



Which is the best offshore jurisdiction?

Our clients try to pin us down with this question from time to time. The answer is that there is no answer, as there is no simple mathematical formula for calculating which jurisdiction is the most optimal.

At the same time, it can be stated, on the basis of the experiences of the last year, that following the changes in the laws in the British Virgin Islands, the Seychelles have become more popular among clients purchasing offshore companies. The reason for this is that in the Seychelles it is still possible to issue bearer shares, without restrictions. In addition, company annual maintenance fees, including the amount of the annual tax, are relatively low, and, just like in the British Virgin Islands, companies are not required to file annual financial reports in the Seychelles.

The main purposes for the incorporation of offshore companies in the Seychelles are for holding activities and asset management. Here, the term "holding activities" covers a very wide spectrum. It can be used to hold the company's funds in a bank account, to invest in various stocks and shares, precious metals etc. But it is also common for the Seychelles company to become the owner of other manufacturing, trading or service-providing companies, and to receive an income, or dividend, in this way. Use of this type of company has become particularly popular over the last year or two for the organisation of various real estate transactions.

LAVECO Tip

In recent decades, Cyprus has entered into agreements for the avoidance of double taxation with more than 40 countries. These agreements have also remained in force following the accession of Cyprus to the European Union. In accordance with the terms of many of these agreements, directors' fees and other incomes paid by a company registered in Cyprus are taxable in Cyprus. Cyprus, on the other hand, does not withhold tax on personal income paid to foreigners, provided that the individual concerned is not resident for tax purposes in Cyprus.

LAVECO News

From April 1st, the Romanian office of the LAVECO group of companies will be welcoming both existing and new clients in new premises. Please contact our Romanian colleague, Ms Hermina Kovács, on the following contact details:

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Companies formed in 2005

Below is a list of the number of offshore companies formed last year in the major offshore jurisdictions. Not all jurisdictions make this information publicly available, so we are unable to provide figures for such jurisdictions as Liechtenstein, the Cook Islands etc. The list does not include "offshore" companies incorporated in the USA (Delaware corporations, LLCs in various states), as these are not officially offshore companies.

1. List according to number of companies incorporated

Position	Jurisdiction	Companies formed in 2005
1	Hong Kong	73 359
2	British Virgin Islands	58 184
3	Panama	39 976 *
4	Cyprus	14 494
5	Cayman Islands	10 000 **
6	Belize	9 888
7	Bahamas	7 946 ***
8	Seychelles	7 125
9	Samoa	Not available
10	Gibraltar	Not available
11	Jersey	2 861
12	Isle of Man	2 677
13	Mauritius	2 452
14	Malta	2 341
15	Anguilla	2 170
16	Brunei	1 500 **
17	Guernsey	1 474
18	St. Vincent	1 398
19	Labuan	532
20	St. Lucia	470
21	Barbados	429
22	Bermuda	279
23	Madeira	200 **

2. List of jurisdictions in alphabetical order

Jurisdiction	Companies formed in 2005
Anguilla	2 170
Bahamas	7 946 ***
Barbados	429
Belize	9 888
Bermuda	279
British Virgin Islands	58 184
Brunei	1 500 **
Cayman Islands	10 000 **
Cyprus	14 494
Gibraltar	Not available
Guernsey	1 474
Hong Kong	73 359
Isle of Man	2 677
Jersey	2 861
Labuan	532
Madeira	200 **
Malta	2 341
Mauritius	2 452
Panama	39 976 *
St. Lucia	470
St. Vincent	1 398
Samoa	Not available
Seychelles	7 125

* + 3 050 Private foundations

** Approximate figure

*** Offshore + local

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