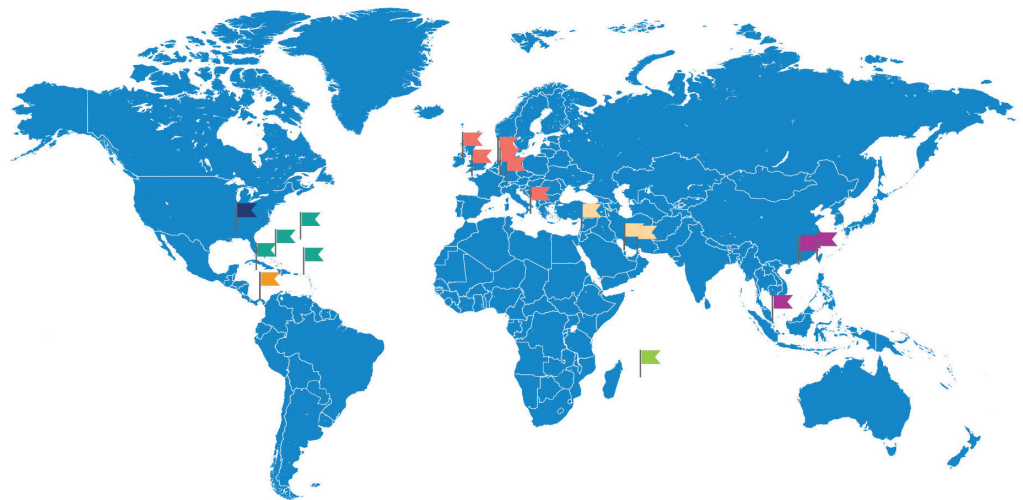


A GUIDE TO THE TOP 20 OFFSHORE FUND LOCATIONS

“For businesses and well-heeled investors, moving offshore has long provided an array of benefits—tax neutrality being paramount among them. But the landscape is growing far more complex.”



THE CARRIBEAN	LATIN AMERICA	NORTH AMERICA	EUROPE	ASIA	AFRICA	MIDDLE EAST
The Bahamas Bermuda British Virgin Islands Cayman Islands	Panama	United States	The Channel Islands Ireland Luxembourg Malta The Netherlands Switzerland	Hong Kong Macau Singapore Taiwan	Mauritius	Bahrain Dubai Lebanon

For businesses and well-heeled investors, moving offshore has long provided an array of benefits—tax neutrality being paramount among them.

But the landscape is growing far more complex.

Regulators in the European Union and the United States have been closing loopholes to try to stop profits earned within their borders from moving overseas. The regulatory hammer has fallen hardest on operations in popular no-tax locales like the Cayman Islands. The European Union is now forcing companies to defend their operations in no-tax countries. And that pressure is pushing some to move subsidiaries to locations like Singapore, Ireland and the Netherlands—which have a low tax burden but are seen as more legitimate by regulators.

In May 2018, the British Parliament passed a law that would require, by the end of 2020, the beneficial owners of companies located in the U.K.’s overseas territories to publicly register. This law may pierce privacy rules that have helped make Bermuda, the British Virgin Islands, and the Cayman Islands, so attractive to corporations and investors—but that have also triggered money laundering, corruption and tax evasion concerns. The territories have been fighting back, even threatening to break from Britain if it tries to enforce the rules.

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Meanwhile, recent tax law changes in the United States have been aimed at forcing companies to bring home profits. Yet, the American approach may actually have the opposite effect in some cases. The [new tax law](#) was passed in late 2017 and is applicable to income earned after Jan. 1, 2018. While it does include provisions designed to encourage the repatriation of profits, a number of analysts say the law provides even more favorable treatment of income earned in other countries than the old tax code. It's a development that could be a boon to countries with hospitable corporate tax structures.

Despite the new complexities, offshore tax havens retain much of their popularity with businesses and investors.

With this in mind, we have compiled an updated list of the world's premier locations for offshore funds. The locales are listed below and grouped by region.

THE CARIBBEAN

The Bahamas



Hundreds of financial institutions and trust companies have set up shop in The Bahamas, attracted to its long history of parliamentary democracy, easy incorporation rules for offshore companies, anonymity statutes built for maximum investor privacy, and a minimum requirement of one shareholder and one director. Companies face no direct taxes in the country, with the government supported, in part, by fees on licensing.

In early 2018, the country was briefly [added](#) to the EU's tax haven "blacklist," which highlights countries that fall short of European Union tax transparency standards. However, fast action by the government led to removal from the list just two months later.

In spite of the recent EU activity, The Bahamas had previously received praise for its commitment to fighting cross-border fraud and securities violations. In 2013, it was the first Caribbean nation awarded "A" Status by the International Organization of Securities Commissions for the strength of its regulatory standards.

Bermuda



Like its fellow British territories in the Caribbean, [Bermuda](#) has leveraged attractive tax policies, a highly experienced financial services sector, and business-friendly officials to cement its status as a destination for offshore subsidiaries and funds. It's been an especially popular locale for the insurance industry—particularly reinsurance providers who have made the island the third largest reinsurance center in the world.

Yet Bermuda is facing regulatory and legislative headwinds. First, the U.K.'s new corporate transparency rules may force officials to register corporate entities that had previously enjoyed almost complete anonymity. (As with the Caymans and the British Virgin Islands, Bermuda is opposing the changes.) And the recently enacted U.S. tax law [closed](#) a critical loophole that gave foreign insurers based in Bermuda significant tax advantages.

Notably, however, major Fortune 100 companies continue to locate subsidiaries in Bermuda—suggesting that the island will remain a significant force in limiting tax liability for many years to come.

The British Virgin Islands



The [British Virgin Islands](#) is perhaps the world's leading offshore incorporation locale, with more than 400,000 active companies counting subsidiaries there.

In 2017, research by the islands' government showed that offshore companies based in the British Virgin Islands have assets worth more than \$1.5 trillion. With a well-respected financial sector and no corporate tax, the islands have been, since the 1980s, a go-to haven.

New U.K. corporate transparency rules and European Union and U.S. regulatory pressure may dampen corporate enthusiasm to some extent in the next few years. Yet, the islands have proven resilient in the face of past compliance efforts, passing laws in 1984 and 2004 that not only helped satisfy international concerns of the time, but that also made the locale even more attractive to businesses.

Cayman Islands



For the moment, the Cayman Islands retain their place among preferred destinations for offshore funds. The islands offer an attractive corporate infrastructure—a stable government, an advanced legal system, pro-business policies—and no corporate or income tax. The government earns its money through licensing fees paid by offshore enterprises.

As previously noted, the Caymans are under increasing pressure to reform privacy rules to encourage greater transparency, and regulatory fears have led some companies to set up shop elsewhere. In most of the recent EU and U.K. actions, corporations and the jurisdiction's leaders have been given until 2020 to comply with new regulations. The next two years may well determine whether the Caymans will remain an offshore powerhouse.

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ASIA

Hong Kong



Hong Kong continues to gain favor among corporations and wealthy individuals as a key location for funds because of its status as one of the world's leading financial centers and its exceptionally favorable tax policies and streamlined tax system.

Foreign income earned outside Hong Kong is not taxed, and there are no capital gains, withholding, interest or dividends taxes. In addition, the government has resisted pressure—particularly from the EU—to share information about the foreign assets held in local institutions.

And, of course, Hong Kong serves as a critical East-West gateway for both foreign and China-based investors. The city hosts Asia's third-largest stock exchange, and it operates with its own currency, the Hong Kong dollar. As a "Special Administrative Region" of China, Hong Kong receives the state's backing, but Beijing provides little direction about its economy. This gives offshore enterprises confidence about Hong Kong's stability and few worries about government interference.

Macau



Just 40 miles from Hong Kong, Macau is best known for its immense gambling industry. But as another "Special Administrative Region" of China, the city has become a financial center and will, according to the International Monetary Fund, boast the highest per capita gross domestic product on the planet by 2020.

Macau increasingly providing offshore funds with an attractive market that can serve as a jumping off point to the Chinese mainland and to other parts of Southeast Asia. The city also serves as a hub for Undertakings for the Collective Investment in Transferable Securities, or UCITS, funds, which have grown significantly in Asia in recent years.

Taxation in Macau is slightly more complex than in Hong Kong. Companies doing business in the local currency—the Macau pataca (MOP)—can be subject to tax. But under the city's [Offshore Regime](#), companies can be fully exempt from tax if they do not operate in MOP. Companies must also register with the government and provide financial information, and the Macau government has moved quickly in recent years to thwart efforts by the EU to include it on its transparency blacklist.

Singapore



These are boom times for the wealth management industry in [Singapore](#). Millionaires and billionaires minted because of China's explosive growth are flocking to the city-state to deposit funds because of its low tax burden and sophisticated financial services sector. And international companies have made Singapore a key destination for offshore subsidiaries.

Unlike some offshore hot spots, Singapore does charge corporate income taxes—its current rate is a flat 17 percent. But the government trims the rate substantially through a series of generous tax incentives. Financial services companies can receive tax exemptions on revenue and are not required to pay withholding taxes on certain transactions involving foreign individuals.

Because it is a low-tax jurisdiction, Singapore has recently been a prime incorporation locale for enterprises hoping to avoid the kinds of regulatory issues that are dogging so-called "no-tax" enclaves. The country's privacy laws also allow for some sharing of information with foreign regulators and law enforcement—another factor that helps improve its attractiveness to risk-averse foreigners.

Taiwan



Most offshore hubs in Asia are greatly influenced by policies in mainland China—perhaps none more so than Taiwan.

Somewhat isolated because of its fraught relationship with the People's Republic, Taiwan often flies under the radar as an offshore center because it is not a member of institutions like the United Nations or the International Monetary Fund. Yet, political issues with China drive substantial offshore activity.

To do business across the Taiwan Strait, individuals and companies often set up vehicles based in Taiwan called offshore banking units (OBUs). OBUs have been growing in popularity in recent years because they don't tax foreigners and offer substantial privacy. According to the [2018 Financial Secrecy Index](#), "as of June 2017, the total asset of OBUs has reached over \$200 billion in U.S. dollars, which is a significant growth from \$187 billion in December 2015, roughly an 8 percent rise."

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EUROPE

The Channel Islands: Jersey and Guernsey



Two small islands roughly 200 miles south of London are **home** to more than a trillion dollars in assets. Jersey and Guernsey have developed strong internal regulatory structures and highly sophisticated offshore financial capabilities. They are popular destinations for real estate enterprises and private equity firms.



Low taxes and privacy have lured wealth to the islands. The standard tax rate for most corporations is 0 percent (with the exception of financial institutions, utilities and property companies), and there are no inheritance or capital gains taxes. Jersey, the larger of the two, specializes in a number of fund categories and offers several low-tax business formats. Guernsey is home to the Channel Islands' stock exchange and is a leading jurisdiction for Europe's captive insurance and private equity funds.

Both islands are dependencies of the U.K. Crown, which, **according** to *The Financial Times*, "has allowed a low-tax environment to flourish." As dependencies, they are independent of the British parliament on domestic matters such as taxation or the recently enacted transparency rules that are affecting U.K. possessions in the Caribbean. And while they are not European Union members, the islands have established a special trading status with the EU.

Ireland



When it comes to offshore funds, the Celtic Tiger is still roaring. **Ireland** boasts a 12.5 percent corporate tax rate (and some companies have negotiated even lower rates) which attracts enterprises from around the world to set up shop in the country. Taxes are even lower for revenue that comes from patents or intellectual property owned by a company.

Favorable rates are coupled with Ireland's European Union membership and a strategic location that provides efficient access to the U.K. and EU consumer markets. Dublin is a hub for fund servicing operations for the global asset management industry. And as Brexit issues continue to roil the U.K., Dublin's place as a center sophisticated banking is continuing to grow.

Corporations have clearly noticed. According to data compiled by the National Bureau of Economic Research, a Cambridge, Mass. think tank, international corporations in 2015 – the most recent year for which **data** was available—moved \$106 billion in corporate profits to Irish accounts.

Luxembourg



A stable political and economic environment and highly favorable tax policies have made Luxembourg one of the world's most popular domiciles for offshore funds. The corporate tax rate in Luxembourg is 18 percent for companies earning more than 30,000 euros.

Luxembourg ups the ante with additional tax incentives. About one-third of Fortune 500 companies have Luxembourg subsidiaries.

Luxembourg also boasts strong confidentiality rules and low-tax, high-security storage facilities for high-value physical assets like fine art, precious metals and classic cars.

Malta



Tourists may visit Malta for its epic Mediterranean beauty, but it's not the scenery that's attracting multinational corporations. Malta operates a tax system that allows international corporations to claim an 85 percent rebate on the taxes they pay—knocking their effective tax rate down to as little as 5 percent. That's a huge boon to companies, particularly in the European Union, where the average rate hovers at around 22 percent.

Each year, companies **wipe** out up to \$2 billion in taxes through subsidiaries set up in Malta. In addition, no taxes are collected on profits made outside Malta. The country retains approximately \$200 million in corporate income taxes each year, still a tidy sum for an island of just 460,000 people.

The Netherlands



The Netherlands has an orderly government, stable economy, skilled workforce and a financial industry with a long history of providing sophisticated services to global clients.

Those factors have helped make the country one of the most of the world's most active for offshore funds activity. Trillions of euros **pass** through Netherlands-based accounts each year from multinational corporations and wealthy individuals who have set up special funds for just that purpose.

Much of the money flows to other low-tax locales to help reduce corporate and personal tax burdens. The Netherlands has entered a series of double taxation treaties that promote such measures, and the country offers a "participation exemption" that allows international subsidiaries to avoid Dutch corporate taxes.

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Switzerland



Switzerland is still the world's most popular destination for offshore funds, in spite of growing competition from locales like Hong Kong and Singapore and anti-corruption measures that have ever-so-slightly chipped its veneer of confidentiality.

In 2018 more than \$1.8 trillion in overseas cash flowed through the country, accounting for one-fifth of the entire global offshore market. The famously neutral country also enjoys a stable government and secure economy and currency, making it the very definition of a safe haven for funds.

The country also remains synonymous with high-wealth banking services, and provides a series of extras that attract corporations and individuals alike, including investment banking, hedge funds and private equity, corporate tax avoidance structures, insurance and reinsurance, offshore company formation and trust administration.

Pressure from U.S., EU and other regulators has made Swiss institutions more willing to share information to prevent money laundering and other financial crimes. But the country's banks still practice strict confidentiality, and they have been pioneers in creating stronger, safer banking technology.

NORTH AMERICA

The United States



The United States is becoming one of the more popular locales for offshore funds. The U.S. accounts during the last three years have increased its share of the global offshore services market by 14 percent. States like Delaware and Nevada, as well as Montana, South Dakota, Wyoming and New York offer more permissive rules for establishing subsidiary companies than traditional low tax locales like The Bahamas. And the U.S., while advocating for strict rules to pierce privacy around the globe, has not applied those rules to itself.

Corporate tax rates under the new tax law are now at 21 percent and a variety of tax-free facilities and confidentiality measures in place at the federal levels. Individual states also offer specific benefits. Delaware, for instance, provides advanced business statutes that have long made it an attractive venue for global investors, particularly from private equity and real estate funds.

LATIN AMERICA

Panama



One of the oldest offshore havens in the world, Panama has a well-established financial services industry that focuses on offshore companies, trusts, foundations, and—most famously—the registration of ships.

Company owners are exempt from corporate, withholding, income, capital gains, estate and inheritance taxes. The country has some of the world's most comprehensive laws to protect confidentiality. And Panama has no exchange controls, which allows unlimited transfers of money in and out of the country.

The offshore sector in Panama hasn't been without turmoil in recent years. In 2016, an anonymous source leaked the so-called "Panama Papers," more than 11 million documents that exposed information about 200,000 offshore entities. The documents exposed information about wealthy individuals and public officials, including efforts to evade taxes and fraudulent activities, and prompted calls for greater oversight of the global offshore services industry.

Nonetheless, Panama remains a key offshore locale, aided by the Panama Canal and the country's strategic location between South America and North America.

MIDDLE EAST

Bahrain



The fuel that runs Bahrain is not oil. It's financial services, which represent a quarter of the kingdom's gross domestic product.

The country, an archipelago off the coast of Saudi Arabia in the Persian Gulf, has established itself in recent years as a leading jurisdiction for Islamic finance. Since 2000, Islamic banking assets in Bahrain have grown from \$1.9 billion to more than \$27 billion, or a little more than 14 percent of the nation's overall banking assets. The focus on Islamic finance has made Bahrain a substantial financial player for clients in the Middle East, as well as India, Pakistan and North Africa.

In addition, the country is attracting offshore investment with a classic formula: No corporate taxes (for non-oil and –gas revenue), no personal income taxes and no capital gains taxes. Responding to international pressure over secrecy, Bahrain in 2017 signed on to global financial reporting standards and began reporting tax information on accounts in 2018.

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Dubai



The United Arab Emirate of Dubai has long taken a page from Switzerland's playbook, providing a neutral zone and safe harbor in turbulent times. Politically stable, with Swiss-level privacy, the emirate also has the benefit of geography. It sits in between Europe and fast-growing Asian markets.

One of the seven United Arab Emirates, Dubai boasts low taxes and few regulations on financial transfers in and out of the jurisdiction. Like the rest of the UAE, it has few oil reserves of its own and has grown by managing the money of its oil-rich neighbors. For growing South Asian economies, in particular, Dubai has offered a prime locale for offshore activities.

Lebanon



Lebanon has suffered through several political and military shocks in the last few decades, but those problems haven't stopped the country from developing a highly effective offshore financial services system. Beirut's offshore sector has seen growth of 12 percent per year for more than a decade, [according](#) to the Lebanese banking industry. One reason is privacy: Lebanon has bucked many of the international efforts to provide greater transparency around offshore finance.

Another reason is the country's large diaspora. As many as 16 million people of Lebanese descent are scattered worldwide—a figure far larger than the country's resident

population of 6 million. They have placed capital into offshore vehicles in Lebanon, a factor that helps explain why banking assets in the country exceed the gross domestic product by 400 percent.

AFRICA

Mauritius



Sugar was the primary industry in Mauritius when it won independence from Britain 50 years ago. Now financial services are the sweet product most coveted in the island nation.

"We don't have any natural resources," the prime minister said in a *Financial Times* [interview](#) in 2017. "We need to have an edge over others to be attractive." The edge in question involves the tax benefits the island offers multinationals, the newspaper reported.

Mauritius has been growing quickly as an offshore center in recent years. More than 20,000 global businesses were registered in the country as of 2017, including 30 U.S. members of the Fortune 100. Corporate tax rates are 15 percent, with no capital gains tax or withholding taxes on interest. And the country has created an extensive double-tax treaty network, as well as several tax incentives to further reduce the corporate rates.

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