

OFFSHORE AMERICAN COMPANY



HOW TO SET UP A BUSINESS
IN THE US FROM ANYWHERE
IN THE WORLD

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World

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Contents

Chapter 1: **Introduction**

Chapter 2: **What Is An Offshore American Company?**

Chapter 3: **Deciding What You Want To Do With Your Company**

Chapter 4: **Understand Jurisdictions And Choose Correctly**

Chapter 5: **Understanding the “Off-the-shelf Company”**

Chapter 6: **Understanding Your Country’s Tax Requirements**

Chapter 7: **An Example Of Using A Service**

Chapter 8: **Selling Products With A U.s. Company**

Chapter 9: **Conclusion**

Foreword

In a recent Wall Street Journal report, a total amount of \$166B offshore profits has been attributed to 60 large-sized US companies. Doing so allowed the companies to protect *over forty percent* of their profits for the year from US taxes, which are certainly heftier than what they would have to pay in a foreign country.

That report should basically tell you there are tax advantages to earn from having an offshore company. It's one of the many benefits actually, but first and foremost – **what is an offshore company anyway?**

We will delve into this subject here.

Chapter 1

Introduction

An offshore company is a legal or business entity established in either an offshore financial center or a tax haven by a non-resident.

If that still sounds confusing, let's break it down into its fundamental components.

- Legal or business entity – It's why you hear terms like “offshore accounts” versus “offshore companies”. Most people believe that anything “offshore” automatically means an actual business or even a corporation. Most of the time – but not always – you would be all right.
- Tax haven or offshore financial center – These are designated locations where you can put up an offshore company. Most of the time, locations declared as tax havens are offshore financial centers as well.
- Non-resident – This is where the “offshore” comes in. As a resident of the United States, anything you put up here cannot be considered an offshore company. Rather, it would be the opposite, which is an onshore company. As an American citizen, companies that you put up outside the country and its territories are those eligible to qualify as an offshore company.

An offshore company typically enjoys **full tax redemption**, which is why the WSJ reports of numerous companies parking their profits elsewhere outside the US is not surprising. But as mentioned earlier, it is not the only advantage you can enjoy. An offshore company would also offer---

- Privacy – Information that you would have been legally obliged to disclose to the public in the United States may be kept private, per the laws of the jurisdiction where your offshore company is established.
- License fee – Compared to other types of internationally based businesses you may put up, the license fee for offshore companies is more than manageable.
- Ease of registration – You can do it on your own of course, but you would not have a hard time finding companies able to assist you with registration for a reasonable fee. The process won't consume much of your time either.
- Increase in profits – Offshore companies are another opportunity to increase your profits, whether by expansion or creating a new business entirely

An International Business Company (IBC) is the most common type of offshore companies put up by business owners. There are dos and don'ts that an offshore company *cannot* do. These vary from one

jurisdiction to another but generally speaking, offshore companies are prohibited from---

- Doing business with residents or legal entities in the jurisdiction where they were incorporated
- Own stocks, shares, notes, or any other kind of security belonging to any local company that was incorporated under standard Companies Act
- Own assets directly or indirectly concerning real estate in the country where they are located

Now, what if you are interested in doing it the other way around?

What if you are a non-American citizen wishing to put up an offshore company in the United States of America? Will that make sense?

It does actually – a lot! In fact, few people are aware that the United States is the world's largest offshore jurisdiction. However, you should be happy to know that all the other rules remain the same – from how to set it up and the dos and don'ts you need to adhere to.

These are just the basics but that should be enough to make it clear to you of what you may enjoy from an offshore company. In truth, there is nothing to lose and everything to gain from this type of business. It's only a pity that many business owners shun the idea purely because of misinformation.

Chapter 2:

The Basics of an Offshore Company

Having an offshore company in the United States is a wonderful opportunity for any non-American citizen to take advantage of. For one thing, it allows you to operate under the radar of the IRS or Internal Revenue Services. IRS is basically the country's tax watchdog. They're very keen to catch those who don't pay their taxes on time – or at all – but they won't have their eye on you.

Why?

It's because the **IRS thinks of offshore companies incorporated in the country as DISREGARDED ENTITIES.**

This IRS "status" means---

- You do not owe the United States government for any capital gains tax
- You are not required to pay taxes on income you earn outside the United States
- You can earn non-taxable insurance company as well as bank interest
- You can buy or sell non-taxable stocks
- You can have a virtual office based in the United States

- You get to use a tax ID number – just like a full-fledged American citizen – without having to file any tax returns

Which State Should You Incorporate Your Offshore Company in?

You are probably thinking states like New York and California because it's where major corporate centers like NYC, San Francisco, and Los Angeles are located. Those addresses may give your offshore business a fancy image but if you want what would really be best and most financially advantageous then you need to focus on the three following states instead.

LLCs in Florida

- You can gain a license for your offshore company in as early as one or two working days
- Florida provides you with immediate and major venture or partnership opportunities with Latin-American companies
- You may choose either a natural person or a business entity to manage your offshore company. Disclosure of their identities is not required.
- Minutes do not have to be recorded and annual meetings are not required.

LLCs in Washington

- Have an easier time establishing your reputation because of getting the “stamp of approval” from Capitol Hill itself
- Business address in DC is not required

Note: Although there are clearly many advantages to enjoy with having your offshore business established in Washington, be aware that the state also has a longer approval process for applying offshore businesses and the costs are somewhat higher as well.

Lastly, all three states also offer the following advantages:

- Perpetual existence for your offshore business is permitted.
- Owner is not held personally liable for debts of his or her offshore company.
- Everything your offshore business is engaged with can be made part of an Operating Agreement between you and your LLC partner. The government does not require this document to be filed.
- Income earned outside the state of incorporation is tax free
- No signature is required for LLC formation submitted to the state.

LLCS in Delaware

Considering how over half of the world's largest corporations are incorporated in this state, there must be something better than most that Delaware is able to offer, don't you think?

- Registration may be completed online within one working day
- Annual meetings and recording of minutes are not required
- Operates “courts of chancery” wherein speedy resolutions without any “surprise” verdicts are standard for all cases processed
- Offers series LLCs that allow you to have a company within a parent company and helps with asset segregation. Series LLCs typically make it harder for creditors to claim payment.

Note: Due to the ease of putting up an offshore business in this state, it has lately become the hub for Baltic States and Eastern European companies engaged in illegal activities. You may find yourself facing additional requirements if potential partners learn about your business' jurisdiction of incorporation.

Chapter 3:

Deciding What You Want To Do With Your Company

With an offshore company, you basically have two choices: do you expand an existing business or do you put up a new one entirely? Just remember that you would be relying on another person or entity for your business to work. Phone calls and web chats are all you can rely on in most cases since regularly flying to the location of your offshore business would be a drain on your budget.

Factors to Consider When Expanding Your Business

Is your offshore company the means to expanding your business? The factors listed below can help you answer this question.

Geography

First of all, consider the country your offshore business is established in. Does it have the potential to become a target market for your products or services? And remember the rules for putting up an offshore business. If you had it incorporated in Florida, then you can sell your goods and services to anywhere but in Florida – unless you want to be taxed. Shipping costs may also play a role if there's considerable distance between the location of your offshore company and where your goods would be shipped from.

- Changes with your existing business – An expansion will always have an impact on your existing business. Redundancies may result, and that could mean terminating some of your employees.
- Capital investment – How much would it cost to expand your business? Where would you get the capital?

Capability

Can you ensure that your offshore business would have all the necessary resources for managing an expansion of your business? Think in terms of people, processes, skills, technology, and all other components that are vital to making your business not just operate but succeed.

Factors to Consider When Putting Up a New Business

All the above factors – how much money you can afford to invest and are there people you can trust to do the job - actually *still* apply, but what's most essential is choosing a product or service for your offshore business to offer.

- Passion – This will drive you to know more about the product or service you're offering and continuously work on improving it to please your customers. If you care about a product, you'll care about what others have to say about it and whether your customers are happy with it or not. It's truly not enough to be just in it for the money.

- Knowledge and Skills – What do you know about making or acquiring the product as well as selling it? Is this the kind of knowledge you can source on your own given enough time or do you need to hire an expert? Is the product or service you plan to offer capital-intensive or labor-intensive or both?
- Market – Are there existing customers that you can already target or is there an untapped market you are keen to work on?

How to Make Sure Your Offshore Business Succeeds

Once you've decided on whether to expand your business or put up a new one with your offshore company, you can act on the following tips to ensure its success even if you are not physically present to manage it.

Don't hire an entire army of duplicates.

Finding someone who mirrors your strengths as well as your attitude at work is a good thing, but you can't limit yourself to "mini-me" employees. Doing so would significantly narrow the windows of opportunities for your business since your offshore managers will likely consider only what you think is best. After all, they think like you do.

If you are good with numbers then hire someone who's good with words. Employ people who don't think like you do but excel in what they are good at. This way, you will at least have the opportunity to

explore strategies and tactics that wouldn't even have occurred to you in the first place.

Empower your management.

Micro-management is rarely something any manager or employee would want. When you micromanage, you don't give your employees the chance to grow and realize their full potential. Micromanaging is even a worse move with offshore businesses since you don't even have the excuse of "being there" and are thus seeing for yourself what kind of mistakes are being made.

Ultimately, it's best to let them know that you are there if and when they need your help but otherwise you'll leave them to create *their* strategies for achieving *your* objectives.

Chapter 4: Understand Jurisdictions and Choose Correctly

Earlier, we have talked about why you should incorporate your offshore company in states like Delaware, Florida, and Washington. However, that shouldn't mean you need to limit yourself to those options. And actually, you can't limit yourself to those options if you are an American citizen. You need to consider jurisdictions outside America – places that you know little of and have never been to.

There are many different kinds of offshore financial centers or tax havens to choose from, and they can be categorized according to the type of tax concession they are offering.

- The Cayman Islands and the Bahamas offer *low-tax* to *no-tax liability* on **local investment earnings** of *both* onshore and offshore companies.
- Belize, Channel Islands, and Gibraltar offer tax exemptions for local earnings of offshore businesses.
- Iceland, Netherlands Antilles, and Portugal offer tax holidays depending on the type of investment you make.
- USA, Netherlands, Barbados, and Cyprus offer tax advantages depending on whether your country of residence has an existing agreement or treaty with them.

Factors for Choosing an Offshore Jurisdiction

Now that you are aware of the range of choices you have, here are the most essential factors you must look into when looking for a location for your offshore business.

Reputation

A lot of factors affect the reputation of a business, and they all have to be considered when putting up an offshore company. Will your markets mind once they know where your offshore business is located? Will its location be a problem for your suppliers, partners, or even your investors? On the other hand, it can be the opposite and everyone will be in favor with your move. If that's the case, then let's consider the next factor.

Economic and Political Stability

Never underestimate or make any assumptions about a jurisdiction's economic and political stability. Someone from a country that has never been invaded can never truly and accurately imagine how it would be living and doing business in a war-torn country. This is not to mean you should avoid automatically every place that there's a possibility of insurgency or rebellion. It only means that you have to be more receptive to other people's opinions. Contact locals and expats in the jurisdiction you are interested in and who are likely to give you an honest opinion about how safe the place is for making an offshore investment.

Laws and Legislation

If past and current legislation are in favor of increasing the presence of offshore companies then you are in luck. Support from the government is critical as they're the ones in charge of dictating what kind of taxes would be levied on your offshore business. You should also prioritize jurisdictions where tax laws regarding offshore businesses have been in place for several years already. In such cases, it's unlikely that the laws would be changing anytime soon. What you see is what you get and you can plan accordingly then.

Generally speaking, it's best to prioritize jurisdictions where offshore businesses are in the five-digit range. As for compliance requirements, it's best to prioritize as well those that allow for or indicate the following:

- Low or minimal capital requirement
- Limited liability
- Wide range of business names as well as suffixes permitted
- Zero or minimal requirements when it comes to auditing
- No need for annual meetings or at least meetings of shareholders and/or directors do not have to be held in the jurisdiction of incorporation

- Stipulated characteristics of what a corporation should be are easy to comply with (e.g. no filing requirements, flexible capital requirements)
- Wide range of infrastructure types is permitted

Last but not the least, remember to compute the overall initial cost as well as the fees you would then have to pay regularly after.

Chapter 5:

Understanding the “Off-the-shelf Company”

An “off the shelf” company is frequently referred to as a ready -made company. This is not because it is immediately or guaranteed to be profitable, but rather it is something designed to operate in an instant. This type of company is not involved in any kind of business. It simply exists and upon creation it is put back on the shelf until someone finds a need for it. Think of it as when you put wine in cellars to “age”. The older the wine is, the better it tastes, doesn’t it? With companies, it’s virtually the same as most people tend to have a healthier respect and a greater inclination to trust when it comes to “aged” or “vintage” companies.

Why would people want an off the shelf company?

Is an off the shelf company an ideal structure for your offshore business? It may be if you find any of the following factors applicable.

- *Time* – Do you have little time to spare for forming and registering an offshore business? Do you have a very urgent deadline to meet? It may even be that you just don’t care to wait. If so, an off the shelf company will definitely be suitable for your needs as it can hit the ground running.

- *Bidding and legal requirements* – There will be cases when your offshore company won't be allowed to participate in certain activities if you have not existed for a particular length of time. In such cases, buying a ready-made business would allow you to participate right away.
- *Increased consumer and investor confidence* – Investors will have more confidence to entrust their money with you and consumers are more likely to patronize your products and services if your business has been shown to exist for a number of years already.

Types of Off the Shelf Companies

There are basically two types of off the shelf companies you can choose for your offshore business.

Vintage business

The definition of a vintage business varies from one formation service provider to another, but it is generally a non-trading business that's been on the shelf to age. All its accounts and documents will be in proper order. Every year, whatever has to be filed would have been filed so that it is ready for a turnover anytime someone is interested in buying it.

Dormant businesses

Whereas it's possible – albeit rare – for a vintage business to be involved in a trading transaction (primarily for establishing its

reputation) – it is not the case at all for dormant businesses. As its name implies, this type of business only exists and has no previous business transactions at all. Most of the time, it is only put up to protect rights to business names that are highly sought after.

There may be situations where neither a dormant nor vintage business is unsuitable for your needs. If so, having to put up a new business for your offshore company isn't necessarily something to worry about. Depending on what kind of company you need, where you would like to put it up, and which formation services company you are working with, the entire process may be completed online and with your business registered in as little as two hours' time.

You can use : [Http://valisinternational.com/](http://valisinternational.com/)

Chapter 6:

Understanding Your Country's Tax Requirements

Even if you were to work with a formation services provider, it's still necessary for you to be familiar of what would be required from your business when putting up an offshore company. This way, there is little chance for you to have problems with paying taxes. It just doesn't pay to have the IRS on your case – especially when you never were guilty of tax evasion in the first place.

Individuals

American citizens and residents are obliged to pay taxes one way or another no matter where they're residing.

Entities

There are different types of entities that the U.S. government may have a right to tax.

- Corporation – This type of entity will have its income taxable if it was incorporated under state or federal laws of the U.S.
- Partnership – Similar to above

- Trust – Non-grantor trusts that were considered a U.S. entity on or before the 19th of August 1996 and had chosen to continue being a U.S. entity after the said date will have its earnings taxable by the U.S. government. Trusts that are under the primary supervision of any U.S. court will have its earnings taxable as well.
- Estate – Factors vary but residency of its beneficiaries as well as the location of the estate or assets would generally play a key role in determining whether income from it would be taxable or not.

Inbound versus Outbound Transactions

Inbound transactions typically involve taxing foreign entities or persons while outbound transactions typically involve taxing foreign *income*.

International Taxation Basics

It's also essential to know how much of your income outside the United States would be taxed by your country of residence *and* by the jurisdiction where your offshore company was established. Since tax laws vary from one country to another, it's more than possible for income to be subjected to *double taxation* or none at all. Tax credits and reductions are frequently offered for worldwide income but there almost always stated limits for them as well.

Understanding the tax laws in your country and where your offshore company is located may allow you to redefine your income or re-configure it in such a way that you can enjoy lower taxes. This method is referred to as “transfer pricing”. While it is a legitimate practice, there are also specific dos and don’ts as well as limitations that you need to observe when utilizing this practice.

In the United States, international taxation laws are established with two key objectives:

- International taxation laws should not be designed in such a way that it encourages or discourages *local* investment.
- Conversely, international taxation laws should not be designed in such a way that it encourages or discourages *international* investment.

These objectives appear contradictory but ultimately the U.S. government just wants to make sure that international income or tax payers would be subjected to taxes that are approximately equivalent to how local tax payers or income is taxed.

Chapter 7:

An Example of Using a Service

Company formation services vary but you can typically expect the following to be offered if you approach them for help in putting up your offshore business.

No signature required for paper forms

Competition is fierce in this business, which is why most service providers aim to make the entire company formation process as convenient and as hassle-free as possible for their clients. For instance, you would not have to meet in person and sign documents just to put up your business. You wouldn't even have to affix your digital signature on the paper if you don't want to. Everything can be handled securely online and speedily, too!

Complete documentation

These people know their business so you don't have to worry about forgetting to pass this document or that. If you want your offshore business to be incorporated then you can leave it to them to take care of all the necessary paperwork.

- Articles of incorporation
- Memorandum
- Certificate of incorporation

Bank account creation

Many service providers also take their assistance to the next level by ensuring that your offshore business can readily do business. You would not need to waste time researching about fund transfer since they can open a bank account for your offshore company on your behalf.

Online presence

A lot of service providers can also assist in establishing your online presence by searching for possible domains for your website.

Service addresses

They will also provide service addresses for your corporation's secretary and directors if you do not yet have one you can use.

Administrative management

More often than not, the company that you hire to form your offshore company may also act as its manager. Administrative management services typically include the following:

- Represent your offshore company in transactions and sign legally binding agreements on your behalf
- Remove or add a new director or shareholder to your company
- Take care of the necessary paperwork to change the name of your offshore business

- Produce any additional document required from your company (e.g. certificate of good standing)
- File for bankruptcy or dissolution
- Transfer ownership or management of your company to another party
- Decrease or increase stated or authorized capital
- Provide client with updated records regarding secretaries, directors, and shareholders

It must be made clear that firms offering formation services will *not* be responsible for day-to-day operations of your business. However, you can rely on them to provide you with any information you need to better understand legal policies – locally or abroad – affecting your offshore business.

You can get help here: [Http://valisinternational.com/](http://valisinternational.com/)

Chapter 8: Selling Products with a U.S. Company

There are many ways for your offshore business in the United States or elsewhere to start selling products or services.

Use of distributor or agent

You typically pay an agreed fee when you work with exclusive distributors or wholesalers. If you wish to work with an agent, there are usually two kinds of commissions you'd need to pay them. Commission earnings are higher if the agent directly sells stocks that are in his or her possession compared to the commission the agent would be earning from contract shipments.

Local partners and customers

Governments worldwide typically have offices that are primarily dedicated to assisting offshore businesses in finding potential local partners they can work with.

Franchising

Another quick way for an offshore business to start selling products or services is by acquiring a franchise. In many ways, the operating and investment costs would be higher but income may also be higher.

Certainly, the process for setting up will be easier as well since you'd be provided extensive assistance by the franchise owner.

Licensing and Joint Ventures

The requirements are more stringent compared to franchising since most of the time all parties involved have the right to change the terms of agreement.

Working with the government

In many ways, being one of the suppliers of a government office is quite lucrative, not to mention completely safe as there is no way for the government to renege on its debts. You will get paid one way or another. However, government projects typically involve high volume orders. It may require an initial cash outlay that is more than what you currently have.

Electronic commerce

Last but not the least an offshore business may in most cases be involved with electronic commerce activities as well. This is a worthwhile endeavor if you are catering to markets wherein Internet spending and not just usage is high.

Chapter 9:

Conclusion

One of the most popular trends today in the offshore industry involves business process outsourcing (BPO). Companies worldwide are outsourcing their services through offshore extensions primarily for cost-cutting purposes. Even if the taxes are not significantly different from what they'd be paying at home, the cost of labor it would incur in an offshore location may be only a fraction of what it would pay local employees. The same can be said for raw materials as well. Due to a variety of factors, many popular offshore jurisdictions offer cheaper materials.

Another popular reason for a person to make use of an offshore business is in order to operate 24/7 without having to pay overtime. Due to time differences, people working during the day in your offshore business are actually offering their services late at night as far as your local customers are concerned. Even if you were to pay them overtime to work regular hours in your country, it would still amount to a negligible expense.

Cultural Difference

The picture painted for offshore business may seem incredibly rosy but there are still a number of obstacles that you need to prepare for. Cultural differences are one of them.

- Language barrier – How essential is communication in your native language to day-to-day operations? Is it easy to acquire local employees sufficiently fluent in your native language?
- Training and education – Would in-house training be sufficient for offshore employees to acquire the necessary knowledge and skills to work in your company?
- Labor union – Would you have to work with one and if so, are they likely to object to the employment conditions offered by your business?
- Intellectual property concerns – Can you employ sufficient security measures to prevent intellectual property of your business from going to the wrong hands?
- Customs and traditions – In certain countries in Europe, it is standard practice for businesses to open late and close for several hours in the afternoon for “siesta”. In Hong Kong, it is also typical for many businesses to open and close late. In the Middle East, female employees have to adhere to strict dressing codes.
- Reputation – Keep in mind that your offshore business will be representing your company one way or another. If they fail to offer customer satisfaction, the fact that your offices overseas represent only a tiny percentage of your business wouldn’t matter. It will still have the power to drag your business down and especially if your offshore business was designed to deal directly with end users.
- Infrastructure – This is especially important when the type of business you are putting up requires special types of

infrastructure, for which the necessary materials may be hard to transport or acquire at the jurisdiction of incorporation.

- Moral and social responsibility – Even offshore businesses must pay its dues where local societies are concerned. As you are reaping benefits from doing business in another country, it is only right that you find a way to give back.

When you take all these into account, it's understandable if you feel more than a little overwhelmed about what you need to consider before putting up an offshore company. However, that is what company formation services are for. Instead of risking overlooking key aspects of the offshore company formation process, you can opt to work with the experts and avoid costly mistakes in exchange for a fairly reasonable fee.

I hope that this book has given you a head start on getting started with reaching your dreams and to have great success in you're your business by using off shore companies.

Best wishes on your ventures.

OTHER RESOURCES:

Azon Link Conversion WP Plugin

<http://scgoldmine.com/go/?pifz>

Covert Geo Targeter

<http://scgoldmine.com/go/?ohql>

"The Secret" To Working From Home

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