

# Company Formation

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## Designing (Tax) Structures

BlauStein is well experienced in establishing companies in a variety of jurisdictions and combining features of double taxation agreements and treaties between different countries to provide the optimal tax result. Legal entities are established in specific jurisdictions to benefit from reduced withholding taxes on dividends, interest and royalty streams, transfer pricing harmonization, hybrid financing possibilities and the avoidance of double taxation. All tax structures are developed in close cooperation with the network of international tax experts, attorneys and accountants. The structures ideally achieve both tax deferral and a lower effective tax rate by combining high and low tax jurisdictions. The various services/structures listed may be used either alone or in tandem to create a solution for the client.

### Zero Tax Holding Structures

In several countries, the tax system allows for the sheltering or deferring certain types of income by establishing companies in zero tax jurisdictions. Often, these companies are used for one-time transactions or for regulatory or personal holding purposes.

### Trust and Foundation Structures

Popular with financial and estate planners, Trusts and Foundations are vehicles often used as the top holding entity in private or corporate investment structures. Trusts, being common law vehicles, and Foundations, being civil law vehicles, operate in a similar fashion to each other but differ in their constitutional make-up. In most cases, both vehicles provide favourable tax benefits including tax deferrals, a reduced tax rate or separation of the assets from the personal assets of the Settlor and beneficiaries.

### Finance / Internal Leveraging Structure

The cross-border flow of interest from both internal leveraging and external financing can incur additional levels of taxation called 'withholding tax'. However, the flow of interest need not bear these additional taxes. The flow of interest related to such interest collection and distribution can be efficiently structured through companies located in several different jurisdictions.

### Real Estate Holding Structures

The disposal of real estate often carries (at least) a local tax liability on any recognized capital gains. However, depending on the location of the real estate, a holding structure can be established that will result in preventing the taxation of capital gains following the disposal of the property ownership.

### Aircraft Structures

The Aviation structure provides an attractive VAT rate of 0% to individuals or companies seeking favourable aircraft financing structures. This advantageous VAT rate also applies to all aircraft leasing activity involving aircraft.

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## Commercial Ship Structures

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The Commercial Ship Structure provides an attractive VAT rate of 0% to companies (or individuals) wishing to purchase a commercial ship. This advantageous VAT rate also applies to all ship leasing activity involving the commercial ships.

## Estate Planning Structures

The Estate Planning Structures are often used to transfer an estate from one generation to the next, or to skip a generation in a manner through which taxes are minimized. Estate planning structures are also used to eliminate conflicts of interest between heirs as well as the negative consequences of any forced heirship rules.

## Asset Protection Structures

The Asset Protection Structures provide clients' assets protection against excessive financial and legal claims that may be imposed upon high-net worth individuals. Asset protection planning often complements a client's traditional liability insurance - which often risks being outpaced by expanding theories of legal liability.

## Trading and Service Structures

Invoicing activities related to trading or the provision of services (e.g., consultancy) may require a structure involving a low tax trading company. Where a trade company in a high-tax jurisdiction is used, it may enter into a service or representation agreement (i.e., agency agreement) with a low tax company (usually the Principal). Under the terms of such an agreement, the trading company agrees to perform certain activities at the risk and on account of the low tax company. This structure can minimize taxation in high tax jurisdictions and maximize profits in the low tax jurisdictions.

## Agency Structures

Companies located in various jurisdictions may also be used as agents for either trading or the provision of services (e.g., consultancy or other). This company enters into a service or representation agreement with a low-tax company. Under the agreement, the Agent Company performs certain activities at the risk and for the account of the low-tax company. The Agent may purchase and sell goods and pay the profit of the trade to the low-tax company after the deduction of a taxable agency fee. The Agent Company may also render certain services (in exchange for a fee) or engage another party to obtain/perform, for a fee, the same type of services. The resulting profit spread can be paid to the low-tax company following the payment of a taxable consultancy fee.

## Royalty Management Structures

The cross-border flow of royalties can incur additional levels of taxation called 'withholding tax'. However, the flow of royalties need not bear these additional taxes. Our royalty management experts can efficiently structure such flows through companies located in several different jurisdictions.