

Offshore Business: A Brief Overview

Advantages of Offshore Businesses

There are varying definitions for an offshore company, or offshore business. Definitions commonly refer to offshore business as involving the movement of an aspect of a company overseas. Regardless of the official definition, offshore companies are set up in jurisdictions, which offer advantages – which include no, or low, taxes on income and capital gains, no restrictions on employment policies and high confidentiality from minimal reporting requirements.

Generally, an offshore company is incorporated from outside the particular jurisdiction in question. It is also restricted from conducting business within that jurisdiction, although this can be dependent on the jurisdiction in question. The ultimate purpose of offshoring is the tremendous savings companies stand to gain by incorporating in certain offshore jurisdictions.

Offshore company formation can be an excellent way to legitimately minimize international taxation. For example, incorporation in Singapore, which is not seen as a traditional tax haven, allows international profits to be legally tax-exempt provided funds are not remitted to a Singapore corporate bank account.

Apart from being a legitimate way by which to protect global assets, international entrepreneurs choosing to form an offshore company in a reputable jurisdictions such as Singapore or Hong Kong, portray a positive, reputable image to customers, suppliers, investors and banks.

To summarize, advantages of using an offshore company can include:

- Minimizing tax obligations
- Effective protection of global assets
- Efficient execution of international business
- Procedures for incorporation are usually less complex
- Limited reporting requirements, hence higher confidentiality
- Portrays international image, provided it is a reputable jurisdiction
- Protection against volatility in economic and political elements

‘Tax Haven’ Stigma

Whilst the benefits of taking a company offshore can be valuable, consideration should be given to the potential risks. Traditional offshore jurisdictions are becoming increasingly insecure. Many offshore jurisdictions have come under pressure from the Organization for Economic Cooperation and Development (OECD) to exchange company and bank account details of foreign clients as a way to assist in combating tax evasion, money laundering and terrorist financing.

After the recent G20 summit, many traditional ‘tax havens’ have made commitments to following the transparency guidelines set out by the OECD. This increased attention is not only on rich individuals but is

on corporations – large and small. For this reason, it is crucial to develop the most appropriate corporate structure when undertaking offshore incorporation so as to avoid the ‘tax haven’ stigma that can negatively impact a company’s success.

The term ‘tax haven’ has recently received negative publicity due largely to the increased efforts of G20 nations, especially the US and UK, to clamp down on tax evasion. The case between Swiss bank UBS and the United States government is an example of this.

But is the cause of this attention due to the policies of these common offshore jurisdictions or the determined efforts of other countries to maintain, or maximize, their own tax revenues? Hopefully the objective is focused on reducing tax evasion. Differences between countries in terms of personal income and company taxes, incorporation requirements, trade and employee policy restrictions, foreign investment policies, confidentiality requirements etc. should help maintain a competitive international business environment. This helps to avoid larger governments trying to enforce restrictive tax and trade policies.

Asia provides efficient options for international entrepreneurs considering offshore jurisdictions. Singapore and Hong Kong two jurisdictions that boast excellent international reputations, have investor-friendly business environments and are economically and politically stable.

Cooperation and transparency between authorities will increase but it is not the end of low tax jurisdictions or banking privacy. Offshore incorporation, when properly structured, is an excellent, tax-efficient strategy for entrepreneurs to conduct their international business.

Healy Consultants is an experienced corporate services consultancy firm. Headquartered in Singapore, the firm assists a broad range of international clients with all aspects of offshore company formation. Healy Consultants is able to assist clients in offshore incorporation along with other valuable support services including opening corporate bank accounts globally, tax planning, visa requirements, internet marketing strategies and more.