

Fiducia by ASIACITI TRUST

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Family-Owned Investment Holding Companies

The Family-Owned Investment Holding Company ("FIHC") is an extremely tax effective vehicle as it exempts Singapore investment income from tax and all foreign sourced income even if remitted into Singapore. It is proving a popular vehicle as it allows greater flexibility for private clients in respect of their wealth management and succession planning structure. The exemption does not require any application or pre-approval so the structure can be established very quickly.

To qualify as a FIHC a company must:

- Carry on the principal activity of holding or making investments.
- Be beneficially owned by an individual or individuals. If the shares are owned by more than one individual, these individuals must be "connected persons", ie. be related by blood, marriage or adoption.
- The shares in the FIHC do not have to be owned by individuals directly. They can also be owned by either a trust, a nominee company or another FIHC.
- Be administered by an institution licensed or approved by the Monetary Authority of Singapore (MAS). Asiatici Trust Singapore Pte Ltd is a licensed financial institution.
- Be incorporated before 1 April 2013. However as long as the relevant conditions are satisfied the exemption continues indefinitely.

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A message from the team



The staff at Asiatici Trust thank all clients and business partners for their ongoing support this past year. We wish you and your family an enjoyable holiday season and look forward to continuing to work together to make 2010 a prosperous year for all.

- Asiatici Trust Group



"Dividends received by the Singapore foreign trust from the Singapore resident FIHC will be tax exempt."

Family-Owned Investment Holding Companies *Continued from page 1*

- File an annual declaration with the Monetary Authority of Singapore and the Inland Revenue Authority of Singapore.

What benefits does the FIHC provide for the private client?

- The FIHC can be resident in Singapore, maintain bank accounts there, and be managed from within Singapore, but remain exempt from income tax on its foreign source income and on investment income derived within Singapore.
- All dividend income derived by the FIHC is exempt from income tax in Singapore. As Singapore does not levy a withholding tax on dividend payments, the FIHC can remit tax free dividends to its shareholders, whether non-resident or resident.
- As a resident company, the FIHC is entitled to the benefits of Singapore's extensive network of double tax agreements ("DTA's"). Currently Singapore has approximately 60 DTA's in force. Most DTA's provide for reduced withholding tax rates on dividend, royalty and interest income. Subject to the provisions of the relevant DTA, the FIHC can remit such income into Singapore at lower withholding tax rates but remain exempt from income tax in Singapore.
- The FIHC can be owned by a Singapore foreign trust thereby enhancing the tax effectiveness of the Singapore foreign trust structure. Dividends received by the Singapore foreign trust from the Singapore resident FIHC will be tax exempt so that underlying income can be streamed to the Singapore foreign trust without liability to Singapore income tax.
- If the income of the FIHC is less than S\$5,000,000 the company will be exempt from the corporate law requirement to prepare and file audited annual financial statements.

For further information please contact Angela Nicolson at ANicolson@asiacititrust.com

The Free Trade Zone of Uruguay

A premier facility for tax effective international trade and business

A Free Trade Zone is generally defined as an area of a country where the goods introduced are exempt from the imposition of import duties and taxes. Similarly value added to such goods and services rendered in the Free Trade Zone may also be tax exempt. However Free Trade Zones are not “tax havens” as exemption is only available if physical activities take place within the Free Trade Zone.

Free Trade Zones are of particular interest to international trading companies. These companies in many cases opt to establish their distribution centers or value added finishing or market specific packaging processes in strategically located Free Trade Zones. With fiscal authorities of many countries now placing a greater emphasis on operational substance in the acceptance of transactions with offshore entities, Free Trade Zones are expected to play a more extensive role in international fiscal planning.

What makes the Uruguay Free Trade Zone regime attractive to the international investor?

- A stable 22 year operational and legislative history. The Uruguay Free Trade Zone (“FTZ”) Law was passed in 1987 to attract foreign investors to the country. Under the legislation the Government provides a guarantee that should the FTZ law change in the future, companies currently operating in the FTZ will not be subject to any such changes and may continue to do business in the FTZ under their original FTZ contract.
- A company operating in the FTZ enjoys the following tax benefits:
 - (a) an exemption from income tax on profits earned from activities conducted in the FTZ;
 - (b) no withholding tax on dividends remitted from such FTZ sourced profits;
 - (c) exemption from capital gains tax;



“With fiscal authorities ... now placing a greater emphasis on operational substance, ... Free Trade Zones ... to play a more extensive role in international fiscal planning.”

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The Free Trade Zone of Uruguay

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- (d) exemption from interest tax;
- (e) a 25% reduction in its social security tax costs on its foreign workforce employed in the FTZ.

- In addition to the conduct of distribution, processing or packaging of goods, companies operating in the FTZ may also provide a wide variety of services from within the FTZ on the same concessional basis.

This latter benefit of the Uruguayan FTZ regime opens a huge window of opportunity to an international service business to provide their services on a worldwide basis with excellent tax benefits and under an amicable and stable FTZ regime.

It should be noted that for business activities conducted outside the FTZ regime, Uruguay has a territorial tax regime which exempts foreign source income from income tax.

The Free Trade Zone of Uruguay is an excellent choice for the international investor looking to do business in a safe, reliable and tax efficient environment. International investors, global or regional manufacturing or trading companies, and international service businesses, should consider the Uruguay Free Trade Zone as a premier option in which to establish their international business activities.

Asiaciti Trust Latin America S.A. can assist the discerning international investor with all services related to the establishment of a company in the Free Trade Zone; and to handle all necessary administration that the company may require during its lifetime.

For further information please contact Latin_America@asiacititrust.com

"The Free Trade Zone of Uruguay is an excellent choice for the international investor looking to do business in a safe, reliable and tax efficient environment."

Samoa International Mutual Funds

The introduction of the International Mutual Funds Act 2008 in Samoa is a move which has brought mutual benefit to the Samoa International Finance Centre and international investors alike. As an increasing number of international investment professionals recognize the benefits of registration in a regulated but tax effective jurisdiction, international mutual funds are seen as a growth market for the international finance sector.

Types of Mutual Funds

The Samoa International Mutual Funds Act 2008 defines a Mutual Fund as "an entity that collects and pools investor funds for the purpose of collective investment and issues shares that entitle the holder to receive on demand or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in a part of the net assets of the fund".

The Act provides for three types of mutual funds namely public, private and professional.

A **public** fund is defined as an international mutual fund, which is neither a private or professional fund and is compelled to undergo a registration procedure similar to the licensing of an international bank or insurance company. The following supporting information must be provided for the registration of a public fund:

- a copy of the Fund's constitution,
- verification that the Fund has complied with laws of the jurisdiction in which it is constituted.
- nature and scope of the business to be conducted,
- confirmation that promoters are "fit and proper" and that the business will be conducted in a proper manner.

Once registered a public fund must file a copy of its prospectus that is duly signed by or on behalf of the Board of Directors with the Registrar.



"...international investment professionals recognize the benefits of registration in a regulated but tax effective jurisdiction."

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"The recognition process for a private fund is simplified... Also there are no audit or prospectus requirements."

Samoa International Mutual Funds

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The fund must also have its financial statements audited annually. These must be made available to all investors and filed with the Registrar within six months of its financial year end.

A **private** fund is defined as one whose shares are not offered to the general public but only to specified persons or by reason of a private or business connection between the promoter and investor. This type of fund has no minimum investment amount, and can be held by no more than 250 investors with a minimum investment of USD \$25,000 each. The regulator can also designate a fund to be a private fund. The recognition process for a private fund is simplified in comparison with the registration procedure applicable to public funds. Also there are no audit or prospectus requirements.

A **professional** fund is one in which shares are made available only to professional investors with an initial investment of not less than USD\$100,000 or equivalent provided the said minimum investment must not apply to any investment made by the manager, administrator, promoter or underwriter of the professional fund. Registration requirements mirror those of a private fund.

Approved Structures

A mutual fund can be established as an international company, a partnership, a unit trust or other similar body formed or registered under the Samoa International Finance Centre legislation.

Asiaciti Trust Samoa Limited was registered as the first licensed Trustee Company in Samoa in 1988. Asiaciti Trust Samoa Limited is able to assist with the establishment and administration of a private, professional or public mutual fund in Samoa.

For further information please contact Samoa@asiacititrust.com

Recent News:

Cook Islands

▪ Membership of Offshore Group of Banking Supervisors (OGBS)

The Cook Islands was recently granted full membership to the Offshore Group of Banking Supervisors (OGBS). OGBS Chairman, Mr Colin Powell, stated that the Cook Islands has been admitted as a full member due to the country's commitment to international standards of financial regulation. Whilst the Cook Islands has few offshore banks, membership of the OGBS is a very positive development for the trustee and company services activities there.

▪ New Commissioner for Cook Islands Financial Supervisory Commission

The Chairman of the Cook Islands Financial Supervisory Commission has advised that the present Commissioner, Ms Lorraine Allan, will leave her position in late 2009. Her successor Mr John Hobbs, has a strong background in prudential regulation, working for the Australian Prudential Regulation Authority and its predecessor, the Insurance and Superannuation Commission, for the past 16 years. He will commence work in Rarotonga in November.

Trusts in Latin America

Oxford University Press recently released a new book written by Nicolas Malumian. Nicolas is an Argentine attorney who specialises in regulation and taxation of trusts, structured finance and financial transactions.

Trusts in Latin America covers the use of trusts as investment vehicles throughout Latin America, and provides a comprehensive, comparative review of statutes, case law, and examples of trusts in Latin America. Written for the English-speaking practitioner, the book covers Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.

Further information on the book can be obtained from: <http://www.oup.com/us/catalog/general/subject/Law/?view=usa&ci=9780195388213>

About Asiaciti Trust Group

Asiaciti Trust is an independent trustee and fiduciary services business group offering specialist services internationally to both private clients and corporations. Established as a corporate identity in 1978, Asiaciti Trust has its foundations in chartered accountancy practices which date back to 1886. Asiaciti Trust is one of the most recognised and professionally respected names in the international fiduciary services industry.

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