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TAX HAVENS OUTSIDE EUROPE

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TAX HAVENS OUTSIDE EUROPE

Nadia Cerasela ANIȚEI [1]

Abstract

The article shows how the concept of tax haven is defined in the literature and presents the following models of tax havens outside Europe: ANGUILLA, ANTIGUA AND BARBUDA, NETHERLANDS ANTILLES, ARUBA, BAHAMAS, BARBADOS, DELAWARE, BERMUDA, CAYMAN ISLANDS, BRITISH VIRGIN ISLANDS, COOK ISLANDS, MAURITIUS, PANAMA, SINGAPORE.

"Tax haven" can be defined as the geographic area (representing the territory of a country or only one part of the territory of a state) in which the many and various tax incentives are granted: no taxes are imposed (or the taxes are very reduced and concern only certain restricted categories of income and assets), the banking secrecy is ensured- at a high level, the development of commercial activities and transfer of benefits is stimulated, there are no restrictions on currency exchange, etc.

In these small countries, most of them situated on islands, one can choose the tax base, the installation site, one can live here, one can earn money or obtain citizenship and they address either to individuals or to legal persons or to both at the same time.

The states regarded as tax havens are a refuge for all types of companies allowing the beneficiaries to reduce and even to entirely suppress taxation within the law in a manner virtually impossible to control by the tax services in the country of origin.

Tax havens exist. They can be used to achieve high profit, for money protection or to get rid of the numerous taxes. Nowadays, the best investment opportunities are beyond our own borders, within the many foreign markets.

Keywords:

financial haven, international finance center, taxes, taxpayer.

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ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice, Anul VI, Nr. 1-2, Iunie, pp: 43-51

Introductory considerations

The term *"tax haven"* is borrowed from English, from the word "tax-haven", which means "refuge", *"port tax"*.[2]

In the literature (legal and economic*)* are very few timid attempts of defining **"tax** havens**".**

According to the Gordon Report, published in 1983 by the Ministry of Finance of France, "tax haven" is "any country which is regarded as such and which wants this".

Roger Brown notes that " a tax haven is a territory where individuals or companies have the impression of being taxed less than anywhere else". (Buziernescu, R. 2007: 112, Anitei, N., C., 2010).

"*Tax haven"* can be defined as the geographic area (representing the territory of a country or only one part of the territory of a state*)* in which the many and various tax incentives are granted*:* no taxes are imposed (*or* the taxes are very reduced and concern only certain restricted categories of income and assets*),* the banking secrecy is ensured- at a high level, the development of commercial activities and transfer of benefits is stimulated*,* there are no restrictions on *currency* exchange*,* etc. (Minea, St., M., Costas, Fl., C.. (2006): 27).

Europe is in a serious competition - in terms of "tax havens" – with the Caribbean Archipelago which is located south of Florida and North-West of Latin America and consists of hundreds of islands (large, small, inhabited, desert areas, etc.) of which the most important are: Anguilla, Antigua-Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Netherlands Antilles, Panama.

In addition to these, we will mention some other "wonderful places" of great interest in terms of tax incentives – from the Asia-Pacific area, Mauritius, Malaysia, Singapore.

All these territories – of an extraordinary beauty and having a mild climate (very suitable for spending holidays) – are also true tax havens because, there, there are, in various forms, many tax breaks (from a total absence of tax on income and profit until the possibility to create, easily - but safely, bank establishments and other financial institutions). These are places or areas of great interest to money holders and European investors seeking faraway and more discreet places for business.

[2] The image created is that of a business man compared to a sailor who seeks refuge. He crosses the "sea" of tax laws and its "storm", then reaching the tax haven, which is the port.

ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice, Anul VI, Nr. 1-2, Iunie, pp: 43-51

2. Models of tax havens outside Europe

2.1. Anguilla

Anguilla, an island located 250 km.2 east of Puerto Rico, under the domination of the British Crown, is characterized by a legislation which promotes the initiation and development of business both by means of permissive regulations regarding the establishment of companies and by means of the very existence of a gentle tax system. Regarding the tax system, no direct taxes are levied, but only indirect taxes (which have symbolic levels). In Anguilla tax exemption is guaranteed for a period of 50 years, while for insurance companies there is a 25 year period. Currently, the fiscal policy does not provide any tax on income or profits, and this aspect, together with those previously mentioned, make Anguilla the ideal place for offshore investors.

2.2. Antigua and Barbuda

Antigua and Barbuda are two islands situated 420 km. south-east of Puerto Rico. For modest fees, the international companies can set up and develop profitable activities because law is very permissive there; no local fees or VAT are levied, but the income tax is 40% (provided that a series of tax incentives can be obtained for preset periods of time). The banking system is growing. Having a high degree of confidentiality, practicing a low-cost policy and proving a big enough flexibility (in terms of laws) and understanding for the "tax exiles", Antigua and Barbuda is one of the most attractive tax havens (especially for the American neighbors).

2.3. Netherlands Antilles

The Netherlands Antilles consists of five islands (Curacao, Bonaire, Saint Martin, Saint Eustache and Saba), being subject to Dutch Crown, but enjoying a degree of autonomy. Offshore companies are taxed on the basis of their activity with an annual tax within 2-6% of the gross profit. The Netherlands Antilles is known as a specialized offshore financial center appealing especially to financial business and other banking services, insurances, etc..The investment funds management is the most profitable type of activity in this tax haven.

2.4. Aruba

Aruba is located north of Venezuela. Here the levied taxes can reach impressive levels. Under a provision from 1956, Aruba has benefited from the

ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice,
Anul VI, Nr. 1-2, Iunie, pp: 43-51

possibility of the creating a free zone with no constraints. Like other Dutch islands, Aruba is under a tax convention, and based on this convention it has some special relationship with the Netherlands, whose residents may receive some tax relief.

2.5. The Bahamas

The Bahamas, an archipelago comprising over 700 islands and about 2000 islands is located on the South-Eastern coasts of Florida. The companies operating in the Bahamas are relieved from taxation on income or profit for a period of 20 years. Captive insurance and reinsurance companies (which are licensed to operate in the Bahamas, having a favorable regime consisting of an exemption from paying any tax for a period of 15 years from the date of registration) owe an annual fee of $ 2,500. The Bahamas, considered a pure tax haven, is in the top of offshore jurisdictions, with quality financial services and legislation that gives the investors greater freedom of movement. The pressure made in the past few years by the international organizations monitoring the activity of tax havens and fighting against money laundering and financial crime led to changes in the legislation of the Bahamas and to its need of consistency with the new requirements. Bank secrecy and the identity of owners of offshore companies are not as strict. These measures made FATF consider the Bahamas as a jurisdiction safe for investors and withdraw it from the blacklist of tax havens. In conclusion, the Bahamas is a place for all types of investors with a well-established infrastructure, with highly developed banking and financial services, and last but not least, a highly popular tourist destination.

2.6. Barbados

Barbados, the easternmost island in the Caribbean, located North East of Venezuela, is an old British colony. The business environment in Barbados is stable and well organized, offering a wide range of professional services and a growing financial sector in recent years. Telecommunications are also developed and modern. The legislative system is flexible and liberal, bringing under regulation a wide range of types of companies that can be established. The taxation in the offshore sector is very relaxed, but high enough for the local companies. The computer system has benefited lately from a great support from the Government of Barbados, being an attractive jurisdiction for the electronic commerce. Although it is an offshore jurisdiction with quality financial services and stable legislation Barbados cannot be considered an important financial center in the world. However, in the recent years a considerable increase has been seen in the banking insurance field, foreign sales companies and ship owners.

ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice,
Anul VI, Nr. 1-2, Iunie, pp: 43-51

2.7. Belize

Belize, the state located on the Caribbean coast of Central America, is part of the Commonwealth. With a legislation strongly inspired by the British one, the newly independent state (since 1981) opened its doors to offshore companies from the need to redress the economy (which collapsed after the leaving of the British garrison from the territory). In 1990 Belize adopted a special regulation concerning the right of access and the limitations of carrying out of the activities of international companies, a situation which led to an increase - in the period immediately following – of the number of investors with nearly 100 per month. After the 1998 tax reform, in Belize the salaries which exceeded the annual value of $ 10,000 were taxed progressively by applying percentage rates between 25-45%. Instead of the value added tax, a sales tax of 8% was introduced but which, however, did not apply to basic food products, to certain pharmaceutical products, to energy supply, etc.. The income tax is 25%, in addition to which a commercial tax whose level varies according to the annual value of the turnover is levied. Belize is an offshore center which has permissive legislation, well established infrastructure and low taxation. For the foreign investors there is a program granting long-term facilities, for a period between 5-25 and of 25 years. Free zones ensure freedom of movement for trade or production companies accompanied by minimum taxation.

2.8. Delaware

Delaware, a small state located on the east coast of the United States of America, halfway between Washington and New York, is recognized as the world capital of corporations. The legislation on the establishment and operation of companies is extremely permissive: full freedom of organization and management of the companies is ensured, no limitation on the amount of capital or of the kind and number of shares issued, there are no restrictions on the nationality of owners or shareholders of the companies, etc. . Under the Constitution of Delaware, the offshore companies (operating outside the state and which are not the property of its citizens) are exempt from tax. The conditions –easily to meet - for a company incorporated in Delaware not to pay taxes are: to be legally registered, to pay a $ 50 annual fee, the shareholders and managers should not be residents of the United States of America; the company should not do business on the American territory.

2.9. The Bermudas

The Bermudas, an archipelago representing a British colony (with a certain degree of autonomy), is located in the Atlantic Ocean at 1000 km from

ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice,
Anul VI, Nr. 1-2, Iunie, pp: 43-51

North Carolina coast. Due to its proximity to the United States of America, the economic relations have developed most of all with the American federal state rather than with the United Kingdom of Great Britain. Individuals and companies in Bermuda do not owe income taxes or corporate taxes, until 2016. Real estate properties are taxed progressively from 0-15%, but there no taxes on income or profit. The financial and banking system is solid; although the number of banks operating in the territories is not impressive, the Bermuda Stock Market is well known, there being listed over 35 major mutual funds and some well-known companies. Bermuda is an offshore jurisdiction for big investors who make clean business and to whom it can provide the full range of banking and financial services they need, as well as safety and trust. The government policy has discouraged the activities such as money laundering or other illegal business, placing Bermuda in a top position among the world's financial centers with a clear and well-established legislation. Combining this position with that of an exceptional tourist destination, we conclude that Bermuda is an unmatched offshore location.

2.10. The Cayman Islands

The Cayman Islands, located West of the Caribbean archipelago, less than 1000 km. from Florida have the status of British colony. Paradoxically or not, although subject to British law, the Cayman Islands experience a flourishing life and offer the highest level in the area, given that - on those lands - there are no direct taxes or exchange controls. The only forms of taxation in force aims at the transfer of goods (7.5%) and mortgage (1%). As one of the most important financial centers offshore, Cayman Islands is the place where there are registered more than 400 captive insurance companies and over 600 offshore banks whose activity is very intense.

2.11.The British Virgin Islands

The British Virgin Islands is a British colony (made up of nearly 60 islands gathered around the largest of them - Tortola) and is part of the Lesser Antilles archipelago along with other islands belonging to the U.S.. The financial services industry has experienced in recent years a huge success in the British Virgin Islands, over 400,000 firms with an annual average of 50,000 of new companies, being registered. Investors are attracted here by the political and economic stability, by the flexible legislation, by the high degree of confidentiality, by the good reputation, etc.. The most popular offshore activities are the trust activities, management, mutual funds and captive insurance. The banking sector does not enjoy encouragement, being poorly represented, in fact, this is a form of fighting against money laundering.

ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice,
Anul VI, Nr. 1-2, Iunie, pp: 43-51

2.12.The Cook Islands

The Cook Islands is a widespread group of islands in the South Pacific, somewhere midway between Nawaem and New Zealand. The emergence of the offshore sector was late, the first rules being observed in the years 1981 - 1982, and despite its small size, it is the second contributor after tourism for the Cook Islands Government. The business community in New Zealand particularly enjoyed the emergence of this tax haven, along with that of Australia, mainly due to the close relations between these communities. The Cook Islands has managed to make itself noticed in the world especially due to the trust policy that protects the owners from the creditors.

2.13. Mauritius

Mauritius, a state island located in the Indian Ocean, approximately 900 km east of Madagascar, has gained independence in 1968, but remained in the Commonwealth. The hybrid legislation - the result of a mixture of Anglo-Saxon and Napoleonic legal rules - offers, in terms of taxation, a special attraction: no taxes on profit, dividends, interest, capital gains, inheritance, etc.. The resident individuals are subject to payment of normal, reasonable taxes (up to 30%). In Mauritius there is no VAT, but a sales tax of 8% is applied. The island enjoys an excellent geographical location (situated between Asia, Africa and India), as well as other competitive advantages such as: modern business and communications infrastructure, dynamic economy, incentives provided by government and an extensive network of treaties for the avoidance of double taxation. Due to this network of treaties signed with many countries in the region, Mauritius is frequently used as a headquarters for companies wishing to establish a holding, an investment company or a commercial subsidiary. Major investments were made in the development of the telecommunications network, having a major interest for the development of electronic commerce. Mauritius is part of the largest financial centers, providing a place of activity for many banking services of famous institutions in the field, well known worldwide, as well as for numerous investment funds or insurance companies.

2.14. Panama

Panama is located in Central America between the Caribbean Sea and the Pacific Ocean. For many people, Panama is just about sea trade and the Panama Canal. Indeed, in Panama the maritime trade is a flourishing major industry, but there is also a large number of banks, Panama acting as a regional banking center for South America. Also, the captive insurance sector has also been continually developed, while the stock market makes efforts to encourage

ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice,
Anul VI, Nr. 1-2, Iunie, pp: 43-51

mutual funds. Its strategic position, the existence of the Panama Canal, the Free Trade Area and the friendly taxation attitude to offshore activities have attracted companies engaged in trading, marketing and distribution. Also, there are premises and authority support for the development of electronic commerce.

2.15. Singapore

Singapore, a state island built around the homonymous island, separated from the Malacca Peninsula through the Strait of Johor and surrounded by 54 other small islands, a former British colony, became a parliamentary republic in 1959. Having a British-inspired legal system, Singapore has gradually granted increasing tax advantages to any investors until it secured a satisfactory economic level, after which – in the past few years Singapore has refined its law system providing subsidies and tax breaks only to serious and powerful investors. Currently, in Singapore, taxation is complex, approaching that of the Western countries; individuals owe a different income tax: the residents pay between 2 and 28%, while the non-residents from 15 to 27%. Income tax is 26%. The value added tax is an almost symbolic tax, it is charged under a single rate of 3%. The financial banking system, as well as the commercial business system, is very well developed. For the future Singapore is expected to adopt regulations to reform the financial-banking system able to ensure other fiscal incentives for the investments that will be made in banking, insurance and investment funds. Finally, in Singapore operates a strong stock and derivative instruments market, which occupies one of the first places in the world in terms of transactions and market capitalization.

Conclusions

In these small countries, most of them situated on islands, one can choose the tax base, the installation site, one can live here, one can earn money or obtain citizenship and they address either to individuals or to legal persons or to both at the same time.

The states regarded as tax havens are a refuge for all types of companies allowing the beneficiaries to reduce and even to entirely suppress taxation within the law in a manner virtually impossible to control by the tax services in the country of origin.

Tax havens exist. They can be used to achieve high profit, for money protection or to get rid of the numerous taxes. Nowadays, the best investment opportunities are beyond our own borders, within the many foreign markets.

ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice,
Anul VI, Nr. 1-2, Iunie, pp: 43-51

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ANITEI, N., C., (2011) TAX HAVENS OUTSIDE EUROPE, Jurnalul de Studii Juridice, Anul VI, Nr. 1-2, Iunie, pp: 43-51