

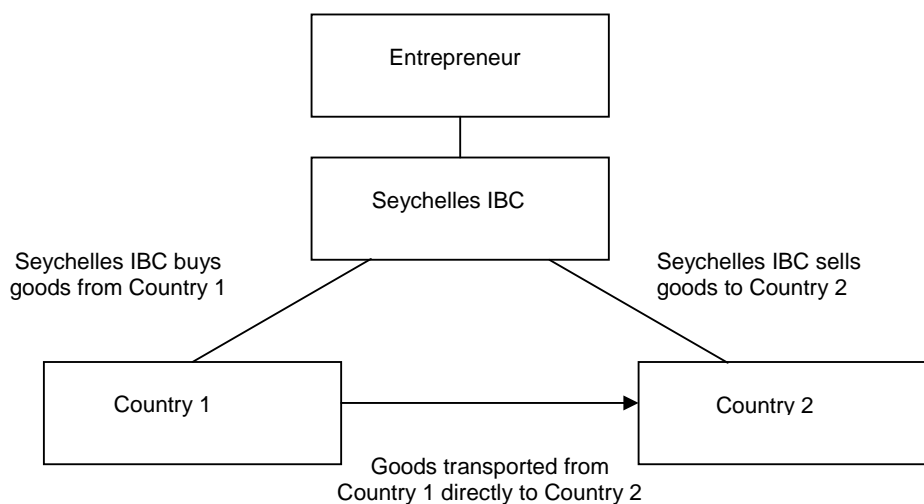
INCORPORATION IN THE SEYCHELLES: THE IBC – ILLUSTRATIVE EXAMPLES

The most commonly used offshore company in the Seychelles is the Seychelles International Business Company, or IBC. The IBC is a flexible and convenient entity, with many benefits including:

- Exemption from all Seychelles taxes, including stamp and capital duties
- Absence of compulsory annual general meetings, or annual return filings
- No accounts filing requirements
- No audit requirements attached to the preparation of accounts
- Low incorporation and administration costs.

Examples of the advantages of the Seychelles IBC

Example 1: International (i.e. cross-border) trading



Cross border trading is a regular activity of a Seychelles IBC.

Trading profits resulting from the sale of goods are not taxed in The Seychelles, provided the trading activity is not within the Seychelles.

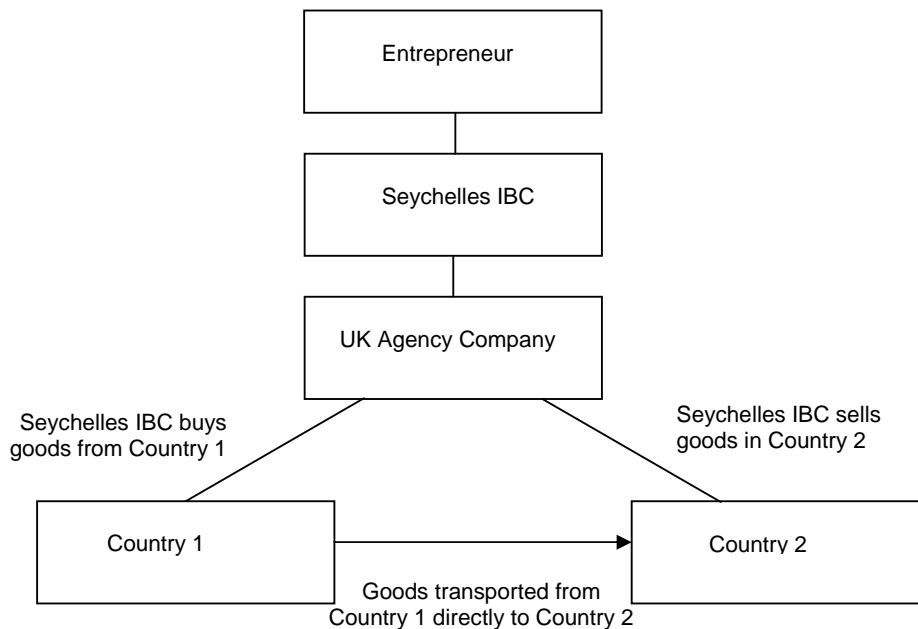
Under general principles of international taxation :

- 1) The purchase of the goods should not give rise to taxation in Country 1 for the Seychelles IBC, and
- 2) Provided that the Seychelles IBC does not create a “permanent establishment” or fixed place of business in country 2, then no taxation consequences should arise in Country 2 for the IBC either.

Example 2 - Avoiding Blacklists and their consequent administrative difficulties in Countries 1 or 2 on behalf of the Seychelles IBC

Some countries discourage the use of offshore companies by penalising resident taxpayers who buy or sell goods to offshore companies such as Seychelles IBCs. This is a problem that affects all offshore companies.

Jordans have pioneered the use of UK structures to protect offshore companies from such difficulties without significant exposure to UK taxation.

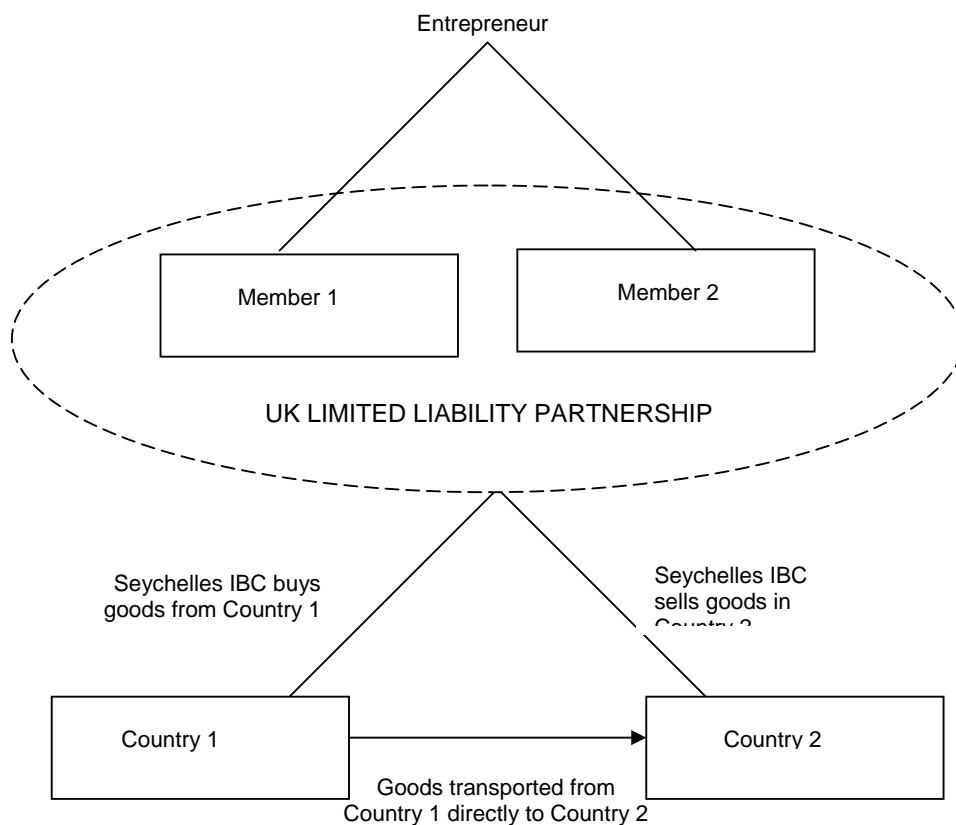


In this example assume the same trading activities are being carried out by the Seychelles IBC as in Example 1.

However in Example 2, the Seychelles IBC incorporates a subsidiary UK company, and enters into a written agreement (a “nominee” or “agency” agreement) with the UK company, under which the UK company allows the Seychelles IBC to raise invoices and enter into contracts and business correspondence in the name of the UK company. However the resulting trading profits remain those of the Seychelles IBC.

Jordans can deal with the administration and tax-reporting obligations of the UK company. Approximately 1% of the gross profits of the Seychelles IBC’s trade will be declared for UK tax purposes, leading to minimal or nil UK tax exposure.

Example 3: An alternative solution to Example 2



Instead of using a UK nominee or agency company to act as a nominee or agent for the undisclosed Seychelles IBC, a UK limited liability partnership or LLP is registered.

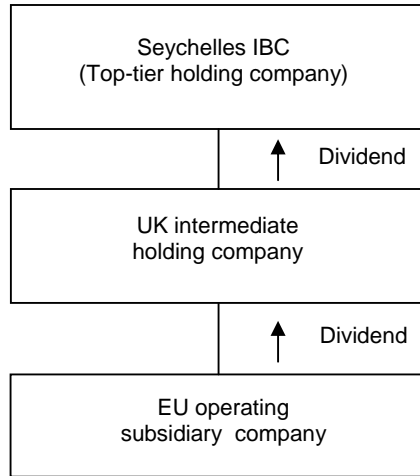
A UK LLP must have at least two members – who can be offshore companies. Therefore two Seychelles IBCs are incorporated by the entrepreneur, and these entities proceed to incorporate a UK LLP.

The LLP is a body corporate with separate legal personality. It has a unique UK company number and a UK registered office. The Seychelles IBCs who are the members of the LLP can therefore trade, and invoice in the name of the UK corporate entity.

Under UK tax law, a UK LLP is not a taxable entity. It is taxed like a partnership so that profits are taxed at the level of the members only. Provided therefore that in Example 3, the trade is conducted outside the UK, and provided also that the Seychelles IBCs are managed and controlled outside the UK; there will be no UK tax payable on the LLP's trading profits.

Example 4: International Holding Company

A Seychelles IBC is an excellent top-tier holding company to receive dividends from intermediate holding companies, within an international trading group.



If the EU operating subsidiary company was to pay a dividend directly to a Seychelles IBC, significant dividend withholding tax would be payable within the EU (normally 25% of the gross dividend).

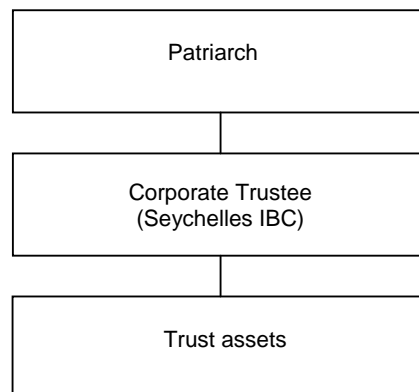
However, the interposition of a UK holding company between the Seychelles IBC and the EU operating company can eliminate withholding taxes on the dividend altogether. A UK or Cyprus holding company can be used as the EU holding company, which can then pay on the dividend from the EU operating subsidiary free of further taxation to the Seychelles IBC.

In the above example, the UK company would seek to avoid UK taxation on the dividends received gross from its subsidiary operation through the UK tax credit system. In Cyprus, the dividends received gross from the EU subsidiary would simply be exempt from tax in Cyprus.

Example 5: Family trust company

Many high net worth individuals and their families are nervous of placing their hard-earned assets under the legal control of an independent offshore trustee.

A solution to this problem is to establish a family-owned corporate trustee company. In other words the trustee is a company which, although managed by offshore directors in The Seychelles, is ultimately owned and controlled by the family. Furthermore a family member (e.g. the Head of the Family or Patriarch) can also be a director of the corporate trustee.

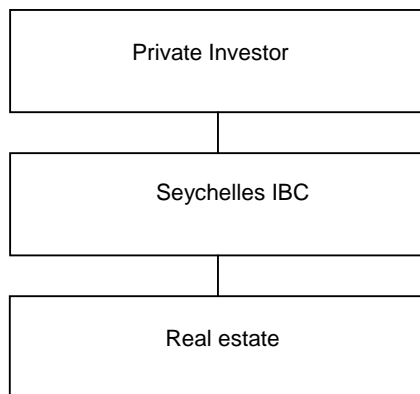


As the trustee is a Seychelles IBC, income arising from the assets of the trust can be received and held in a tax-free environment.

The Patriarch can be a director of the trust company, acting with a majority of professional offshore directors provided by Jordans (Seychelles) Limited. To keep tax residence of the trust in The Seychelles, the Patriarch should attend board meetings in The Seychelles where important decisions relating to the trust need to be taken.

As the ultimate owner of the family trustee, the patriarch can control the composition of the board and the activities of the corporate trustee. With appropriate planning, the trust nevertheless retains significant tax efficiency.

Example 6: Owning real estate



The advantages of corporate ownership of real estate include :

- Confidentiality of ownership
- Potential avoidance of inheritance and estate taxes in the country where the property is located
- Ability to sell the shares of the IBC rather than the property itself, to avoid stamp duties, notarial fees and registry taxes.

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