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Professional, Confidential, Trustworthy and Friendly
GCSL - We are here to CONSULT and Serve You!

**JACK'S CORNER**

Greetings from 30,000 feet in the air between Moscow and Hong Kong after a week-long visit to a city that can truly boast it never sleeps. With oil approaching US\$140 per barrel and gas prices streaking to record highs, Moscow, which my local colleagues say is not really Russia, is electric. Huge & glitzy malls where spending rather than shopping is the passion, two or three per person mobile phones are the norm, drivers dressed better than yours truly are impressive, Maybachs as courtesy transportation for clubbers makes one's jaw drop, top quality cuisine from every known kitchen on the planet dot the city streets, wine lists with the attendant prices that result in my favorite sport being exceedingly expensive was challenging, people spending on anything and everything like tomorrow will never come and, well, horrific traffic. I first visited Moscow in 1985 when nary a neon light could be found and the outlook for the future was little different than a typical January day in the city. I visited again in the early part of this decade and have done so at least once every year since. Shanghai? Dubai? Nah, Moscow is humming like a bee on speed. Moscow is marvie. Suffice it to say we had a great week visiting our friends and colleagues in this most dynamic and exciting cities where everything is free flowing...except the traffic!!!



Jack & Marina with Sir Vlad, Frenchie, Chica and Maria's Lovely Twin

Back in Hong Kong, we share a few bottles with our friends from Switzerland and Liechtenstein!



Check out this story sent to me by a friend. Only two glasses of wine...gee whiz, why not bottles!?

TWO GLASSES OF WINE

When things in your life seem almost too much to handle, when 24 hours in a day are not enough, remember the mayonnaise jar and the 2 glasses of wine theory...

A professor stood before his philosophy class with some items on his desk in front of him. When the class began, wordlessly, he picked up a very large and empty mayonnaise jar and proceeded to fill it with golf balls. He then asked the students if the jar was full. They agreed that it was. The professor then picked up a box of pebbles and poured them into the jar. He shook the jar lightly. The pebbles rolled into the open areas between the golf balls. He then asked the students again if the jar was full. They agreed it was. The professor next picked up a box of sand and poured it into the jar. Of course, the sand filled up everything else. He asked once more if the jar was full. The students responded with a unanimous 'YES.' The professor then produced two glasses of wine from under the table and poured the entire contents into the jar, effectively filling the empty space between the sand. The students laughed.

'Now,' said the professor, as the laughter subsided, 'I want you to recognize that this jar represents your life. The golf balls are the important things; your family, your children, your health, your friends, and your favorite passions; things that if everything else was lost and only they remained, your life would still be full. The pebbles are the other things that matter like your job, your house, and your car. The sand is everything else; the small stuff. If you put the sand into the jar first', he continued, 'there is no room for the pebbles or the golf balls. The same goes for life. If you spend all your time and energy on the small stuff, you will never have room for the good things that are important to you. Pay attention to the things that are critical to your happiness. Play with your children. Take time to get medical checkups. Take your partner out to dinner. Play another 18 holes. Do one more run down the ski slope. There will always be time to clean the house and fix the disposal. Take care of the golf balls first; the things that really matter. Set your priorities. The rest is just sand.'

One of the students raised her hand and inquired what the wine represented. The professor smiled. 'I'm glad you asked. It just goes to show you that no matter how full your life may seem, there's always room for a couple of glasses of wine with a friend.'

Onwards and upwards...and no mayo with The Noble Grape, please!



PROFESSOR TSIH'S TALES

Commandment 2 MAKE FRIENDS FIRST

This week, we will tackle the second commandment—Make Friends First.

Make friends first, sounds so logical and makes so much sense that most of us don't even think about it. Making the deal always seems to take the front seat.

If you are planning to be successful in China, it'll be a long haul and you'd better be prepared for it. One of the key elements is to make friends first, and a lot of them.

We've heard people talk about the importance of "guan xi" in China. When translated to English, the term "guan xi" means "relationship". Alas, there is such a big difference between the subtle meaning of "guan xi" in Chinese and "relationship" in English. The two words seem to mean the same thing but not exactly. In the context of western culture, the longer (time) the relationship is, usually the more powerful and useful. However, in the Chinese cultural context, this is not necessarily true, because the meaning of "guan xi" implies a relationship that exchanges favors. Often times, the person who introduces the "guan xi" is more important than the length of the "guan xi".

Example 1: Mr. A needs someone in the Department of Commerce to expedite an application for a WFOE (Wholly Foreign Owned Enterprise). Mr. C works in the Department of Commerce and is in charge of processing the WFOE applications. A does not know C. Mr. B is someone who knows a lot of people and often brokers those "guan xi" for his friends. B also happens to know both A and C. A went to B and asked for help and the next day, B introduced A to C over dinner and a few drinks. Because B is a very influential person, C agreed to help A. One week later, A got his WFOE license.

Question: What if A has a friend who has a same need. Could A go to C directly and ask for the same favor?

Answer: Of course, but C would probably not deliver and with reason. If A goes back to B and let B ask for the favor, A's friend would get his license too in the same way.

Question: Since A knows C already, through B's introduction, why can't A go to C directly?

Answer: Friendship. The friendship between B and C. In fact, if A is a true friend of B, and knows the Chinese culture, A wouldn't even think of going past B.

Example 2: Mr. X needs someone in the Department of Commerce to expedite an application for a WFOE. Mr. Z works in the Department of Commerce and is in charge of processing the WFOE applications. X does not know Z. Mr. Y is someone who knows a lot of people and often brokers those "guan xi" for his friends in exchange for "benefits". Y also happens to know both X and Z. X went to Y and asked for help. Knowing Y is a very influential person who brokers his "guan xi" freely for the right price, he took Y out to a very expensive dinner and karaoke at a posh place. Y agreed to help but required a certain fee to grease his way through the Department of Commerce. X agreed and a week later, X got his WFOE license.

Question: What if X has a friend who has a same need. Could X go to Z directly and ask for the same favor?

Answer: Yes. All X's friend requires is to invest the same fee into the process and Z will get the job done. Y is no longer in the equation.

Question: Why eliminate Y? Isn't he in the same role as B in Example 1?

Answer: Yes, Y is in the same role as B in example 1, but his value is not the same. The "guan xi" in example 1 is built on friendship while in example 2, the "guan xi" is built on benefits and gains.

Make friends first, my friends... always. Have friends and your "guan xi" will stretch very far and nothing is impossible.



GCSL NEWS

GCSL BELIZE CELEBRATES RAQUEL'S NUPTIALS

Raquel Popper from GCSL Belize tied the knot on Saturday, June 28, 2008, in a small private ceremony with her family. We at GCSL Belize made sure she had enough time on Friday to do what she needed to do, as the bride, but she still insisted on working until 2pm in the afternoon!!! Raquel is special, and we wish her all the best. Three cheers for Raquel!!!



GCSL HONG KONG APPOINTS NEW MANAGING DIRECTOR

To allow Jack to focus more on the Group and to ensure GCSL Hong Kong continues to grow in a most excellent fashion, we recently appointing Mr. Elie Sfeir as Managing Director of GCSL Hong Kong. Three cheers for Elie, who we expect to bring even greater success to GCSL Hong Kong. In addition, we would like to congratulate Ms. Karen Sim, who after many wonderful years of working with Jack has been promoted to Company Secretary Manager of GCSL Hong Kong. A more recent edition to the GCSL Hong Kong team is Ms. Ada Ho, who has been promoted to Administration Manager.



AOA 2008

AOA HONG KONG, SEPTEMBER 21 - 23, 2008

The AOA is coming home for one humdinger of a conference at The Mandarin Oriental Hotel in Hong Kong. We are exceedingly pleased to have David O'Rear, Chief Economist, Hong Kong General Chamber of Commerce (www.chamber.org.hk) as our Keynote Speaker. David knows the economies of the Greater China Region, and he will be sharing that knowledge with our delegates. We are equally pleased to have an AOA Global Advisory Committee Member Michael Lintern-Smith, Partner, Robertsons Law Firm (www.robertsonshk.com), who will give us a closer look at the business and legal developments in Greater China. An AOA Executive Committee Member, Michael Nelson, Law Firm of Michael Nelson (www.go-offshore.com), and Dan Mitchell, Senior Fellow, Cato Institute (www.cato.org), will enlighten us about some USA taxing matters in the run-up to the always interesting USA Presidential Elections. European tax and structuring matters will also be front and center with an AOA Global Advisory Committee Member and Gold Sponsor Erich Baier, Managing Director, Bilanz-Data Wirtschaftstreuhand (www.austrian-taxes.com), and AOA Global Advisory Committee Member Diana Palombo, Director, The Benedict Partnership (www.benedict-partnership.co.uk). Banking always is a subject about which we need to know more and Franck Chen, Associate Director, Barclays Wealth (www.barclaysasia.com), will provide us with his insights. Gary Ferraro, President, Guardian Trust Company (Asia) (www.guardiantrustcompany.com) has confirmed to be Chief Sponsor and Gary will also provide us with an insight to the cutting edge concept of Life Style Investing. Finally, we will hear from Philippe Boule, Director, Intershore Consult (www.intershore.com) and Simon Mitchell, Managing Director, Mayfair Trust (www.mayfair-offshore.com) about the most recent developments in the Seychelles. In usual AOA fashion, our cocktail parties are shaping up to be fabulous with Barclays Wealth (www.barclaysasia.com) sponsoring the opening glitzy gala at M Bar & Pierre at tippy top floor of The Mandarin Oriental.

Come one, come all to the AOA Hong Kong Returning Home is Oh So Sweet Conference!!!



HONG KONG UPDATE

DUBAI IN HONG KONG

The Dubai Financial Services Authority ("DFSA") and the Hong Kong Securities and Futures Commission ("SFC") have announced a joint regulatory initiative to enhance access to Islamic financial products in Hong Kong and the Dubai International Financial Centre. The initiative comes in the context of a Memorandum of Understanding between the two regulators. The SFC has also agreed to play a part in the DFSA's graduate training program by offering short-term placements to UAE nationals employed by the DFSA.

HONG KONG TAX REVENUES SURPASS HK\$200 BILLION

About HK\$200.7 billion in revenue was collected by the government in the 2007-08 fiscal year, up 29% on the previous year, according to Hong Kong Inland Revenue Department. Commissioner Alice Lau said total earnings grew 16% to HK\$133.7 billion, with profits tax up 27% to HK\$91.4 billion, salaries tax down 3% to HK\$37.5 billion and property tax up HKD15 million to HK\$4.8 billion. While stamp duty surged 106% to HK\$51.6 billion and betting duty grew 8% to HK\$13.1 billion, estate duty fell 55% to HKD\$353 million.

*Contributed by Elie Sfeir, Managing Director, GCSL Hong Kong
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Hong Kong Mercantile Exchange set to open with first product - Fuel Oil

Two years after initially being proposed by the Hong Kong government to meet the need for an efficient vehicle for traders to hedge price risks in China, the city will finally get its first commodities exchange. In response to surging oil prices, the first product offered will be fuel oil, generally refined to make diesel and used by power plants, but also as a hedge against other more widely used petroleum products.

To date, oil futures contracts in the region have been available only through Singapore, where they are sold through less transparent, less regulated over the counter transactions and three exchanges in China, where trades are limited to domestic companies and only for post imported product.

The new exchange, known as HKMEx, was established through private funding - some of which was provided by Titan Petrochemicals whose former executive, Barry Cheung, will act as Chairman. Although the final shareholding of the exchange has not yet been finalized, participants will include leading international investment banks, large Chinese enterprises, and end users.

The oil will be warehoused in Titan facilities in China, but will not be treated as having been imported. As a result, transactions will be conducted in US dollars, and customers may subsequently move the product outside of China, should they so choose.

The HKMEx will be regulated by the Hong Kong Securities and Futures Commission. Proponents of the exchange believe that this, combined with Hong Kong's market autonomy, will further inspire confidence in the new venture.

Although fuel oil is the only product to be offered by the exchange thus far, possible other candidates include metals, other fossil fuels, agricultural products and even carbon credits. Rice, with soaring prices and its importance to the region, is also a major possibility.

Further reflecting the growing importance of hedge alternatives to the region, the Chicago Mercantile Exchange, home to some of the world's highest volume futures trading, revealed that it would open its Asia Pacific headquarters in Hong Kong earlier in the week.

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CHINA UPDATE

PRIVATE BANKING IN CHINA

HSBC has launched private banking services in China, adding to the push by foreign banks to exploit the country's rapidly-growing market for services to wealthy clients. Chinese regulators have given HSBC approval to offer private banking services in Shanghai, Beijing and the southern city of Guangzhou. The UK-based banking group will target individuals with a minimum net worth of US\$10 million, while the minimum initial deposit for an account will be US\$1 million.

CHINA CUTS TAXES TO SUPPORT QUAKE RELIEF

According to the State Tax Administration, losses due to the earthquake, for both companies and individuals, can be deducted from tax returns. Supplies donated by other countries, individuals and companies will be exempt from import tax. People who paid tax on cars or ships that were destroyed in the quake can apply for a tax refund until the end of this year. Victims can also apply for a reduction or exemption from land use taxes. A deed tax on the purchase of a new home will also be cut or waved for earthquake victims. Charitable donations to earthquake-stricken areas will be tax free depending on the amount.

*Contributed by Elie Sfeir, Managing Director, GCSL Hong Kong
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Before you invest in China

Despite economic downturn in other parts of the world China still attracts many Foreign Direct Investment (“FDI”) and Mergers and Acquisition activities. Figures for the first quarter this year show that China absorbed US\$35 billion of FDI, up 59% on the same period last year.

The motivation for this is numerous. One reason is the vast domestic market China offers and the other is the low cost of production. On the domestic side intensifying competition and industry consolidation has lead Chinese companies to pose themselves as acquisition candidates to seek outside cross border development and growth funding.

The success or failure of these investments depends on many factors; none more important than getting the initial set up of the business right. Despite massive transformation in China in recent years China remains an incredibly risky and complex country to do business. The Economist Intelligence Unit recently assigned a D ranking to China’s regulatory and legal risk environment. This is on par with countries like Azerbaijan and Mozambique.

To identify, analyze and mitigate the risk of an investment, the practice of due diligence is absolutely crucial. Due diligence is in itself a broad term encompassing financial, tax, human resources, environmental and legal functions. China’s legal system is still young and in the stage of evolution and has been around only since 1978. Though standards have improved a lot, significant gaps still remain in the legal system.

Ascertaining the legal risks of a venture requires consideration of a whole list of factors: intellectual property protection (“IPP”), land use rights verification, business permits and licensing, labor contract compliance, management control issues, loan agreements, banking, taxation and foreign exchange controls, articles of association and dispute provision etc. While each is worthy of a lengthy examination, two in particular should be considered seriously. That’s IP (“IPP”) and land use rights.

Despite improvements after joining World Trade Organization, IPP is still a tricky task. China’s system of law enforcement is still young and lacking in resources. Many judges are inexperienced and the situation is not helped by the low penalties for violating intellectual property rights.

The other minefield for assessing an investment’s legal risk is land use rights. In China no reliable national land title system exists making it difficult to ascertain who owns what and whether you have security on your land investment. A further twist to land use issue is the uncertainty associated with the level of authority required to grant land use rights. In some cases local government do not have this authority, yet many persist with approving land use applications only to be revoked subsequently by the central government.

The American Bar Association observed that there is actually no public record system or national computer search system. Unless the seller discloses, the lawyer for the buyers have no channels to obtain such information of pending litigation – opening up huge risks for any potential investor especially for the second and third tier cities. This is why it’s so important to engage a truly experienced consultant when considering investing in China.

*Contributed by Ooi Hoay Beng, Director of Business Development - Asia, The GCSL Group of Companies
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SINGAPORE UPDATE

USA BANKERS IN THE REPUBLIC

In the last few years, there had been a trend of Swiss bankers coming to Singapore to service the “European Desk”, making Singapore one of the fastest private banking centers in the world.

Then came the sub-prime mortgage crisis, leading to thousands of job cuts in USA and European banks forcing bankers in those countries to seek jobs further afield. And they are showing interest in a region still relatively insulated from the crisis: Asia, and in particular, Singapore.

Headhunters in Singapore have reported a significant increase in interest from bankers in the USA wanting to work here. This reflects the fact that 65,000 jobs have been cut by the world’s biggest banks and securities firms over the past 10 months as mortgage losses and write-downs for financial institutions reached US\$319 billion, according to Bloomberg.

Singapore is seen as an attractive place which is continuing to grow, especially in private banking and back office operations. The outlook in Asia is still good, and companies here are still hiring. In addition, Singapore also offers good infrastructure and low income tax rates that Westerners find attractive.

Many mid-level to senior hires are drawn by the quality of life and schooling here. Meanwhile, junior bankers had started looking at Singapore because of its shopping options and the prospect of flying to neighboring countries on budget airlines. These foreign bankers are mostly seeking positions in the front office, in investment banking and debt securitization, while some are proprietary traders.

Some observers say that this new breed of expats is different in that they are immediately available and ready to go and are easier to hire, and

can just up and leave. They would come here on local, not expat, terms and are about 40% less costly to hire than expatriates, since there is no need for allowances. Recruiters say expat packages are still offered typically to senior individuals or key hires, while lower-level staff are hired on local terms.

All this augurs well for Singapore as she continues to nurture and grow its reputation as a financial center of the East.

*Contributed by Lawrence Fong, Managing Director, GCSL Singapore
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INTERNATIONAL UPDATE

BVI Private Trust Companies - Regulated and As Charged

Since the 1990's it was possible under British Virgin Islands legislation to form a closely held private trust company ("PTC") subject to certain rules and restrictions that included limiting the number of trusts that the company could be trustee of and ensuring that no remuneration was received for the PTC's services in acting as trustee. The use of such vehicles was limited to high-net worth individuals or situations where the client wished to keep an element of control of the trusteeship. The regime was however relatively ambiguous and misunderstood in the industry.

Then last year, the BVI Government regulated this PTC regime in the BVI Business Companies Act, which provides in general a closely-held structured PTC with an exemption from licensing under the BVI Act as normally would be required by a company providing trustee services. The Business Company in the BVI must now convert to a PTC by 31 July 2008 and include the term "PTC" in its name and clearly state in its Memorandum that the Business Company is a Private Trust Company. The PTC's Memorandum and Articles are the only documents available for public inspection.

The PTC must have one director of which corporate directors are permitted and can be resident anywhere in the world. More advantageous is that the director may be indemnified if acting in the best interests of the PTC and if they reasonably believed in a criminal matter that the behavior was lawful. There is a local requirement to have a BVI Registered Agent who has a reporting requirement for ensuring that the PTC acts within the boundaries of BVI law. As such, fees for this position will be higher than a standard Business Company.

The PTC is prohibited from charging for its services, soliciting other business from the public and cannot act in any other capacity that a trustee, protector or administrator of trusts. It can also only act in a related party capacity – that is in general provide services within the bounds of a related structure to the settlor.

Always ask first about the fees, which are far from cheap 'n cheerful!

*Contributed by Cathy Odgers, Group Legal Counsel and Compliance Officer, The GCSL Group of Companies
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It's official: An Exit Tax in America

Congress passed a new federal law taxing the free movement of people across America's borders. President Bush signed it. It's hard to believe that a person born and raised in this country would be required to endure such a tax, but this is the grim reality.

Even if you have no intentions of leaving America, you will be harmed. Here's how the new Exit Tax tightens the grip on Americans choosing to live outside of the U.S., and giving up their citizenship.

The Heroes Act

Under the unassuming name of the "Heroes Act", Title III imposes an exit tax on U.S. persons or long term residents who expatriate from America.

The Exit Tax works as though you have died. It's calculated similarly to the Federal Estate Tax. It requires you to identify all assets and debts to determine their net worth, and then to compute a theoretical gain or loss on all assets.

The Exit Tax applies to anyone with a net worth of more than US\$2 million. It also applies to you if your average U.S. income tax liability for the past five years is above US\$124,000. It treats all property as being sold, and all deferred income retirement accounts as being distributed.

There is an exclusion of US\$600,000 for any unrealized gain or deferred income. Then a 30% withholding tax is automatically withheld before deferred income accounts are distributed.

If you expatriate and intend on sending gifts to friends and family back home, there is another tax to pay. The Exit tax also imposes a separate tax

on gifts and bequests to family or anyone else, from expatriates, exceeding US\$10,000, and payable by the recipient of such gift or bequest. (If you wish to see a copy of the Act, drop me an email.)

Of even bigger concern is that there is already a federal law prohibiting the right to visit family or friends in the U.S., for persons the government decides have renounced citizenship for tax purposes. As of yet it has not been enforced by the Attorney General. But with the creation of "No-Fly" restrictions against listed persons, many are concerned the next logical step is enforcing the existing law prohibiting re-entry into the U.S., and instituting currency restrictions.

Why the Exit Tax is Horrible for all Americans

Even if you don't plan to leave the US, the Exit Tax is still bad for all Americans.

Regulations on the free movement of people and money are all examples of protectionism, the anti-thesis of a free market global economy. Virtually all modern economists agree that protectionism is harmful, and free trade is in the long-term best interest of everyone. To the contrary, protectionism results in a welfare system which provides no long-term benefits.

Looking back through American and European history, each time it was implemented, it caused even greater economic hardship to the economy. In the long run, protectionism steps - as witnessed by Exit Taxes, border controls, privacy intrusions and currency regulations - harm America. Each new regulation sets the stage for the next step in the prohibition of the free movement of people and property.

Instead of more restrictive regulations, Congress needs to fix the American system, and fix it fast. An increasing number of Americans are looking for the American Dream offshore. For some, they believe it is already too late.

And that's why an increasing number of smart individuals learn about protecting assets offshore while there is still time.

Contributed by David Tanzer, 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 Datlegal@aol.com.

CENTER FOR FREEDOM & PROSPERITY STUDY

Global Flat Tax Revolution: Lessons for Policy Makers (FINAL in a series of articles)

While all 24 flat tax jurisdictions have features worthy of attention, there are a handful of flat tax regimes that are worth highlighting. There is no nation with a pure Hall-Rabushka two-postcard system, but many countries have done a remarkable job in creating tax codes that fulfill most or all of the major goals of a pro-growth tax system. These include:

i.) Hong Kong: Starting the Trend

Hong Kong has enjoyed a flat tax since 1947 and the system works so well that Hong Kong routinely is the world's fastest growing economy. Indeed, growth is so robust that the government has just lowered flat tax rates to keep budget surpluses from becoming even bigger. As of April 1, 2008, Hong Kong taxpayers enjoy a low-rate optional flat tax of 15% on personal income. Taxpayers also can choose an alternative system with graduated rates, and the top rate in this system is just 17%. Interestingly, there is no withholding in Hong Kong, meaning that taxpayers pay their entire income tax liability themselves (usually twice a year). The corporate tax is not perfectly aligned with the personal tax, but the flat rate is just 16.5%, so the gap is very small. Hong Kong generally does not double-tax dividends, interest, and capital gains, so the system is very close to fulfilling the goal of taxing income only one time. Likewise, there is no death tax or wealth tax. Hong Kong also has a territorial system, so there is no second layer of tax on income earned by Hong Kong citizens in other jurisdictions.

Other features of the fiscal system are equally impressive. There are no payroll taxes in Hong Kong. Workers put 10% of their income into private retirement accounts. There also is not a general sales tax or value-added tax in Hong Kong. The entire tax code, even after being in place for 60 years, is only about 200 pages long. Because of the absence of other taxes, Hong Kong has a very low burden of government spending, at least by modern standards. Indeed, the budget consumes less than 20% of GDP. The Hong Kong fiscal system certainly has generated good results, such as:

- Hong Kong's budget usually has a budget surplus and there is very little government debt. Indeed, the government has net surplus reserves.
- Hong Kong has been one of the world's fastest growing economies. Per capita income today is about US\$30,000, up from less than US \$2,000 after World War II.
- The wealthy pay most of the tax in Hong Kong. The bottom 60% pay no income tax while the richest 100,000 taxpayers (the top 8%) pay 57% of the total tax burden.

ii.) Estonia: Leading the Way for Ex-Soviet Bloc Nations

Estonia has a flat tax of 21%, and the rate keeps falling. When first implemented in 1994, the rate was 26%. By 2011, it will drop to 18%. The business rate also is 21% and it will drop in lock-step with the personal income tax rate, though it is important to understand that Estonia has, for all intents and purposes, eliminated the corporate income tax-at least as it is conceived in most other nations. Businesses merely impose a withholding tax of 21% on any dividends paid to owners. There is no double-tax on those dividends, and interest also is free from double taxation.

There also is no death tax or wealth tax, so Estonia has done a good job of eliminating the tax bias against saving and investment. There is a capital gains tax, though individuals easily can avoid the tax by setting up companies to hold and manage investments.

Unlike Hong Kong, Estonia does have other taxes, including an onerous 29% payroll tax (technically 33%, but four percentage points go directly into a personal retirement account). Estonia also has a value-added tax of 18%. The payroll and VAT levies are substantial, which is why the overall burden of government in Estonia is approximately twice as high-as a share of GDP-as it is in Hong Kong. But this still means that government in Estonia is smaller than it is in most other European nations. And the presence of other taxes should not detract from the key achievement of the flat tax, which include:

- Economic growth, even after adjusting for inflation, has averaged nearly 9% over the past six years.
- The budget has been in surplus for the past six years because revenues are rising so quickly. Personal income tax revenues have doubled since 2000 and corporate revenues have jumped by about 300% during the same period.
- Unemployment has dropped from more than 12% at the beginning of the decade to barely 6% today.

iii.) Slovakia: The Slavic Tiger

Slovakia implemented a flat tax rate of 19% on January 1, 2004. The flat tax rate applies equally to labor income and business income. Most forms of double taxation have been abolished. Dividends paid to shareholders are not subject to a second layer of tax. As part of the reform, the death tax and gift tax were both abolished. There also is no wealth tax.

Like Estonia, other taxes are significant in Slovakia. The country has a 19% value-added tax. Payroll taxes are a significant burden. Counting both employee and employer shares, they are nearly 50%, though there is a cap on the amount of income subject to payroll taxes. Even with these onerous taxes, the aggregate tax burden in Slovakia is about 30% of GDP, down from a peak of 41% of GDP in 1993 and one of the lowest levels among developed nations. In addition to tax reform, Slovakia has implemented personal retirement accounts, liberalized labor markets, enacted school choice, and reformed the welfare system.

- The flat tax and other reforms have improved economic performance. Economic growth, after adjusting for inflation, has averaged 6.6% per year, and is projected to average nearly 8% in 2007-08.
- The flat tax reform has generated a supply-side feedback effect. Because lower income tax rates stimulated additional productive behavior, personal income tax revenue collections in the first year were higher than forecasted by static revenue estimates. Likewise, value-added tax collections were lower than forecast in response to the generally higher tax rate.

*Contributed by Dan Mitchell, Senior Fellow of the Cato Institute and co-founder of the Center for Freedom and Prosperity (www.freedomandprosperity.org)
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CANADA CRACKING DOWN

The Canada Revenue Agency has begun a crackdown on tax evasion schemes such as the use of fictitious Registered Retirement Savings Plans and over 300 investigators have been executing search warrants in 50 separate locations across the western region of the country. The tax authority is urging Canadians to be cautious and to check the legitimacy of RRSP funds and other investment opportunities before investing.

*Contributed by Elie Sfeir, Managing Director, GCSL Hong Kong
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OFFSHORE UPDATE

ANGUILLA: More than an emerging financial services jurisdiction

This month instead my usual exposition on Anguilla's offshore products, services or an update on the latest legislative developments, I thought I would be silent and instead let someone else do the talking for a change.

Fairmont Anguilla Founders Launch a Tremendous Success--US\$70 Million In Real Estate Sold in Two Hours (PRWEB)
The weather couldn't have been better on the coveted island of Anguilla, and neither could the sales generated at the Fairmont Anguilla Founders Launch on May 29-June 1, 2008. An enthusiastic group of future owners, from all over the world, were on hand to select their property at this glamorous oceanfront resort that will feature a Jack Nicklaus Golf Club, one of only 25 in the world. In all, 27 Founders Packages were sold between 1:00 p.m. and 3:00 p.m. on Saturday afternoon, representing total sales during this pre-construction phase at just over US\$70 million. This marks one of the largest, most successful, new real estate Launches in the Caribbean in more than 18 months.

"We're very excited about the success of this Founders Launch," says Mike Collins, Principal and CEO of IMI, whose company is handling all sales and marketing efforts. "The enthusiasm of these future owners is evident. It proves that premier real estate offerings that provide genuine value, like Fairmont Anguilla, are still very much in demand, even in a down market. As most savvy buyers are aware, the best real estate opportunities are often created in a challenging market environment." The three-day event was a celebration from the start, with attendees arriving amidst a spectacular setting of bright skies, radiant azure water and gentle Caribbean breezes. The future owners enjoyed a number of rich destination experiences that awaits them at Fairmont Anguilla--including a private evening concert by local reggae artist Bankie Banx and "A Taste of Anguilla," a culinary journey from some of the island's legendary restaurants that have earned the praise of Travel + Leisure, Food &

Wine and Bon Appétit, among others.

Anticipation for Fairmont Anguilla's Founders Launch Weekend has been building for some time, and the end result even exceeded the already high expectations. This luxury real estate community promises an elegant and enriching Caribbean lifestyle. Two of Anguilla's most well respected families--the Kentishes and the Lakes--came together and were the driving force behind making this dream a reality. This spectacular piece of oceanfront property (recently valued at over U.S. \$160 million) has been in their respective families for more than 100 years, and their efforts have ensured the homeowners will celebrate the unique and beautiful destination.

The Honourable Osbourne Fleming, Chief Minister of Anguilla, was unable to attend the Grand Opening but has been an ardent supporter of the project since day one. He says, "Anguilla is truly a unique island, not only in the Caribbean, but throughout the world. We are recognized for having the best beaches in the world and some of the finest dining in the West Indies. I am extremely pleased that two iconic brands like Fairmont Hotels & Resorts and Jack Nicklaus are partnering with the Lake and Kentish families on this incredible oceanfront property." Encompassing 400 acres--including two miles of unspoiled oceanfront--Fairmont Anguilla will undoubtedly set the standard for luxury in the region. This rare Caribbean real estate opportunity will provide each Founding Member with a premier Estate Lot; a one-, two- or three-bedroom luxury Residence; a Founders Membership with lifetime paid dues; an Associate Membership to the Jack Nicklaus Golf Club - one of only 25 worldwide; and a Founders Membership at the Jack Nicklaus Golf Club, Anguilla. Founders Packages begin at US\$1.6 million. The entire Development Team that will bring this amazing property to life is stellar: Jack Nicklaus, the renowned player and course designer whose Fairmont Anguilla course will be the site for an exclusive Jack Nicklaus Golf Club; Fairmont Hotels & Resorts, the award-winning luxury hotelier who will manage and operate this resort community; PN Holdings, LLC, who will oversee project development; EDSA, the hand-picked design team recognized as one of the world's leading planning, landscape architectural, urban design and graphic design firms; EllisDon, a global leader in construction services that will be responsible for completing the construction design; KNA Interior Design, whose creations are both expressive and functional; OBM International, a premier design-consulting firm specializing in resort design and development; and IMI, the industry leader in luxury resort real estate sales and marketing. The West Indies has long been a favorite tropical getaway and Anguilla, particularly, has emerged as an exclusive destination for affluent travelers. According to John Tolbert, Executive Vice President of IMI, Fairmont Anguilla provides everything buyers are looking for in a premier luxury real estate offering. "You start with a highly coveted piece of beachfront property--property that's been owned by the same families for generations. Then you bring in Jack Nicklaus, the top golf course designer in the world. On top of that, you add a leader in hospitality like Fairmont Hotels & Resorts. The result is a rare real estate opportunity that allows buyers to own a piece of paradise--it's the type of offering they've been craving." The island of Anguilla, renowned for its white-powder beaches and pristine turquoise water, is unlike any other island in the Caribbean. Only 16 miles long by 3 miles wide, Anguilla has earned the title "World's Best Beaches" from Condé Nast Traveler, USA Today and Fodor's. The Fairmont Anguilla resort is centrally located along the island's eastern shore, promising convenient airport and ferry terminal access, as well as easy access to more than 40 world-class restaurants and nearby islands St. Maarten and St. Barts. Anguilla's reputation as one of the most exclusive destinations in the Caribbean provides a perfect backdrop for the resort's Jack Nicklaus Golf Club and an array of amenities, including a Willow Stream Spa, private beach clubs, infinity edge pools, championship tennis, world-class fitness facilities, plus a sophisticated array of services and amenities. The resort will include just over 100 beautifully appointed Estate Lots and approximately 300 Residences, featuring stunning views of the pristine oceanfront property or the Jack Nicklaus Signature Golf Course.

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BELIZE: PROTECTED CELL COMPANY LEGISLATION

Only a few days ago, the Regulations for the Protected Cell Companies Act was Gazetted, meaning that it was passed into law. In Belize, the Gazetting of an Act or Regulation means placing the same in the Gazette, the official publication of the government. From June 21, 2008, it was set out in proper detail what would be the requirements for the application for the consent of the Minister for the incorporation of a protected cell company ("PCC") or for the conversion of an existing company into a PCC, as per Section 9 of the main Act.

Clause 5 of the Regulations indicates that in making an application the following conditions must be satisfied:

- There must be a consent from the Minister (responsible for Offshore Financial Services) to incorporate a protected cell company or convert an existing company, which is either declared by the said Minister to be an authorized fund with the Mutual Funds Act or which is registered as an insurer in accordance with the International Insurance Act.
- There must be two (2) copies of the Memorandum and Articles of Association of the company.
- There must also be a five (5) year business plan.
- There must be the details of the cell accounts to be administered, if they are known.
- A statement that the company's shares will be in registered form and that the company will not issue any bearer shares.
- The fees specified in the Sixth Schedule of the Regulations (outlined in detail) are paid up.
- Any other documentation that the Registrar of Protected Cell Companies may stipulate.

The following is the listing of the fees payable in this application:

1	Minister's consent under section 9 of the Act	US\$200
2	Incorporation of a PCC where the share capital is	
	a. Below \$50,000	US\$500

b. Above \$50,000	US\$750
3 Registration of any amendments to the M&A	US\$50
4 Annual fee for renewal of registration	US\$500
5 Permission to operate each cell account	US\$350
6 Permission to appoint a protected cell account rep.	US\$100
7 Annual fee for each cell account	US\$350
8 Replacement of damaged or lost Certificate of Incorporation	US\$100
9 Restoration of the Company to the Register	US\$100
10 Inspection of entry in the Protected Cell Register	US\$50

There are certain increases if the annual fee is paid after the 31st day of December of each year.

Remember that all applications relating to the provision of international financial services have to be made by an existing Agent under the umbrella of the International Financial Services Commission, on behalf of the applicant.

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COOK ISLANDS: New LLC Legislation

Limited Liability Companies ("LLC") legislation has recently been promulgated in the Cook Islands. The Cook Islands International Limited Liability Companies Act 2008 (the "Act") follows the model adopted in a number of USA States. It goes further, however, to give statutory certainty on several key issues of concern to USA attorneys using domestic USA LLC statutes. The Act also introduces several unique asset protection features consistent with the importance of this industry in the Cook Islands

The Act provides a broad foundation to structure an LLC according to its own rules, rather than being dictated by statute. The operating agreement may contain any provision for the conduct of business as long as the provision is lawful. Certain provisions (designed to protect the interests of its members) are mandatory.

Like most LLC jurisdictions, a creditor of a member is permitted to apply for a charging order against a membership interest. The Act goes a step further however, setting out the availability of other remedies, the nature and extent of that charging order, and the rights of the creditor against that membership interest.

Section 45 of the Act is the starting point. A creditor is defined as any person whose judgment is recognized by the High Court of the Cook Islands, and includes any person who claims to have a general assignment of a member's property whether arising from an intestacy, bankruptcy or otherwise. Section 45 (6) specifically provides that the sole remedy for a creditor against a membership interest in a LLC is the right to apply for a charging order.

"(6) The charging order remedy given by this section shall be the sole and exclusive remedy available to a Creditor in respect of a members membership rights."

Similar provisions in other jurisdictions have been interpreted by courts (in the absence of sufficient definition of the exact nature of a charging order) to include rights similar to those of a mortgagee in possession, of an assignee, and of a lien holder. These have created uncertainty as to the extent of protection offered by an LLC. Any uncertainty in the Cook Islands has been removed by clear provisions including the language in sub-sections (7) & (8) of section 45:

"(7) For the avoidance of doubt and without limiting the generality of subsection (6):

1. a charging order shall not be construed to constitute a lien on a member's interest in a limited liability company;
2. the Creditor in whose favour a charging order is issued pursuant to this section shall not thereby become an assignee of any membership interest or any part thereof, nor shall that Creditor hold or be entitled to exercise any membership rights in relation to that interest;
3. any member holding any membership interest subject to a charging order shall continue to exercise all his membership rights, and obligations in relation to those rights, in all respects as if the charging order had not been issued;
4. sub-section (6) shall apply whether the limited liability company has a single member or multiple members.

(8) For the avoidance of doubt and without limiting the generality of subsection (6) and subsection (7), a person in whose favour a charging order has been issued shall have no right to:

1. interfere in the manager's management of the limited liability company including any sale of its assets;
2. liquidate or seize the assets of the limited liability company;
3. restrict the business of the limited liability company; or
4. dissolve, or cause the dissolution of, the limited liability company"

Exemplary, pecuniary and aggravated damages are not recognized in the Cook Islands, and accordingly are not able to be recovered under a charging order according to Section 45(5).

"For the purposes of assessing the sum which may be subject to, and recoverable pursuant to, a charging order the Court shall disregard and exclude any amount which constitutes an award of exemplary, vindictive, retributory or punitive damages (by whatever name), or is an amount of damages arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for loss or damage."

What the charging order does provide is the creditor can receive distributions of capital or income which would, but for the charging order, have been received in the hands of the member. If the LLC makes a call on members for capital in accordance with its rules, the company may use a distribution due to the member to meet that capital contribution notwithstanding the charging order. This is consistent with the charging order being seated at the member side of the equation rather than the company. The distribution never reaches the member so the creditor has no claim upon it.

An interim charging order may be applied for *ex parte*, but will only have a life of a maximum of 30 days. The applicant will need to ensure the defendant is served with the proceedings and must deal with the application expeditiously if a full charging order is to issue. Otherwise, a charging order, once granted, is good for five years.

Importance is given to the member and the LLC being separate legal persons in relation to interlocutory applications. An action against a member is not sufficient to support discovery orders or injunctions being issued against the LLC in which the member holds a membership interest. Foreign judgments given in relation to the availability of a membership interest to satisfy a creditor, (unless consistent with Cook Islands law), will not be recognized or enforced in a Cook Islands' court.

LLCs are not required to have their members benefit from this regime and these provisions apply subject to the operating agreement. This allows the formation of LLCs whose members are happy to put their interests at risk or to mortgage their interests. However, what they cannot do is to change their minds later. This is the one provision in an operating agreement which cannot be altered. This requirement is aimed to avoid any involuntary amendments to the terms of the operating agreement affecting the applicability of that section.

LLCs may transfer their domicile from the Cook Islands to another jurisdiction and LLCs from other jurisdictions may seek registration in the Cook Islands under the legislation. However, LLCs wanting to escape existing corporate debts would do well to avoid the jurisdiction. The Act specifically provides that with re-domiciliation the LLC takes its prior debts with it and any action against the company, whether already filed or not, prior to re-domiciliation, may be continued and any judgment entered shall be enforceable against that LLC in the Cook Islands.

The usual confidentiality provisions apply. Proceedings are heard in camera and information may be divulged in only limited circumstances.

The new legislation provides a comprehensive but not cumbersome framework for the operation of LLCs. It is believed LLCs will provide a useful addition to attorneys and financial advisers in conjunction with the establishment of trusts in the Cook Islands.

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SAMOA: FAREWELL TO CHINESE AMBASSADOR

Samoa this week bids farewell to the current Chinese Ambassador, His Excellency Shi Longzhang. He is set to leave the treasured isles after completing a two year posting. His time in Samoa has been eventful with increased Chinese presence and assistance in Samoa and the Pacific Region. Interviewed on public media, he expressed his honor to have a friendship with Samoa and its Head of State His Highness Tuiatua Tupua Tamasese Efi. In a cordial atmosphere they spoke in jest about the fruitful two years service Longzhang had spent in Samoa.

In the realm of offshore finance and trustee companies, there are significant benefits of Longzhang's time in Samoa. Working together with Samoa's Prime Minister Tuilaepa Sailele Malielegaoi, steps are now being taken to open Samoa Diplomatic offices in both China and Japan. The underlying importance of this is the strengthening of trade, and political ties, but also the promotion of awareness of Samoa as a tourism and offshore Registry to probable clients in Asia.

In hindsight for Samoa, it will be an opportunity to offer offshore company shareholders a greater medium to learn about Samoa by directly contacting an Embassy/Consul on their doorstep. The greater benefit of this is the diplomatic offices will serve as an extension of the Samoa International Finance Authority. The move should expedite access to a Samoa information pool, a prerequisite for prospective investors interested in investing in offshore activities. It also presents an opportunity for Samoa to reinforce its presence as a recognized registry destination.

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

OUR MONTHLY QUOTE THAT MADE US SMILE

Two gay men are standing on a street corner when a gorgeous and shapely blonde strolls by in a low-cut, clingy chiffon dress. Says one of the men to the other: "At times like this, I wish I were a lesbian". - Plato and a Platypus walk into a bar

LEASING VS. PURCHASING...BUT WHERE IS THE LOVE?

The maths on the Paul McCartney-Heather Mills divorce is as follows: After 5 years of marriage, he paid her US\$49 million. Assuming he got sex every night during their 5 year relationship (which is extremely doubtful) it ended up costing him US\$26,849 per time. On the other hand, Elliot Spitzer's call girl, Kristen, an absolute stunner with a body like no other, charges US\$4,000 an hour. For anything! Had Paul McCartney 'employed' Kristen for 5 years, he would've paid US\$7.3 million for an hour of sex every night for 5 years (a saving of US\$41.7 million). Value-added benefits are: a 22 year old hot babe, no begging, no coaxing, never a headache, plays all requests, ability to put BOTH legs around you (!!!), no bitching and complaining or 'to do' lists. Best of all, she leaves when you're done, and comes back when you ask her. All at 1/7th the cost, with no legal fees. Sometimes leasing makes far more sense...but where is the love?

PURE GENIUS...

Did ya here the story of the man caught breaking into a German supermarket late at night, being caught and hand-cuffed to a railing, escaping and then being arrested after visiting a nearby police station to get the cuffs removed. He told the far-from-gullible cops that he had been locked up by a friend as a joke, and asked for their help. We understand his belief that he could outwit the cops, but the genius missed the point. That is, why would anyone run to the cops to ask them to remove handcuffs? Heck, if they are not the cops' handcuffs, then what motivated our genius to think the cops would have the keys? One would be better off waiting for one's friends to grow bored of the game or visit a locksmith!!!

CRUISING, MIAMI BEACH STYLE...YEAH BABY!!!

We understand a "brothel bus" that detectives said cruised Miami Beach offering lap dances and drinks was impounded and the lady operator arrested the other day when it was learned that a bit more than unlimited drinks for US\$40 was being offered in the sleek black bus. Guess how the cops learned of the "happy endings" offered? Yup, you got it...or did they?

JUST IMAGINE THE EMBARRASSMENT OF THE POOR GUY WHO LOST

A small Romanian village knowingly voted in a dead man as their mayor in a recent municipal election, preferring the two decade long fella who died shortly after voting began because, as one resident put it, he didn't want change. Ouch, the guy who lost better move to another village...or work on his image!!!

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