We are always there for our customers. We consider ourselves to be a product of the 'blackberry generation' and love low thresholds. We focus on clarity: clarity in consultancy and clarity in our rates.

We like our rate arrangements to be clear from the beginning. No extras, no fuss.

Our philosophy

We aim to provide affordable international tax advice. We feel it is a human right to know which option will result in the lowest taxes. After all, you have worked hard enough to earn your money. We feel tax-friendly countries and solutions are a bare necessity. Otherwise, national governments will continue to increase tax rates with disastrous consequences for private enterprise, the foundation of all prosperity.

Our specialities

1. We don't sell structures as such. No, we offer a tax-friendly solution that is adjusted to your situation by using the structure best suited to you at that particular time.
2. In principle, there is no challenge we won't face. However, our favourite fields of expertise are:
 - ▶ providing tax advice to companies and expats active in Asia, Europe and Latin America;
 - ▶ setting up international vehicles for estate planning;
 - ▶ establishing advantageous financial and investment structures;
 - ▶ managing businesses;
 - ▶ succession planning;
 - ▶ in Belgium and the Netherlands, we provide local tax advice and accounting services to businesses based in those countries.

Tax Planning

There are many ways to legally reduce the tax burden of private individuals and companies. We are familiar with most of them and we have a number of proprietary solutions that can be applied to even the most complicated cases. Our solutions are typically onshore, or combined onshore-offshore solutions, but with effective tax rates that are a fraction of the usual tax rates. The advantage of onshore solutions is that they can be defended in court if necessary since they are based on legislation and tax treaties. And for our clients it is nice to know that we will also be there when the solutions are being challenged.

HONG KONG IS ONE OF OUR FAVOURITE JURISDICTIONS

Why?

- ▶ HK is not a tax haven, the normal tax rate is 16,5%
- ▶ Fastest growing economy
- ▶ Excellent banking services and rather easy to open an account
- ▶ It is the place where doing business can be considered an art

Hong Kong has a territorial tax system.

Their tax system is very transparent!

You DO NOT pay taxes in Hong Kong, if you:

- ▶ Do not sell or provide services in Hong Kong
- ▶ Do not import or export via Hong Kong
- ▶ Do not sign or negotiate a contract in Hong Kong...

Simple and efficient tax system which is guaranteed for the next 40 years!

Using a Hong Kong Company

- ▶ you can use Hong Kong as another offshore jurisdiction... Good idea.
- ▶ Or you can use the double tax treaty with Belgium or Luxembourg.

Example 1

Belgian company ———▶ HK Daughter
Mother company (participation 25% or more)
HK Daughter : 100 profit

HK daughter ———▶ Belgian Mother
Dividend

Tax?

95% exempt of taxes! So in the Belgian company there will be only 34% corporate tax on 5%. meaning there will be only 1,7% tax paid ...

We go further!

Belgian mother company ———▶ French, German, US company ... grandmother
Dividend (no withholding tax)

Tax?

There will be no withholding tax...so 98,3 (100 - 1,7) can be distributed to the grandmother without any withholding tax....

The same structure is possible with a Luxembourg company.

▶ **What can our office in HK offer you?**

- ▶ Individualized service
- ▶ We can do the bookkeeping and fulfil all legal obligations of your HK LTD
- ▶ We can offer you an office /telephone line etc
- ▶ !!! we can offer you first class electronic bank accounts (HSBC, SCB...) with ATM card without requiring your personal presence in HK
- ▶ We can offer you all kinds of assistance in China through our Shanghai branch...
- ▶ Personnel speaking Cantonese + mandarin!



LUXEMBOURG

Luxembourg companies and Luxembourg tax law can offer a lot of tax advantages...

▶ **Advantages in general:**

- ▶ highly respected jurisdiction
- ▶ full European Community member
- ▶ good location
- ▶ doesn't appear on any black list
- ▶ respectable financial center
- ▶ stable legal system and tax climate
- ▶ tax authorities do not hunt their tax payers

SOCIETE ANONYME (SA)

▶ **Another big advantage of Luxembourg jurisdiction:**

- ▶ Allows to have company with **bearer shares** once capital of 31,000.00 EUR is paid in full.
- ▶ Bearer shares require **NO** record of ownership by the issuing company, therefore, full anonymity of company ownership is maintained.

INTELLECTUAL PROPERTY (IP) RIGHTS

New law from 2007!

New Luxembourg IP regime that provides for an 80% tax exemption of income derived from intellectual property as well as capital gains realized on the disposal of such intellectual property.

► Main features

- Regime applicable to royalties (income derived from intellectual property)
The royalties received by a Luxembourg legal person or natural person as a consideration for the use of any copyright on software, any software, trade mark, design or model benefits from an 80% exemption on its net income.
Net income is defined as the gross royalty income received by the legal person or individual reduced by the amount of expenses in direct connection with this income.
- Regime applicable to capital gains
Capital gains realized on the disposal of intellectual property (use of any copyright on software, any software, trademark, design or model) in principle benefit from an 80% exemption, subject to certain rules as set out in the Luxembourg IP Tax Law.
- Conditions that need to be fulfilled
- The IP must have been created or acquired after December 31, 2007;
- The expenses in connection with the IP must be recorded as an asset in the balance sheet for the first fiscal year for which the application of the regime is demanded;
- The IP may not have been acquired from a person who is qualified as an "affiliated company". The concept of affiliated company has been clarified by the draft law.
Company X is considered an affiliated company to company Y if :
 - Company X directly holds a participation of 10% in the share capital of Y
 - Company Y directly holds a participation of 10% in the capital of X;
 - 10% or more of the share capital of X and Y are directly held by the same company.

E-ZONE COMPANY IN CURACAO

- ▶ Island in the southern Caribbean Sea
- ▶ Part of Dutch Antilles
- ▶ Accommodates several so called Economic Zones ("E-Zones") that provide a suitable location to set up international trade, services or e-commerce businesses

WHAT IS AN E-ZONE?

- ▶ Specifically appointed area within the Dutch Antilles
- ▶ International trade and trade supportive services may be carried out by electronic communication and electronic commerce
- ▶ E-Zone company has a very favorable tax regime = tax rate is 2%
- ▶ This tax regime is guaranteed through 31 December 2025

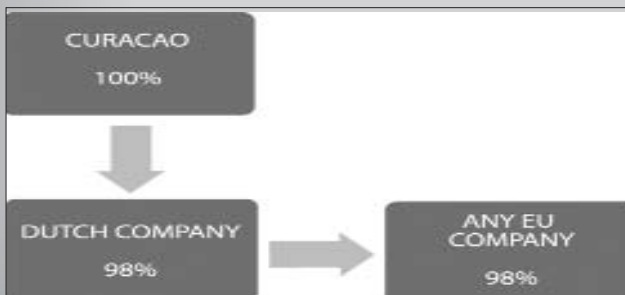
WHO MAY PERFORM ACTIVITIES IN AN E-ZONE?

- ▶ Legal entity with capital divided into shares
- ▶ Activities must primarily focus on:
 - ▶ Trading goods
 - ▶ Providing services to clients, which do not reside in the Dutch Antilles.



- ▶ Curacao companies can use double tax treaty agreement with the Netherlands.
 - ▶ Since the Netherlands are part of EU is further tax friendly distribution of profits is possible, thanks to extensive tax treaties.

ANOTHER ADVANTAGE OF CURACAO



The ultimate Swiss/UK couple..

THE UNITED KINGDOM (UK) COMPANY

- ▶ London is one of the most important financial centres in the world
- ▶ Prestigious location with a good image
- ▶ Can register for VAT if trading within EU
- ▶ Popular jurisdiction due to its Common law base
- ▶ Can be sheltered from UK taxation when acting in an agency or broker capacity

UK COMPANY

- ▶ **Advantages:**
 - ▶ Not recognized as tax haven
 - ▶ Ideal corporate body to carry out trading activities
 - ▶ If no trading in the UK or no source of income in the UK = no taxation in the UK
 - ▶ No withholding tax

USE OF UK COMPANY

UK company can be used in a structure together with Swiss company.

- ▶ **Advantages of Switzerland:**
 - ▶ Strategic location in the heart of continental Western Europe
 - ▶ High level of discretion is maintained
 - ▶ Ruling = we can negotiate a tax agreement with local tax authorities, guaranteeing a certain flat tax rate. Depending on the canton, the tax is usually at 10 -15%

EXAMPLE OF POSSIBLE STRUCTURE

- ▶ **Belize**
 - ▶ serves as holding company
 - ▶ accounting is not required
- ▶ **Switzerland**
 - ▶ We have tax agreement ("Ruling") with local tax authority, which sets tax to 10%
 - ▶ In UK you will not be liable to pay any tax, since you already paid in Switzerland
 - ▶ And you can distribute a dividend to Belize... without any withholding tax
 - ▶ Therefore, everyone will see, that you have a Swiss/UK company and you will only pay 10% tax...good image

Belize ———> UK ———> Switzerland

US LLC

▶ **LLC definition:**

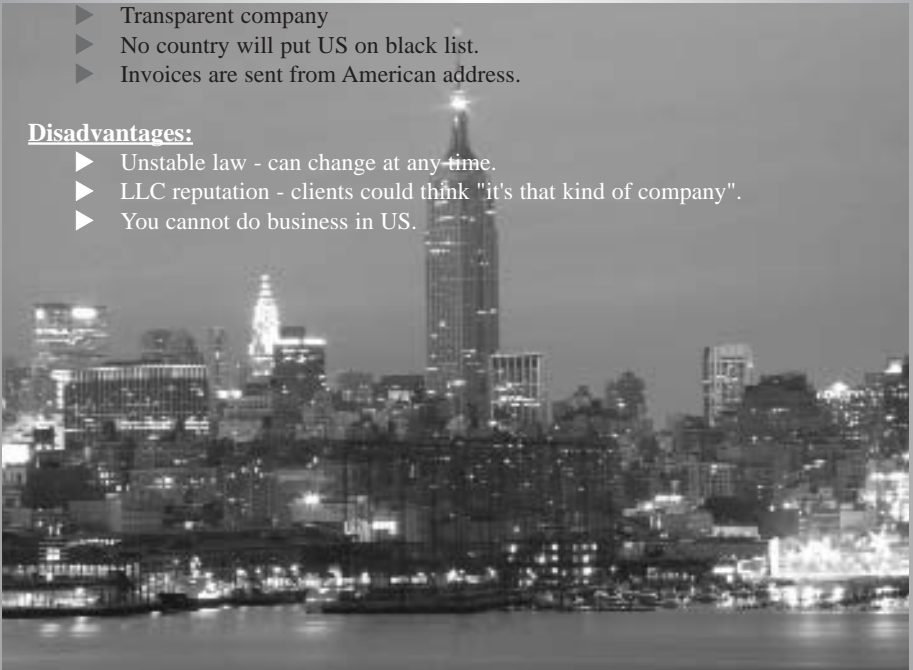
- ▶ Cross between a partnership and a corporation
- ▶ Same as in corporation: individual owners are protected from personal liability.
- ▶ Same as in partnership: profits and losses are passed to owners without entity itself being taxed. Tax return of LLC is filed only for information purposes. Each shareholder files own tax return separately.
- ▶ First LLC incorporated in Wyoming
- ▶ All US states allow incorporation of LLC
- ▶ States offering best anonymity:
 - New York
 - Nevada
 - Wyoming

▶ **Advantages:**

- ▶ US LLC is ideal for small companies who are not ready for incorporation, but would like to avoid personal liability.
- ▶ Easy anonymous set up
- ▶ Very simple to use
- ▶ Transparent company
- ▶ No country will put US on black list.
- ▶ Invoices are sent from American address.

▶ **Disadvantages:**

- ▶ Unstable law - can change at any time.
- ▶ LLC reputation - clients could think "it's that kind of company".
- ▶ You cannot do business in US.



ISLE OF MAN

Situated centrally in the Irish Sea and the British Isles

- ▶ English is the official language.
- ▶ **Advantages:**
 - ▶ Appears on white list of OECD
 - ▶ No corporate tax
 - ▶ Independent - is not part of the UK

- ▶ **Disadvantages:**
 - ▶ In the past no double tax treaties
 - ▶ Currently double tax treaty with Estonia and Belgium
 - ▶ Isle of Man uses VAT numbers under the UK system
 - ▶ Isle of Man company appears to be the UK company

Tax rate! 0%!!!!!!



Shareholders

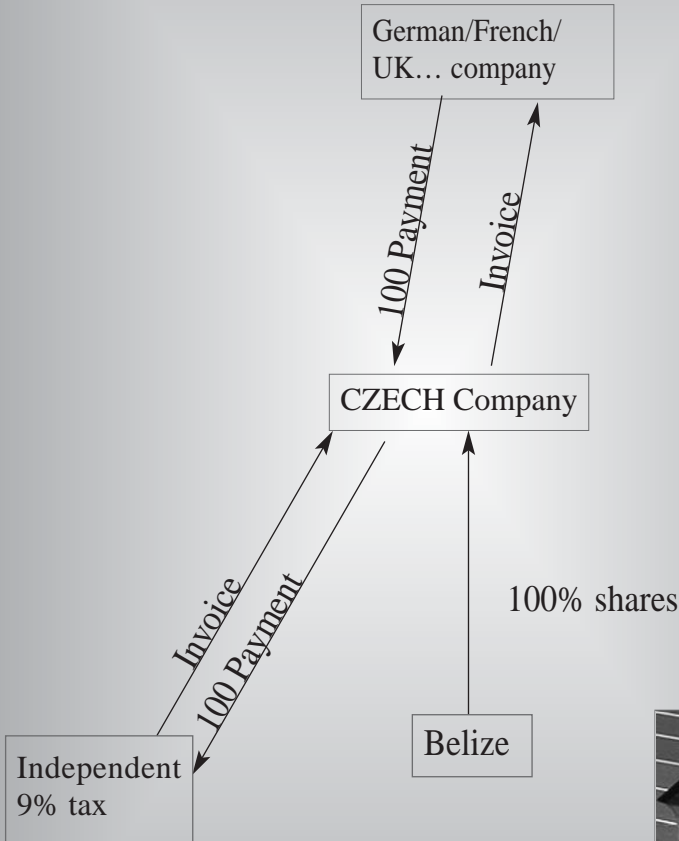
Guarantee members

- ▶ **Guarantee members**
 - ▶ have limited liability
 - ▶ capital guarantors
 - ▶ Guarantee member is not a shareholder...discretion and can get a dividend for his guarantee.



CZECH REPUBLIC

- ▶ Now! You register yourself as an independent in the Czech republic and you invoice your own Czech company.
- ▶ On that income you pay 9% final tax.
- ▶ What is left you can declare in your home country without further taxes!



Roman Sebrle with the Czech flag after his victory on the WC in Osaka (2007)

TRUSTS



▶ Based on Common law

- ▶ Common law = law developed by judges through decisions of court.
- ▶ Countries where Common law is used: Hong Kong, Singapore, New Zealand, USA, UK etc.

Trust - law where money or property is owned and managed on behalf of someone else (living or deceased)

Settlor - person, who sets up the trust, donor, grantor

Trustee - professional (for ex. lawyer), mother, charity, church.

SETLOR



TRUSTEE



CONTRACT

USE OF TRUSTS

▶ Estate planning

- ▶ Estate = everything you own

▶ Asset protection

- ▶ Personal security = trusts are protected against third parties claims.
- ▶ Expedites the process of transferring assets to intended beneficiaries (ex) placing property into trust before death will allow property distribution without coming under the jurisdiction of a court.
- ▶ **Special needs trusts** are created to ensure that beneficiaries who are disabled or mentally ill can receive inheritances without losing access to essential government benefits.
- ▶ Minimizes one's tax exposure.

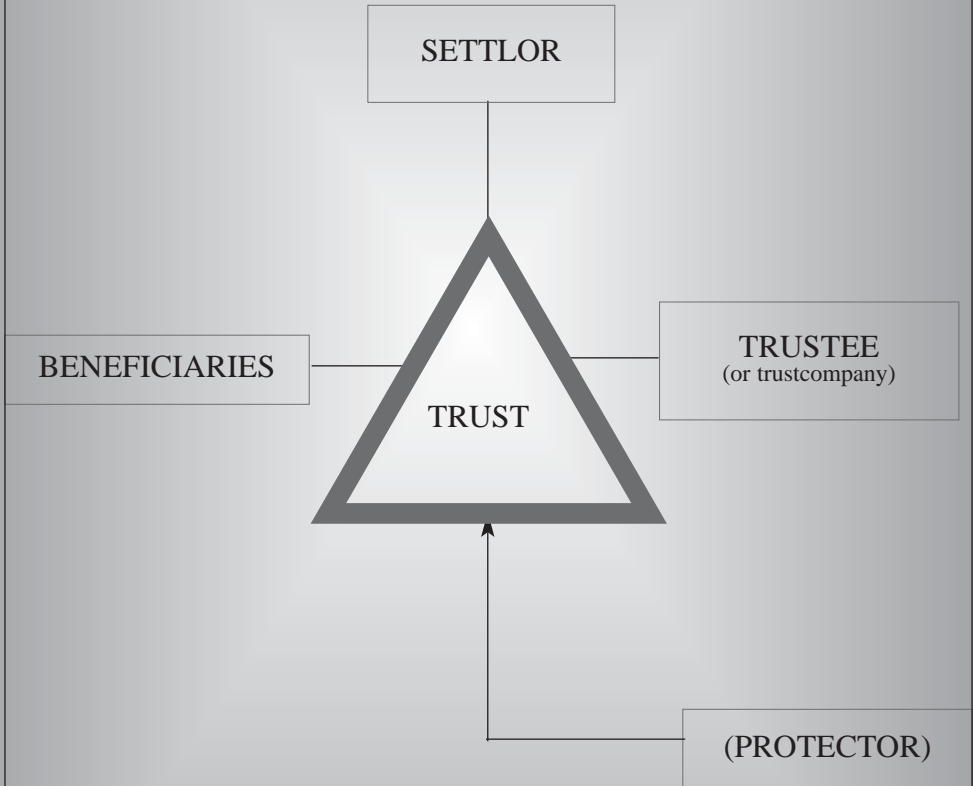
SUITABLE JURISDICTIONS FOR TRUSTS

Belize

Singapore

New Zealand

- ▶ Locations with many advantages
- ▶ Both jurisdictions solved problems with trustees = many people were not confident that trustee will manage their assets correctly.
- ▶ You can therefore replace trustee by trust company = and you can be in charge of this company.



CHINA

Through our Shanghai office we can offer you companies in China and tax advice

Four possibilities!

There are 4 modes of business presences in China::

- ▶ Representative Office
- ▶ WFOE
- ▶ Joint Venture
- ▶ Hong Kong company

About 30% of PTC's clients choose RO as their China business entity since it is cost efficient and it requires no capital investment.

In many cases an RO is a good place to start!

What is an RO?

- ▶ A Representative Office (RO) is established by foreign companies to engage in business liaisons, quality control, product promotion, market research, exchange of technology and other permitted activities in China.
- ▶ ROs are not allowed to directly engage in operational activities, an RO cannot issue official invoices, nor receive payments from its clients.
- ▶ A Representative Office in China may only engage in non-profit making activities, it can carry out the following functions:
 - ▶ Conduct research and surveys for its parent enterprise in the local market;
 - ▶ Liaise with local and foreign contacts in China on behalf of the parent enterprise;
 - ▶ Conduct research and provide data and promotional materials to potential clients or trading partners;
 - ▶ Act as a coordinator for the parent enterprise's activities in China.
 - ▶ Make travel arrangements for parent enterprise representatives and potential Chinese clients
- ▶ Under no circumstances may a Representative Office do the following in China:
 - ▶ Directly engage in any business for profit;
 - ▶ Sign contracts or deals on behalf of the parent enterprise;
 - ▶ Represent any firm other than its parent enterprise;
 - ▶ Collect money or issue invoices within China for services or products;
 - ▶ Buy property or import production equipment.

Wholly Foreign-Owned Enterprise (WFOE)

- ▶ A wholly foreign-owned enterprise is a business entity formed in China entirely with foreign capital.
- ▶ It is totally under foreign control and does not have any formal Chinese ownership participation.
- ▶ For a foreign company to be able to issue receipts and export goods from China, it must be able to legally registered as a local company or a WFOE.
- ▶ A WFOE is set up as a limited liability entity and represents separate legal persons and is taxed according to local legislation.

Joint Venture

- ▶ A joint Venture is a business arrangement in which the participants create a new business entity or official contractual relationship and share investment and operation expenses, management responsibilities, as well as profits and losses.
- ▶ The Chinese authorities encourage foreign investors to use this form of company in order to obtain exposure to advanced technology and new management skills.
- ▶ In return, foreign investors can enjoy low labour costs, low production costs and a potentially large Chinese market share.
- ▶ Joint Ventures are sometimes the only way to register in China if a certain business activity is still controlled by the government, for example restaurants, bars, building and construction, car production, cosmetics etc.

Incorporation in China

- ▶ Investors may establish enterprises or offices in China.
- ▶ Foreign investment should be in line with China's industrial developing policies and concrete requirements in China.
- ▶ The project proposal will be submitted for examination and approval before the enterprise is to be formed.
- ▶ Each different form has different characteristics, especially the ownership, import & export of products, and the rights of domestic sales, etc.

Hong Kong + China

It is usually a good idea to start with a Hong Kong company which then sets up a Chinese daughter.

There are many advantages due to the double tax treaty with Hong Kong.

HK LTD ———▶ Chinese daughter

FOUNDATIONS

- ▶ Based on Civil law
 - ▶ Civil law - laws are written into a collected, codified form and are not determined, as in common law, by judges.
 - ▶ Countries where Civil law is used: Liechtenstein, Panama, St. Kitts, USA - Louisiana, Canada - Montreal, Europe, China, Russia.
 - ▶ Foundation charter - type of contract, has features of company, has objectives.
 - ▶ Foundation council - at least three members are required.

SUITABLE JURISDICTIONS FOR FOUNDATIONS

* Panama

▶ Advantages:

- ▶ Shelter your assets from high taxes - they practically pay no taxes.
- ▶ Maximize asset protection (real estate, bank accounts, stocks, bonds, art and collectibles, corporations, boats planes, cars)
- ▶ At the same time maintain personal control over your assets
- ▶ Are free from official supervision
- ▶ All information concerning the foundation is inaccessible to the public and to all authorities.

* Liechtenstein

THE ULTIMATE TAX PLANNING

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RELOCATING TO LOW-TAX COUNTRY

- ▶ Residence - very different, but for many an interesting way of tax planning
- ▶ There are several agreeable places in the world where you can legally live and where taxes are low:
 - ▶ in EU: Andorra, Monaco, Isle of Man
 - ▶ outside of EU: many different possibilities
- ▶ Some countries will only tax the income earned in the country itself - usual practise is to tax worldwide income.

ATTENTION !



- ▶ Moving means really moving somewhere else...fake moving is not guaranteed success! There where your kids and your partner live, is where you are normally tax liable...

Two examples....

▶ **Andorra:**

Passive residency can be easily obtained (without employment)

- ▶ You must be over 18 years of age.
- ▶ You must prove that you do not have a criminal record.
- ▶ You must physically reside in Andorra for at least 183 days a year.
- ▶ You must deposit a security of 24,100 euro plus 6,025 euro for each dependant.
- ▶ You must undergo a medical examination in the month following your request for passive residence.
- ▶ You must prove that you have sufficient means to provide for your needs.
- ▶ You must submit evidence of social insurance covering illness, disability and old age

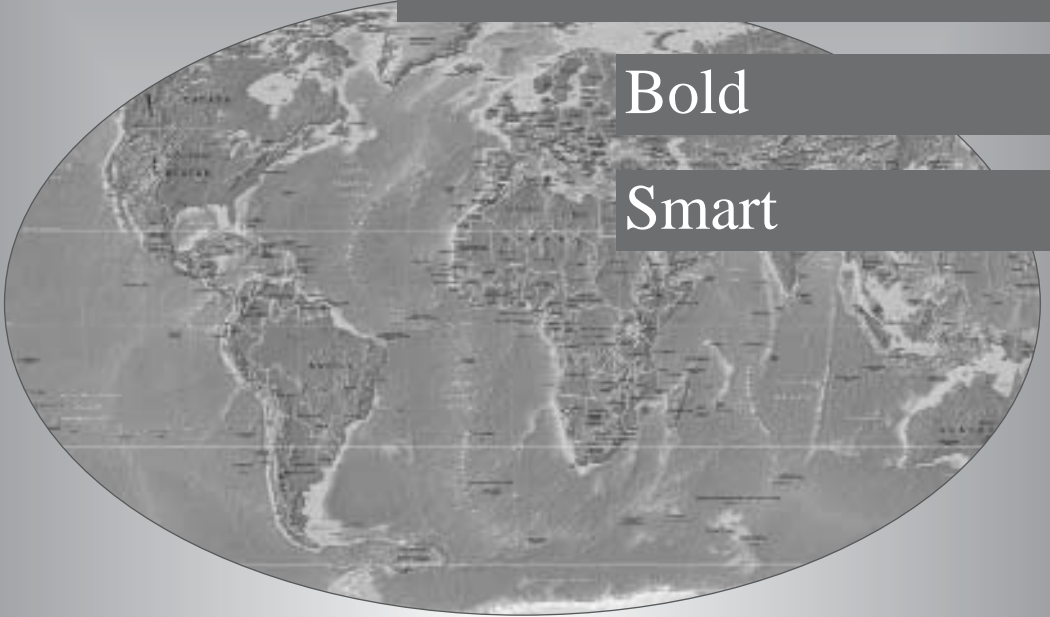
▶ **Isle of man:**

- ▶ To be a tax resident, you can simply notify the Assessor of Income Tax, and become tax resident immediately, OR if you are present for 183 days you will be tax resident whether you like it or not.
- ▶ But 183 days is not required.
- ▶ The rub with tax residence, is not the difficulty of acquiring Man residence for tax purposes (that is very easy), it is losing tax residence in the country the immigrant has come from.

International tax advice

Bold

Smart



Taxman

**Let me tell you how it will be
There's one for you, nineteen for me
'Cause I'm the taxman, yeah, I'm the taxman**

**Should five per cent appear too small
Be thankful I don't take it all
'Cause I'm the taxman, yeah I'm the taxman**

**If you drive a car, I'll tax the street, If you try to sit, I'll tax your seat.
If you get too cold I'll tax the heat,
If you take a walk, I'll tax your feet.**

**Don't ask me what I want it for
If you don't want to pay some more
'Cause I'm the taxman, yeah, I'm the taxman**

**Now my advice for those who die
Declare the pennies on your eyes
'Cause I'm the taxman, yeah, I'm the taxman And you're working for no one but me.**

George Harrison