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Home


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JACK'S CORNER

I started writing while attending the International Tax Planning Association conference in Hong Kong with a spectacular first night cocktail at The Box and this happened.



We followed up that evening with a wine dinner at Harlan's with 30 great people from the ITPA and this happened.



I thought I might get some work done in Nevis, but I started writing while sitting on the patio at our Mt. Nevis Hotel room and this happened.



Then I started again in Miami, but this happened at the first of my 45th birthday party celebrations.



Alas, I started again in Copenhagen, but, well, this happened at the next of my 45th birthday party celebrations.



And I finally finished in London where, well, nothing happened. Happy birthday to me

Onwards and upwards...



AOA 2008

The AOA has many plans for 2008 including the following:

- **AOA Dubai, 16th to 18th March 2008:** Ya gotta see Dubai to believe it!!! The Raffles Hotel will be the venue.
- **AOA Hong Kong, 21st to 23rd September 2008:** Coming back home will be oh so sweet as we hold our conference at The Mandarin Oriental Hotel.
- **Young AOA:** With the help of Itzik Amiel, we have launched the Young AOA. Members have received an announcement via email. Please contact Itzik at itzik@asiaoffshore.org for more information on how you can participate in this exciting new AOA committee.
- **AOA & China Street Smart:** Working with John Chan, the AOA Global Advisory Committee representative for Shanghai, the AOA and China Street Smart are holding a China visit that will offer something to even the most seasoned China traveler. Please contact John at johnchan@chinastreetsmart.com for more details.
- **AOA & AICPA:** (<http://www.asiaoffshore.org/html/Announcements/AICPA%20offer%20for%20AOA.doc>): The AOA has arranged for special treatment for members to attend that AICPA conference in Washington DC from 10th to 11th January 2008. The American Institute of Certified Public Accountants is the national, professional organization for all Certified Public Accountants. Its mission is to provide members with the resources, information, and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients.
- **AOA & Thomas Jefferson School of Law** (<http://llmprogram.tjsl.edu>): The AOA has arranged for a special member price of US\$2,500 per course, which is a US\$500 discount. **Thomas Jefferson School of Law** offers specialized graduate degrees and certifications through the Walter H. and Dorothy B. Diamond Graduate Law Program in International Tax and Financial Services. Established in 1998, the program remains the first and only one to offer graduate law degrees and certifications

through an entirely online course of study at an ABA accredited law school.

- **AOA & American Academy of Financial Management** (<http://www.aafm.org/>): The AOA has arranged for the preferential Membership in and access to Continuing Professional Development courses with The American Academy of Financial Management™, which is a worldwide financial professional organization with members in 150+ countries hosting and organizing certification training worldwide and offering our exclusive board certification designations to candidates who meet the high standards. AAFM is in alliance with the top 560 business schools in the world. Further details of the AOA's arrangement with the American Academy of Financial Management will be sent to members in January.



THAILAND UPDATE

CAPITAL CONTROLS STILL WREAKING HAVOC

Since the government first introduced capital controls back in December 2006, both local and foreign business people have been scratching their heads trying to figure out how best to contend with them.

The purpose of the controls is to stem the strengthening of the Thai Baht, but a byproduct has been to make certain types of common transactions between Thailand and offshore parties much more troublesome.

The capital controls include something that has become widely known as the "30% Rule". The 30% Rule states that for certain transactions in which parties in Thailand receive a loan or investment from parties offshore, 30% of the amount received by the Thailand party is required to be deposited with the Bank of Thailand, interest free, for a period of one year. This rule has really disrupted the market because it applies to very common transactions such as loans from offshore to Thailand parties and the purchase of shares of Thailand companies which are not listed in the Stock Exchange of Thailand.

Loans From Offshore Parties

Generally, if a Thailand party receives a loan from a party offshore and the proceeds of the loan are received in any currency other than Thai Baht, the 30% Rule applies. If so, the receiver's bank in Thailand is required to deposit 30% of the total amount of the loan received with the Bank of Thailand, interest free, for a period on one year. For example, say a party in Hong Kong agrees to loan a party in Thailand USD100,000 at a 5% interest rate for a period of 5 years. Upon the Thailand party's receipt of the USD100,000, the 30% Rule would apply. Accordingly, the Thailand party's receiving bank would be required to deposit 30% of the amount received with the Bank of Thailand, interest free, for a period of one year.

Exceptions

In the above example the 30% Rule applies because the amount received by the Thailand party was in foreign currency, in that case US Dollars. If the Hong Kong lender would have instead purchased Thai Baht in Hong Kong and then transferred the Baht equivalent of the USD100,000 into Thailand the rule would not have applied. Also, if the Hong Kong lender would have entered into an arrangement with a Thailand bank to fully hedge the loan amount during the period of the loan the rule also would not have applied.

A hedge in this case is an arrangement with a bank to lock in, in advance, the exchange rate to be used to purchase

- Thai Baht when the loan is received by the Thailand bank and
- foreign currency at the time when the loan is later repaid.

Equity not listed on the SET Purchased by Offshore Parties

The 30% Rule also applies when offshore parties purchase shares of Thailand registered companies. The rule applies to share purchases if the

- total amount of the purchase price is the equivalent of USD20,000 or more,
- purchase is for 10% or less of the total outstanding shares of the company, and
- purchase is made in foreign currency.

For example, suppose a Japanese investor purchases a 5% of the total outstanding shares of a Thailand company for USD50,000. In this situation the rule would apply, therefore, the receiving bank would deposit 30% of the purchase price received with the Bank of Thailand, interest free, for a period of one year.

Exceptions

If the purchase price does not meet the equivalent of USD20,000 threshold the rule does not apply.

For example, suppose a German investor purchases shares of a Thailand company representing 5% of the Thailand company's total shares for USD19,000. In this situation the rule would not apply because the amount of the purchase price does not meet the minimum threshold amount of USD20,000.

If the purchase is for over 10% of the Thailand company's total outstanding shares the rule does not apply. Suppose a Swedish investor purchases 11% of the total outstanding shares of a Thailand company for USD21,000. In this situation the rule would not apply because the percentage of total shares purchased exceeds 10%.

Also, note that if the offshore party purchases Thai Baht offshore (which is normally much more expensive than purchasing Baht in Thailand) before he transfers the purchase price into Thailand the rule also does not apply. For example, suppose a French investor purchases 3% of the shares of a Thailand company for a purchase price of USD25,000. Here the rule would normally apply, however, in this situation the French investor purchases the Thai Baht equivalent of the USD25,000 offshore and transfers that amount to the seller in Thailand. Accordingly, the rule would not apply.

Conclusion

This rule causes problems and confusion in the above situations especially if the transaction parties had not already factored the rule into the deal from the very beginning. When the rule was first announced I had hoped that it would only be a temporary measure and there seems to be signs that the government may be planning to do away with the capital controls at the end of the year. However, until the government does so, the business community needs to keep these rules in mind when planning cross-border transactions.

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UK UPDATE

TOUGH TIMES FOR THE "NON-DOMS"

The UK tax system is complex to say the least, but has for many years been a safe haven for foreigners who are able to take advantage of the remittance basis. As reported in ITN 76 the 2007 Pre-Budget has, however, created a stir with it being very likely significant changes to the tax system will be introduced making the UK less popular for so called non-doms.

As a result of these developments an increasing number of clients are now considering their options. Possible 'tax friendly' jurisdictions to move to are, for example, Monaco, Gibraltar, the Channel Islands, Dubai and Switzerland. Because of its, arguably, high quality of life and central location within Europe, Switzerland has considerable appeal.

In Switzerland, subject to certain conditions, a foreign national who is not gainfully active in Switzerland can elect for a special tax regime whereby they are assessed to income and net wealth tax on a lump sum. This lump sum amount is related to the level of expenses and the lifestyle of the individual (e.g. housing, cars, boats, etc.) and in most Cantons this is based on the annual rental value of his or her home multiplied by five. The lump sum taxable amount can be negotiated in advance with the Cantonal tax authorities by way of a tax ruling.

In most Cantons the minimum required taxable income varies between GBP 100,000 and GBP 175,000. The total annual Swiss tax burden for a lump sum tax payer will vary between GBP 45,000 and GBP 85,000 depending on the Canton and the facts and circumstances of the particular case.

Under the lump sum taxation regime capital gains can in principle be realised without increasing the total Swiss tax due under the ruling. Income from Swiss sources and/or foreign income such as dividends, interest and royalties for which a reduction or exemption of foreign withholding tax is claimed may, however, increase the total Swiss tax due.

In Switzerland gift and estate duties are only levied at a cantonal and communal level and most cantons and communes abolished gift and estate duties between spouses and between parents and children. In cantons where gift and estate duties are still levied, the applicable rates are generally quite low.

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INTERNATIONAL UPDATE

HOW TO MANAGE ASSETS THROUGH AN INTERNATIONAL TRUST?

Prospective clients frequently ask how an international trust can be used for managing assets, even though asset protection is often a motivating factor. While every situation is different, there are some basic factors to consider.

Using an international trust for investment purposes provides a number of financial opportunities, including investment diversification

and estate planning. And if privacy is important, it can help keep prying eyes from knowing your every financial move, and is an excellent tool to obtain a high level of asset protection.

By way of example, let's say you are middle-aged with various asset types (ever notice "middle age" is a moving target?), with equity as follows:

- **Home:** US\$275,000
- **Business, Professional Practice or Real Estate:** US\$25,000 and US\$290,000
- **Personal Property:** US\$35,000
- **Tax Deferred Savings:** US\$150,000
- **After-tax stocks, bonds, and cash:** US\$225,000
- **Hypothetical net worth:** US\$1,000,000

A USA citizen investing in their name is locked out of two-thirds of the world's equity and bond investments. Foreign institutions often refuse to deal directly with U.S. citizens as a result of the U.S. Federal regulations imposed upon them. Alternatively, investing through an international trust opens the doors to quality investments throughout the world. You will still be subject to U.S. taxes and compliances issues, but diversification can be found.

Naturally, you seek asset protection in a litigation-gone-mad-society. Using an international trust avails you to asset protection that is simply impossible to find at home.... offshore jurisdictions are second to none for outstanding wealth preservation. It is risky holding assets in your name. The better approach is to title assets in separate entities owned by an international trust you create, and then you use and control those entities.

Placing the home in an LLC could effectively provide an opportunity for safeguarding the home and US\$275,000 in equity from the failings of other investments and from personal lawsuits. Stocks, bonds and cash (US\$225,000) and personal property (US\$35,000) could be held in a "Nest Egg" LLC. As the LLC manager, you maintain management and control over the investment decisions. How to treat the two investments: one LLC or two? Significantly, keeping risky assets segregated from less risky assets is considered safe and conservative planning. Litigation against the US\$25,000 investment will not expose the US\$290,000 investment if they are segregated.

Great caution must be taken before transferring the US\$150,000 tax-deferred savings into an entity, as this would probably trigger negative tax consequences.

Sounds like you are complicating life when using an international trust? Not really.

Once the trust is set up it is user friendly and the peace of mind in carefully protecting assets can not be over-emphasized. Once you gain more confidence in investing offshore, diversification and better yields are more easily realized. An added benefit is the trust agreement is a private document achieving greater levels of privacy.

Integrating retirement planning, estate planning and asset protection into an international trust is part of the planning process. Naturally, the terms of the international trust must be carefully drafted and entity formalities must always be satisfied. And since planning structures can be ultimately challenged in a courtroom if you are sued, your planner should have courtroom savvy and planning should begin with these skills and objectives in mind.

Contributed by David Tanzer, who is an international lawyer and author of How to Legally Protect Your Assets and Offshore Living & Investing located at www.DavidTanzer.com. David's email address is Datelgal@aol.com.

CENTER FOR FREEDOM & PROSPERITY UPDATE

This is a critical time for friends of free markets, tax competition and economic liberty. A congressional offensive against freedom, sovereignty and low-tax jurisdictions is already underway, and it is quite likely that international bureaucracies such as the Organization for Economic Cooperation and Development will be emboldened by the changes in America's political landscape. Moreover, President Bush's lame duck status and the better-than-even chance that the presidency may change Parties, it is harder to mobilize officials in the Bush Administration to aggressively defend tax competition.

These are troubling developments, particularly since tax competition has been a critical force for better economic policy. In the last 30 years top income tax rates in developed nations have been reduced by an average of 25 percentage points, corporate tax rates have dropped by 20 percentage points, and there are now more than 20 nations with low-rate flat tax systems. Simply stated, politicians around the world are being forced to do the right thing because they understand that capital can shift from high-tax to low-tax jurisdictions with relative ease.

Over the coming months, the Center for Freedom and Prosperity will keep you up-to-date on the events on Capitol Hill as they pertain to the continued fight to preserve tax competition, financial privacy and fiscal sovereignty.

Here is a brief update on the critical issues we are currently following.

The two biggest threats are S. 681, introduced by Senator Levin of Michigan, and S. 396, introduced by Senator Dorgan of North Dakota. Both bills penalize Americans who invest in low-tax countries.

Senator Dorgan's bill will cause American companies to lose market share, which will lead to a drop in jobs and exports. Senator Levin's legislation imposes taxes, regulations, and penalties on American individuals (and non-publicly traded companies) operating in targeted low-tax jurisdictions. Both bills would put American taxpayers at a competitive disadvantage by making it difficult to utilize low-tax jurisdictions when competing with taxpayers from other nations. But perhaps the worst part of the two bills is that it will be the first time the U.S. has blacklisted sovereign jurisdictions for their pro free-market tax policies.

I am glad to report that both bills are still locked in committee and we hope that our aggressive educational campaign will keep them there.

Next month we will report on a potentially biased World Bank study on the "development impact of off-shore financial centers."

As you can see, we have a tough battle ahead. Enemies of tax competition and economic liberty are lining up proposals that would undermine freedom and prosperity. In the face of these serious threats, we will remain vigilant.

*Contributed by Andy Quinlan, President and co-founder of the Center for Freedom and Prosperity and the CF&P Foundation (www.freedomandprosperity.org).
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WHEN SWEET CHARITY GOES SOUR

As advisors we often think of the wealth creation industry. Bankers, brokers, lawyers and fund managers all with the aim of creating wealth for ourselves and our clients. A spin off of the wealth creation industry is now the wealth distribution industry. Don't be fooled regarding the morality of one over the other. They are all big business and profit making. One has warm fuzzies attached, good publicity and tax credits, the other is slayed for being Capitalist, evil and therefore taxed and politicized at election time.

Spending many years creating wealth, it takes a completely different mindset to then turn and give it all away or advise your clients on how to do likewise. As you sit at a meeting you might feel pangs of nausea as the client wishes to outline their plan to now effectively throw away everything that you may have spent the past 10 or 15 years help to create. The client is now asking you to act as a politician would in a Socialist government and give away everything that has been produced.

Philanthropic giving has sustained new zest as high profilers such as Bill Gates, Warren Buffett, Oprah Winfrey and Ted Turner publicly break down their fortunes and seem to work just as hard to give away their wealth as they did to make it. They do so with such hoopla attached that you can only conclude that they have a guilt complex about their wealth in the first instance. They are trying to inspire others to do likewise, such stupidity as "if everyone gave \$100 then...". the point being of course, that not everyone is worth the hundred's of millions or billions that they are. Yes, the rich loud hailing Charitable givers should go away and sit somewhere quietly and leave the rest of us to get on with it. Especially Bono.

My personal experience of Charitable trusts has always been to set them up for clever and intricate taxation planning purposes, never anticipating that one day wealth would be distributed through them. There are 4,400 charities registered with the Hong Kong IRD, over 200,000 in the UK. Don't be fooled, their motives are just the same as any business. Their profit comes in the form of making people feel good. We all do things that we necessarily would not otherwise do either for love or money. It is quite simple. Public Charitable giving is done as a way of buying love from others.

Even in the most middle class of family, there now exists a generational gap with the baby boomer 50-60 year olds out there having collected serious amounts of wealth. Those of us in our 20's and 30's face increased costs of living compared to our salaries or income capacity, student loans, increasing health costs and tax burdens from the "ageing generation" above us. Basic housing is becoming more unaffordable than ever and yet baby boomers seem happy to give away their money to charity. It is little wonder that the youth of today have such a "live for the now" mentality. We know that being rich and 60 is a whole lot less fun than being 20 or 30 and being able to do the same sorts of things that the baby boomers are now enjoying.

Charitable giving has been kick-started by a worldwide guilt complex about wealth. Charity is a huge industry in itself. Most major Charitable organizations have CEO's and are run along a corporate model. They carefully orchestrate guilt in the giving, using images of starving children, third world poverty and desperation for their own means. These Charities cream off the top and give to schemes that are continuing to be labeled as cronyism and inefficient. Charities are starting to be monitored more closely and scams uncovered by watchful media. Where does the money actually go?

The biggest scammers by far are Green groups.

Green groups especially have pushed so hard that they have created enough collective guilt that the world is seriously introducing carbon credits and emissions trading schemes, or as we call it in New Zealand "Fart tax". Such an abstract concept that is scientifically not an absolute. When you are sitting in 5 degree Celsius temperatures at 6am on a motorbike trying to get animals into a yard to be milked or sheared, there is not one New Zealand farmer who does not think that warming their part of the globe could possibly be a good thing. New Zealand has to under the Kyoto protocol pay for CO2 emissions produced not by large dirty manufacturing plants, but by cute fluffy animals on large green fields. China has an exemption to Kyoto as apparently it is not "developed" enough and actually outnumbers New Zealand in terms of sheep, 290 million to 45 million. Yet New Zealand warmists won out and the government aims to "lead the world" in climate change. Totally inconceivable for a country with 4 million people! Fortunately New Zealand has lost every major sporting competition this year so will no doubt fail in climate change as well.

Al Gore travels the world speaking about inconvenient truths. That's right, by jet. Great Australian golfer Greg Norman is a Qantas ambassador for their guilt program of carbon credit offloading. Norman (assuming he kept it in his recent divorce proceedings) owns his own jet. John Travolta likewise. The hypocrisy of "do as I say not as I do" is extreme. I like air travel. I pay large money to do so. I pay so many taxes to jurisdictions in which I travel to, I ask - haven't I already paid for everything?

Green groups are also responsible for the push towards such nonsense as paying for plastic bags at supermarkets. I was asked after paying \$HK90 (US\$12) for a small container or washing liquid at one of the local expatriate haunted Hong Kong supermarkets whether I would like to voluntarily pay another HK50 cents for the bag. The answer of course was a giant "no" and an explanation that the margin on the liquid should more than cover the very small cost of the biodegradable plastic bag which caused no damage to the environment at all as it was biodegradable as was the liquid that I had just purchased. And where do the profits go from the suckers who part with the 50 cents? Anywhere but to help the environment obviously as the building which houses the supermarket is notorious for being one of the coldest in Hong Kong all year round thanks to Antarctica air conditioning temperatures.

Yes, down with the high taxing, big spending warmists I say. And I shall not voluntarily give \$1 towards those who espouse global warming to be evil. It simply is not. I like warm weather. How many people do you know step outside and say "I wish it was so cold I needed a coat"? Cold weather requires fires and heaters for humans to survive. Pollution is the cost of civilisation. Warmists would have us go back to cave times, but without the fires.

There is nothing wrong with legitimate charitable causes, but what should be of more concern to authorities than any tax planning that charities in the past may have allegedly created, is the new age fraud of the charity itself. In effect Charities are privatizing government's primary role and the bumper sticker mantra "Don't Steal - The Government Hates Competition" is more relevant than ever.

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MIDDLE EAST UPDATE

The Abu Dhabi Investment Authority's (Adia) acquisition of a 4.9% stake in Citigroup is expected to trigger further acquisitions by Gulf-based investors in USA banking assets. A number of leading USA banks' shares suffered heavy losses following the sub-prime crisis, making them attractive investment targets for cash-rich Gulf investors. The turmoil in the markets and the sub-prime mortgage mess has made large American financial institutions and banks vulnerable. With Adia picking up a substantial stake in Citigroup, analysts said Dubai-based government-owned funds are likely to move in quickly and pick up stakes in major US institutions such as Merrill Lynch, Bear Sterns or Morgan Stanley.

Valuation is the key motivator in most of these investment decisions. Analysts have indicated that although attractive valuations are a major factor, political pressure on Gulf investors, particularly the sovereign wealth funds, could result in their opting for Asia and other emerging markets against the USA and western markets.

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HONG KONG UPDATE

The Government recently announced a further cut in Hong Kong's already famously low tax rates. From the 2007/08 financial year, the top rate for salaries tax will be 15%, while businesses will pay no more than 16.5% in profits tax.



CHINA UPDATE

LAND GRABS STILL ALL THE RAGE

Despite the Central Government crackdown, local officials continue to take illegally the land of individuals within their communities for distribution to private business persons seeking inexpensive land. Recently, authorities discovered 32,000 illegal land grabs totaling 233,000 hectares of land. This was in addition to the 130,000 cases of illegal land grabs in 2006.

DANONE WINS ONE AS BVI COURT FREEZES WAHAHA ASSETS

Danone has been experiencing one setback after another, mostly in terms of public opinion, in its ongoing battle with Wahaha regarding trademark and joint venture matters. The State Trademark Office of China had recently rejected a transfer of the Wahaha brand to the joint venture. The BVI court froze the assets of 10 BVI companies, which had invested in 23 of 40 Wahaha branches that were not part of the joint venture.

AIRLINE FUEL SURCHARGE RAISED

China's domestic airlines have been authorized to increase fuel surcharge from November 5 to offset the pressure brought by the oil

price increase of USD67.47 (exchange rate is 7.41) per ton from November. For flights within 800km, the fuel surcharge will be lifted from USD6.75 to USD8 per passenger; while for longer flights, the fee will be raised from USD10.80 to USD13.50.

PETROCHINA NUMBER ONE

On its debut on the Shanghai Stock Exchange on November 5, 2007, PetroChina's total market capitalization amounted to USD1.1 trillion, enabling it to far exceed USA giant ExxonMobil with a mere USD488 billion and to become the world's largest company in terms of market value.

PROPERTY PRICE RISE 9.5% DESPITE CONSTRAINT MEASURES

Property prices have recorded a year-on-year increase of 9.5% this October in 70 large and medium Chinese cities despite the Chinese government's series of measures aiming to cool the red-hot real estate market.

HAIER CONTINUES TO EXPAND OVERSEAS

Haier Group, China's electronic appliance producer, will set up new research and development centers in Seoul and Tokyo, which will be dedicated to the research and development of Haier's U-home digital system.

PRIVATE ENTERPRISES IN FULL SWING IN CHINA

According to statistics from All-China Federation of Industry and Commerce, by the end of this June, 5.5 million private enterprises and 26.21 million individual industrial and commercial entities were operating in China. They have provided job opportunities for more than 70% of urban employees. In terms of tax revenue, private enterprises contributed 348.73 billion RMB (approximately USD46.97 billion) during this year's January-September Period. With regard to products and technology, private enterprises accounted for 80% of new products, 70% of technology innovation and 65% of invention patents.

ARE YOU READY FOR CHINA IN 2008

The two major changes that will affect foreign investments in China are the "Unified Income Tax law" and the "New Labor law" that will be effective on January 1, 2008. Are you ready??

The new enterprise income tax law was issued in March 2007 to unify the income tax treatment of domestic and foreign enterprises with a flat income tax rate of 25%. Therefore the enjoyment of zero tax incentives will no longer apply. In addition, the test of effective management or "the residence test" is also included in the new income tax law. (Currently, Chinese tax authority only adopts the place of incorporation test). This new residence concept will have significant impact to certain categories of foreign enterprises which include the so called "Tax haven" enterprises owned by Chinese nationals or by foreign nationals or enterprises, which are managed to some extent from China.

Another issue is the withholding tax on the dividend, interest and royalty income that derives from China. At present, China does not impose any withholding tax on dividends and only 10% on interest and royalty income. Whether or not this arrangement will remain unchanged is in the hands of China State Council. However, the direction of applying 20% withholding tax on such income is expected. Therefore, it is likely many foreigners will change the shareholding structure of China Wholly Foreign Owned Enterprises and Joint Ventures to a jurisdiction that has double tax agreement, i.e. Hong Kong.

The other "watch out" point is the new Chinese labor law. Some lawyers call it the "Labor Contract Law - LCL". The ultimate goal of this new law is to protect the right of employees and consequently the life of the employer more difficult.

With this new labor law, no matter how few employees a company has, it still must ensure that its employment practices comply with the new law, otherwise significant penalties will be applied. A brief summary of the important points are below.

1. All labor contracts must be in writing.
2. A written employee handbook setting out the basic rules and regulations of employment must be maintained and signed by the employees. Failure of such means no "causes" to discharge employees, which results in large severance pay.
3. Term contracts strategy is no longer useful, as the term contract can be used only two times. The third time will be a permanent employment contract.
4. Under a permanent employment contract, the employee will be employed until he/she decides to terminate the contract.
5. Probationary periods are still permitted, but the length is based on the term of the employment contract and the wages during the probationary period should not be less than 80% of the contract wage.
6. Non-competition clauses are inapplicable to junior employees. Only senior management employees and others with access to critical trade secrets can be required to enter into a non-competition agreement.
7. Penalties such as "administrative fines", "economic compensation of double wages" and "liability for actual damages" are included in the new labor law.

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SINGAPORE UPDATE

SINGAPORE CAN BE GATEWAY TO SOUTHEAST ASIA FOR ISRAEL

Global Entrepolis @ Singapore (GES) recently organized and held The Enterprise Exchange exhibition at the Suntec Convention Centre. Among the various participating countries, eight companies from Israel were present as exhibitors as part of the Tnufa

programme that is run out of the Office of the Chief Scientist in Israel. It was explained that “Tnufa” means momentum in Hebrew and its main goal is to give momentum to Israel’s best inventions. This is Tnufa’s third year at GES.

Speaking at the Israel Pavilion, Ms Anat Katz, commercial attaché at the Israeli embassy, said both countries are small nations and have no natural resources. She added that Singapore can act as the gateway to South-east Asia for Israeli companies as both countries have much in common. Ms Katz said that while Israel also has tie-ups with South Korea and Australia, Singapore provided some unique advantages to it in Asia.

Australia is so huge and far away that it is not a viable springboard to the rest of Asia, while in South Korea there are language issues.

Israel is the only country with which Singapore has a bi-national fund called Singapore-Israel Industrial R&D (SIIRD). The fund is jointly run by the Singapore Economic Development Board (EDB) and the Office of the Chief Scientist in Israel.

SIIRD focuses on commercial R&D ventures between companies of the two nations and has to date, facilitated research investment for 70 projects worth an estimated US\$73.4 million. It has also facilitated the employment of 1,100 research scientists and engineers from both nations.

General Manager of SIIRD, Mr. Chan Eng Chye, reported that next year the fund is anticipated to spend USD3 million to sponsor more joint R&D projects in areas such as clean technologies, alternative energies such as fuel cell and tidal power, telematics and digital media.

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OFFSHORE UPDATE

THE BENEFITS OF ANGUILLA

As 2007 draws to a close, GCSL Anguilla has achieved success in promoting the use of Anguilla’s corporate entities, including the IBC and LLC. Below, I have set out some key features and benefits of using the LLC.

The Limited Liability Companies Act 2000 is based on the original Wyoming statute. It is a simple and flexible statute which allows the members, through the use of the LLC or operating agreement, to create a custom made, special purpose vehicle. Its basic features are set out in the statute, but it is the LLC/operating agreement which gives the members the opportunity to structure the LLC to achieve their business or corporate objectives.

The standard corporate documents include the certificate of formation, articles of formation, standard LLC agreement and a certificate indicating the members and their interests (if this information is decided upon and the certificate is requested).

1. An LLC is created through filing articles of formation with the Registrar of Companies. However, the date of formation may be the date on which the articles are filed with the Registrar or a subsequent date which must be stated in the articles of formation. For example, on 1st June 2007, one can file articles of formation with the Registrar to form an LLC. Now, the date on which the LLC is actually formed can be the 1st June 2007 or it can be any date stated within the articles themselves; so for instance, the date could be 1st June 2010. This allows for advance tax and estate planning.
2. An LLC can have a specific date of dissolution built into its formation. This is unique in that all other Anguillian corporate entities are perpetual in their existence subject of course to any subsequent actions of dissolution.
3. An LLC’s powers are limited only to the extent that the articles of formation or agreement limit them and of course the LLC Act which has set out a narrow range of activities in which an LLC cannot engage. These few limitations include conducting insurance, trustee, banking and company formation business in Anguilla as well as holding real estate, legally or beneficially, situate in Anguilla.
4. An LLC may sue or be sued in its own name, purchase real estate other than in Anguilla, mortgage, pledge or dispose of its property or assets, make contracts etc.
5. An LLC may provide for classes or groups of members with varying rights, powers and duties.
6. An LLC may provide for the appointment of a manager, analogous to a director in an IBC, to manage its day to day operations. The manager does not have to hold an interest in the LLC.
7. The contribution of a member to an LLC may be in cash, property, services rendered or a promissory note or other obligation to contribute cash or property or to perform services.
8. A judgment creditor of a member of an LLC can only get a charging order over the economic interest of the member. The economic interest of the member refers to the member’s share of the profits and losses of the LLC and the member’s right to

receive distributions of the LLC's assets in the event of dissolution of the LLC.

9. A person becomes a member of an LLC upon the later of either a) the formation of the LLC or b) time provided in and upon compliance with the LLC agreement or if the agreement does not so provide, when the person's admission appears in the records of the LLC.
10. An Anguilla LLC can have one member thus allowing for ease of control. In such an event, the sole member manages its operations.
11. An Anguilla LLC can continue into an IBC or an Anguilla domestic company. Like both entities, the LLC is exempt from all forms of profits, withholding and other taxes mentioned previously. It may be treated as a pass-through vehicle for USA tax persons' purposes.
12. A member can apply to the Court for an investigation order analogous to the IBC and domestic company.
13. An Anguilla LLC allows for the inclusion in the articles of formation provision for the creation of a series LLC structure.

*Contributed by Carlyle Rogers, Managing Director, GCSL Anguilla
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BELIZE: MR. GANDHI AND THE INTERNATIONAL FINANCIAL SERVICES COMMISSION

Seasons Greetings from Belize !! As the year now comes to a close, I wish for all readers the very best that 2008 has to offer. I wish great health, greater wealth and prosperity, peace of mind, and the good things that we as humans strive to achieve. I recently had the opportunity to sit down with Mr. Gian Gandhi, a most busy man in Belize, but also a most important man in Belize. He is the Director General of the International Financial Services Commission. I am fortunate that he spared the time to meet with me for this rare interview.

Carlo (CM): Mr. Gandhi, for how long has the International Financial Services Commission been operational?

Gian Gandhi (GG): The IFSC has been operational since the 1st day of July, 1999 and I have been the Director General since 1st November 1999.

CM: What are some of the duties of the IFSC?

GG: The IFSC is the premier regulator in Belize for the offshore industry. It regulates and licences all international financial services except offshore banking. That means Registered Agents, Trust Service Providers, International Insurance Service Providers, Mutual Funds Services, International Asset Protection and Management, Trading in Securities and Forex and so forth.

CM: Do you see a number of persons trying to use the Belize IBC's as a vehicle for improper or fraudulent activity?

GG: We constantly have persons attempting to use the Belize IBC as a vehicle for fraud or illegal activity, because Belize has now become a major player in the offshore industry and so we have a dedicated page on our website www.ifsc.gov.bz to inform investors of reported activity which is not licensed under the laws of Belize. It does sometimes get rather busy with reports, but fortunately we have not had any reports of serious crimes being perpetrated. We remain vigilant, constantly.

CM: Has it been a challenge for you to deal with the various Service Providers for Trusts and Registered IBC (International Business Companies) Agents over the time that you have been Director General?

GG: In some instances it has been a challenge, for example, in recent times there have been a number of complaints against one particular Service Provider by a number of persons, some of whom are known to you. The Commission, although not revoking that licence, is watching the situation very closely. While we do not wish to be impulsive and overbearing, at the same time we will not countenance any abuse of the privilege of being involved in this line of work in Belize.

CM: Mr. Gandhi, how satisfied would you say the International Financial Services is with the state of the Belize Offshore Industry at this present moment?

GG: While we are happy with the progress which has been made in the industry over the last few years, we are of the view that our offshore economy can grow so much more. We have been providing the same stellar service for a number of years, and the industry has provided jobs for Belizeans interested in this line of work, but perhaps the time has come to look for new "products" that will benefit the expansion of the industry, such as LLC legislation, which has been on the table for a while now. We are hopeful that we can bring that legislation to completion and make it part of the arsenal under the laws of Belize.

*Contributed by Carlo Mason, Managing Director, GCSL Belize
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COOK ISLANDS: GOLFING FUN IN THE SUN - GCSL TAKES TOP PRIZE

There is nothing like swinging golf clubs under the scorching afternoon sun on the Island of Rarotonga, in the south pacific nation of the Cook Islands. With usual anticipation, November signals the annual pilgrimage by Trustee Companies to the Rarotonga Golf Club for a colorful afternoon of face paints, banners, costumes and not to mention much banter, showmanship, and outright determination to be the "best" Trustee Company on the Island. True there is a carnival atmosphere, and the cajoling is "friendly", but you cannot deny the underlying competitiveness that exists between Trustee Companies. Such competition normally brings out the best...and worst of these otherwise competitors, and always sets this up as a prime social event on the Cook Islands calendar. No doubt about it, these Islanders cherish the opportunity to show their "grip" and "swing", while having as much fun as is possible!

The 2007 theme was Rugby World Cup, and worse still, GCSL drew the short straw and had to represent the perennial under-performers of this event – the New Zealand All Blacks. Normally it would be a proud statement to say that we support the All Blacks. But, if you followed the recent World Cup, you will understand why that support has waned considerably when the AB's yet again choked when it mattered. For Puai Wichman who watched that quarterfinal game against France in an Irish Pub somewhere in Las Vegas, the pain was multiplied by being surrounded by ecstatic South African fans who knew at that point that the World Cup was theirs. He has needed therapy since.



But that did not deter our GCSL team as they headed to do battle on the golf course. And would you have it, GCSL Cook Islands were heads and shoulders above the rest, and took the top prize of highest gross. The team also scored the longest drive and closest to the pin awards. The highlight of the evening, as expected, was the acceptance speech by Managing Director Puai Wichman, who made the most of the bragging rights that comes with the top prize.

However, some shoddy judging gave the prize of best costume to the team who apparently had paid the judges the most! Come to think of it, sounds a little bit like that English referee who controlled the quarter final game which saw the All Blacks early exit!!!

The evening ended with festivities and the consumption of that much loved amber liquid, and included a lot of dancing on tables, led by (surprise, surprise) the GCSL team who had earned the rights to brag all night!!

Next year 2008, GCSL will be hosting this annual event, which promises to be bigger and better than ever. Mark your calendars and head down to the South Pacific for a stint of Golf and some great Bone Fishing in November next year.

*Contributed by Puai Wichman, Managing Director, GCSL Cook Islands
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SAMOA: GCSL SAMOA IS ONE YEAR OLD

GCSL Samoa celebrated its first birthday on the 2nd of November 2007. The occasion was marked with very little fanfare. With a team of three on the ground in Samoa, supported by its sister office in the Cook Islands with a staff of three, GCSL Samoa can look back over the last 12 months and be proud of its achievements.

It is hard to believe that it was only 13 months ago that Jack Flader and Puai Wichman arrived in Samoa to begin the process of licensing as a Trustee Company – a process that should have taken many months to complete. However, with gritty determination, and ample assistance from Lawyer Fiona Ey and the friendly staff at SIFA, in particular Chief Executive Erna Vaai, the GCSL Samoa dream was born.

Like all start up operations, GCSL Samoa started from a simple idea. Puai Wichman as Managing Director had the unenviable task of putting it all together - in the shortest possible time. The finding of premises, hiring of staff, installation of phones, computers and broadband internet, putting in place systems and precedents, training of brand new staff, transferring of business, and then attending to renewal of 100 plus companies, had to be achieved within a month of GCSL receiving its license!!! It was a bold journey into the relative unknown for GCSL.

There are many people who have contributed to our success. To our clients in particular, we pass on our eternal gratitude, for making it all happen. Without you, there would be no GCSL Samoa. We know that we both had to learn to work with each other, but after 12 months, there is no doubt that GCSL is a company that has made its presence felt in Samoa, and indeed in the offshore corporate services world. From us in Samoa, a big heartfelt Alofa and thank you to all our clients.

As with all such adventures, there are many stories to tell. We have come across many people in many roles and professions both within and outside of Samoa. But the GCSL story would not be complete without reference to the "Datec Boys", who have secured a very strong relationship with GCSL Samoa, in more ways than may be expected. These guys over the last 12 months went beyond the call of duty to provide our office with computer and IT related services. They were spending so much time at GCSL that they could almost be considered staff. At first impressions, this could be called outstanding service - beyond the call of duty (the installation and servicing of our computer systems), but on closer inspection the real story will unfold. As it turns out, the allure of our Global Girls kept these fine gentlemen at our premises way after working hours. While we certainly benefited from this relationship, the new General Manager at Datec Samoa has plenty to smile about as he scored the big prize and is now dating our

Manager, Laura.

GCSL expects that the IT bill for 2008 will decrease considerably!!!

With 12 months under its belt, GCSL Samoa is looking to the future with much optimism. The staff members of Tai, Laura, Kuini and Fono have all gone from strength to strength. They have grown and matured with the Company. In line for the coming year are bigger and better premises to cope with the rapid growth of GCSL Samoa.

Cheers to all from the happy Isles of Samoa.

*Contributed by Laura Fepuleai, Manager, GCSL Samoa
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TIDBITS

The things that make us smile, frown and generally make life interesting...

OUR MONTHLY QUOTE THAT MADE US SMILE

"Undertakers love overtakers." A sign on the winding ring road of Nevis that is all too true!

SOMEONE MADE SOME SERIOUS MONEY...AND TAXPAYERS GOT RIPPED OFF!!!

We recently read when NASA discovered ball-point pens would not work in zero gravity that they experimented for a decade spending **USD12 billion** developing a pen that writes in zero gravity, upside down, underwater, on almost any surface including glass and at temperatures ranging from below freezing to over 300 C. Yes, **USD12 billion!!!** We understand the Russians simply used a pencil. We wonder who benefited from this generous gift from the good NASA folks...we know who got ripped off...the taxpayer!!!

BAH HUMBUG!!!

We recently read about the decision of Santa Park management to fire three elves and replace them with lowly scabs!!! How dare they try to make some money from a park that claims to have the only official Santa. Never fear, the Finnish courts are hear...and awarded each little elf approximately USD8,300 in compensation. Bah humbug, we side with Santa Park management!!!

WHATEVER HAPPENED TO UNDERSTANDING COMPANIES AND SPOUSES???

An Australian employee sacked for using his corporate credit card for escort services has likened buying escort services for the "company" while out of town to be "not dissimilar" to buying fittings for his apartment. The creative fella argued in the Industrial Court that he could not differentiate escort services from buying a rack on which to put food for his apartment and was attempting to argue their legitimacy from a tax deductibility perspective to prove his case that he was unfairly dismissed.

Our industrious purveyor of all things good had charged AUD12,000 for such services. The company sacked the AUD185,000 a year employee for "inappropriate and unacceptable" personal spending. The Mrs. (if such a woman exists) may have sacked him for similar charges. One assumes he won't be seeing her rack again after this publicity.

LET THEM EAT CAKE TAKES ON NEW MEANING

We were reminded of the alleged comment of Marie Antoinette regarding the dire state of starvation among the peasants of France, who did not even have bread to eat, when reading about the following:

- USD25,000 chocolate sundae called the "Frozen Haute Chocolate," is a blend of 28 cocoas. The dessert, spelled with two Rs, is infused with 5 grams of edible 23-karat gold and served in a goblet lined with edible gold. At the base of the goblet is an 18-karat gold bracelet with 1 carat of white diamonds. The sundae is topped with whipped cream covered with more gold and a side of La Madeline au Truffle from Knipschildt Chocolatier, which sells for USD2,600 a pound. It is eaten with a gold spoon decorated with white and chocolate-colored diamonds, which can also be taken home.
- USD1,000 bagel, topped with white truffle cream cheese and goji berry infused Riesling jelly with golden leaves.

Let them eat cake, we say...after all, who wants to eat gold and "goji berries"...whatever they are!!!!???

OOPS, I FORGOT TO VOTE 😞

All may not be well in the Monroe household. Mrs. Monroe may be washing the dishes for many years to come. Husband Bill, a Democrat, was standing in the Winchester City Council elections and lost by 112-111 votes. In the aftermath of defeat, the marital conversation went like this:

Kathie: "Bill, you lost."

Bill: "Well, how much did I lose by?"

Kathie: "One."

Bill: "Get out of here."

In law-speak, there is a litigation term known as "asking one question too many". Kathie then goes on to find the matrimonial political equivalent.

Kathie: "And I didn't vote. Oh my God, look what I've done?"
There are two questions here.

1. Why didn't she vote?

But far more importantly and the difference really between the sexes:

2. Why on earth would she admit not to voting in this situation?

Imagine if this happened in the Clinton household!

THE JAPANESE LOVE THE BRITS

We recently read with a smile about Japan Leisure Hotels, which plans to list on the London Stock Exchange's Alternative Investment Market and raise £21 million from eager Brits seeking to cash in on the Japanese "love motel" market that boasts 25,000 properties and more than ¥3 trillion annual revenues. With an annual 8% dividend and Revenue-Per-Available-Room that is more than 10% higher than the traditional hotel market, it would appear the love motel business is a winner. I guess the Brits are turning Japanese...which would be a positive move given we have often heard the Brits don't have sex 😊

THE PHILIPPINES FOLLOWS NIGERIA

We recently received a heart-breaking email from one Laarni Enriquez, who obviously has read a few of those wonderfully colorful Nigerian scam-emails. Below, please find some old wine in a new bottle...let's hear it for the Philippines!!!

"Dear Friend,

I am Madam Laarni Enriquez, a native of Philippines nationality, and a divorcee. I would like to have a long lasting and confident relationship with you, if possible entrusting my life time fortune into your possession, as now I am broken hearted and needs someone to trust, without remembering my past and forsaken experiences from close confidants and family. I need someone, who would take me for whom I am and as a life time partner, after making claims of my deposited life.

Well, from your profile, I believe in me that you ought to be a very honest person. I would like to give you a brief description of my life. I was once the mistress of our President, Mr Joseph Estrada, and during his tenure in office, I was been used as a courier to depositing his funds, but due to the fracas I had with his wife, Madam Loi and her son, Jude, it caused a public embarrassment and people came to know that I had been having an affair with the President.

Not quite long, I was arrested, together with his wife and son, in connection with the 27th July, 2003, failed coup, which I did not have anything to do with, but was alleged that I have been harboring some of the dissident and arms in one of the villa, bought for me by the president. However I have been released but under security watch and seriously monitored.

All, I wanted from you is to assist me make claims of some funds, I did deposited some where in west Africa, as the other deposits documents have been confiscated and seized by the government of Madam Gloria, the President, This one is the only one they could not get at, as I did kept the documents with one of my close confidant, who was also arrested. The Amount being deposited is much about 20.2 million dollar, as this was the money that was supposed to be used by the President to acquire some properties in America, Europe, Asia and Africa.

All, I want from you, now is honesty and sincerity, as soon as this money is claimed by you, I will look for a way out and sneaked out of Philippines and travel down to meet you, So we can go into a life time partnership together, in investing this money in your country and anywhere else you prefer.

Sincerely yours,
Laarni E. Enriquez"

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