



MAXIMISING VALUE THROUGH EXCELLENCE



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## Wealth preservation: The World's Top Tax Havens

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Offshore tax havens offer high-net-worth individuals (HNWIs) the opportunity to preserve their wealth by holding money and assets in countries with low or zero tax rates.

There are several obvious benefits for people who decide to search for an appropriate tax haven, although it is important to research available options thoroughly before taking the plunge.

This whitepaper will examine the factors to consider when selecting tax haven countries, the potential risks of offshore wealth management and a list of some of the most favourable locations.

## Choosing the best location

Every tax haven will have its own advantages and disadvantages, which makes it difficult to identify a one-size-fits-all option for HNWIs and businesses. The most common taxes wealthy individuals and organisations try to reduce are levies on income, business interests, inheritance and capital gains. However, selecting an offshore location for assets is more complicated than simply picking a country with the lowest tax obligations. There are several other issues to take into account, including:

### Banking privacy

Despite negative press surrounding the issue, secrecy laws serve various legitimate purposes, such as protecting assets from unnecessary lawsuits, identity fraud and government intervention.

### Government stability

Wealth should be stored in politically stable regions that have a history of citizen and government support for the nation's tax laws.

### Sovereign status

Is the country independent or a dependency of another nation? This can be extremely important as the controlling country may force its territories to alter their stance on tax legislation when facing international pressure.

### Financial sector reputation

Countries with a well-respected, long-standing financial sector are usually preferred locations for wealthy clients.

### Double tax treaties

A double tax treaty prevents people from being taxed in their resident country and the nation where income or capital gains are held.

### Lifestyle

This may be a very important factor for people who want to live in the offshore jurisdiction where their assets are stored.

## The world's top tax havens

Clearly, which factors you prioritise when selecting an offshore jurisdiction for holding wealth will depend on your specific circumstances. You may wish to sacrifice tax savings in favour of more stringent secrecy laws, or opt for higher levies on the basis of regional government and financial market stability. Nonetheless, here are some of the world's top tax havens and a brief summary of their benefits.

### Malta

While Malta has fairly high income tax rates (up to 35 per cent), the country offers special tax rules for wealthy or highly skilled expats.

A 15 per cent flat tax rate exists for expats working under the Highly Qualified Persons Rules, with eligible jobs including CEOs, CFOs, COOs and a range of other senior executive roles.

There is also a HNWI scheme for retired expats, which provides a 15 per cent income tax on overseas money remitted to Malta. However, there is a €6,000 non-refundable admin fee, property requirements, and a minimum tax payment of €20,000 a year.

### Ireland

Non-domiciled people in Ireland do not need to pay income tax on money kept offshore, and the country also offers extremely attractive corporation tax rates.

Not only is trading income only charged at 12.5 per cent, which is low for Europe, Ireland has a number of tax treaties in place.

Traditionally, Ireland was also popular with writers and artists due to a lucrative exemption that prevented them from being taxed on works of artistic merit. These rules have been tightened in recent years, however.

### Isle of Man

With no capital gains or inheritance tax, and attractive income tax levels, the Isle of Man is an extremely popular location for those looking to live abroad.

Resident HNWIs can benefit from a capped income tax of £120,000 and trading businesses enjoy a 0 per cent corporate tax - the joint lowest in Europe. However, certain banking businesses and retailers pay 10 per cent.

### Gibraltar

This European tax haven has no inheritance, capital gains or value-added tax (VAT).

There is also a HNWI status that allows individuals and their families to enjoy a special regime that currently caps income tax at £29,800 a year.

## The Bahamas

A nil-tax haven, which means there is no tax on income, corporations, capital gains or inheritance. There are also zero levies on sales.

Tax-free offshore companies are available using a Bahamian International Business Company. The Bahamas also has a well-respected banking sector and is close to the US.

## Anguilla

Like the Bahamas, Anguilla is a nil-tax haven, making it popular for those who want to move abroad and enjoy substantial tax benefits.

This British overseas territory has also reiterated its stance on banking secrecy, meaning account holders can expect a high level of privacy on their assets.

## Monaco

Arguably among the most famous tax havens ever, Monaco still provides a number of generous tax exemptions. Firstly, there is no income or capital gains tax.

Furthermore, while an inheritance tax exists, it only applies to assets in Monaco and is on a sliding scale depending on your relationship with the deceased.

Anything left to spouses, parents or children is charged at a rate of 0 per cent, while assets given to siblings are levied at 8 per cent.

## Hong Kong

Boasting a very simple tax system, Hong Kong has become extremely popular with HNWIs.

No capital gains or inheritance taxes exist in the special administrative region, and individuals and businesses also benefit from a territorial tax system. As such, only income that is earned within Hong Kong is liable for taxation.

There are also other personal allowances that can reduce tax obligations, although the region lacks double tax treaties.

## Cayman Islands

Solid political stability, close proximity to the US and a nil-tax haven status have made the Cayman Islands a popular location for wealth preservation. The region also has the largest offshore banking industry in the world.

Moreover, people can set up companies that are tax exempt for up to 30 years, which prevents organisations from being affected by future policy changes.

## Jersey

One of the Channel Islands, Jersey is known for having no capital gains, inheritance or wealth tax. There is a sales tax, but this stands at just 5 per cent.

Most Jersey companies pay no corporation taxes, although some exceptions do exist, with rates potentially costing 10 or 20 per cent for certain businesses. Trusts are very popular, largely due to the fact that if beneficiaries are non-resident, there is zero tax on foreign income or bank interest.

However, it can be a challenge to become a resident in Jersey. The HNWI scheme requires people to prove they will pay at least £125,000 a year in income tax and successful applications must buy an 'approved' property.

## Guernsey

Another Channel Island, Guernsey has similar exemptions, but has the added benefit of a 0 per cent sales tax.

Income is levied at 20 per cent, and those who are solely or mainly residing on the island may be able to benefit from tax caps. These are currently set at £110,000 for externally sourced income and £220,000 for all income, including from Guernsey.

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## British Virgin Islands (BVI)

Referenced in many famous books and films, the BVI are another nil-tax haven.

Individuals are only required to pay taxes if they work in the BVI or operate a business there. Therefore, the establishment of an offshore company is a popular option.

## Singapore

Similar to Hong Kong, Singapore operates on a territorial tax regime that only levies charges on income or profits generated within the country.

There are also no capital gains tax or withholding taxes on dividends. The corporation tax is fairly low at 17 per cent and attractive business tax breaks are available.

## Switzerland

The Swiss have a long-running tradition of providing premium financial services and banking secrecy. While privacy regulations have been eroded somewhat in recent years, the country still offers attractive tax options.

Foreign HNWIs can take advantage of the Fiscal Deal, which is a tax-saving opportunity offered with a residency permit. The exact rate depends on the specific canton in which the person lives.

Individuals must be worth at least 2 million Swiss francs and cannot work or run a business in the country.

Selecting the right tax haven can offer a number of significant advantages to those who are aware of the various benefits and shortcomings of each location. Whether you're a retiree, investor or business owner, there are multiple destinations worldwide that are suitable for your wealth management needs. While the British Virgin Islands, the Bahamas and the Cayman Islands are traditionally recognised as nil-tax havens, an increasing number of governments are providing attractive low-tax environments. For example, UK residents hoping to move abroad typically favour nearby English-speaking destinations, such as the Isle of Man, Ireland and the Channel Islands.

Further afield, Hong Kong, Singapore and Anguilla are also growing in popularity, while historical favourites such as Monaco and Switzerland still have lasting appeal. However, tax rules are constantly in a state of flux, so it is important to keep up to date with the necessary legislation in the country you are hoping to use to preserve wealth.

Affinity Capital works with a number of organisations that can provide comprehensive information on the tax havens covered in this whitepaper, so please see below for more details.

To learn more about how Affinity's unique suite of services can help your investment strategy, visit our videos library for the latest news and advice.



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## Offshore Organisations

### **Friends Provident International Ltd**

Location: Isle of Man  
Address: Royal Court, Castletown, Isle of Man,  
British Isles, IM9 1RA  
Website: [www.fpinternational.com](http://www.fpinternational.com)

### **Capital International Limited**

Location: Isle of Man  
Address: Capital House, Circular Road,  
Douglas, IOM, IM1 1AG  
Website: [www.capital-iom.com](http://www.capital-iom.com)

### **PanEurope Limited**

Location: Dublin  
Address: 25-28 North Wall Quay, Dublin 1,  
Ireland  
Website: [www.gpe-investmentplanning.ie](http://www.gpe-investmentplanning.ie)

### **Royal London 360 Insurance Company Limited**

Location: Isle of Man  
Address: Royal London House, Cool Road,  
Douglas, Isle of Man, IM2 2SP, British Isles  
Website: [www.royallondon360.com](http://www.royallondon360.com)

### **Skandia Life Ireland Ltd**

Location: Dublin  
Address: Arthur Cox Building, Earlsfort Terrace,  
Dublin 2, Ireland  
Website: [www.skandiainternational.com](http://www.skandiainternational.com)

### **Hansard International Limited**

Location: Isle of Man  
Address: Harbour Court, Lord Street, Box 192,  
Isle of Man, IM99 1QL, British Isles  
Website: [www.hansard.com](http://www.hansard.com)

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