# Companies

A family office can help you establish and/or manage a foreign (holding) company. When structuring their assets, a considerable number of wealthy families and their family offices use International Business Companies.

Historically, these companies are established in jurisdictions such as, for example, Panama, the British Virgin Islands, the Cayman Islands or Belize, which all have attractive tax systems for companies based there and which generate their income outside their territory.

The traditional use of International Business Companies

The main characteristic of an International Business Company is that any income generated or kept outside the jurisdiction in which the company is established, is not taxable within that jurisdiction. Consequently, this sort of company is regularly used by a multi-family office as the top holding for the international corporate structure of the family, in case this is also tax beneficial and compliant from the perspective of the country of residence of the ultimate shareholder(s).

The underlying structure can distribute profits generated by the active family business(es), via a dividend distribution, to a tax-exempt environment, creating a tax deferral. In the International Business Company the profits will accumulate until they are (partly) distributed to the family. Such a final distribution to the shareholders often triggers taxation in the country of residence of the family. In order to create additional deferral, a family office may advise for the shares of companies to be held by a trust or foundation. Apart from the operational business being owned by a foreign holding company, private aircraft, yachts and real estate are often owned via a structure including an International Business Company as well.
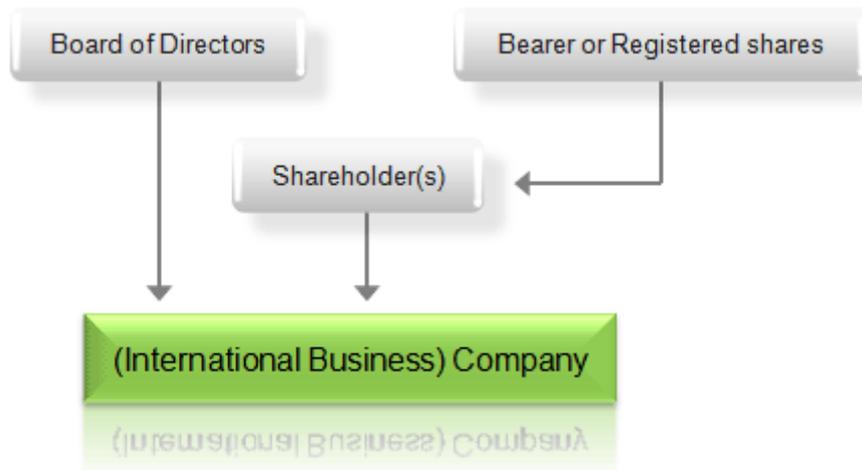
Protecting your privacy

An international holding company may also be set up by the family office for privacy reasons. There are numerous jurisdictions in the world where the public is better kept in the dark about the owner of a successful company, as this could jeopardise the family's safety; for example, there are risks of kidnapping, extortion or political pressure. Most offshore companies are still not found on public registers (such as a chamber of commerce), meaning they can add a layer of privacy between the active business and the ultimate owners, namely the family. When onshore companies are used, often multi-layer structures are used to protect the privacy of the ultimate beneficial owners.

Up-and-coming jurisdictions

Growing international pressure on tax havens to be more transparent, coupled with pressure from the international community on jurisdictions which do not levy any tax on income, is causing a marked shift to other jurisdictions such as Ireland, Malta, Singapore, Switzerland and New Zealand, for the establishment of international (holding) companies. These other jurisdictions also offer beneficial tax regimes, but have more sophisticated taxation legislation, including tax rates of 10% or slightly over. A 10% tax rate is low by international standards, but currently considered an acceptable level of corporate tax. Because this tax rate is combined with all kinds of exemptions (which differ from jurisdiction to jurisdiction), the result is very low effective taxation, sometimes practically zero. Family offices are also aware of this development and therefore many of them nowadays prefer to structure via these jurisdictions.

A good Swiss multi-family office offers quite some services relating to foreign (holding) companies. It can support your family with tax advice on a solid international holding structure. The family office can often also organise and/or coordinate the setting up of an offshore company, and act as a board member or nominee shareholder of that company. A family office could also take over the actual management of your (foreign) companies.

FOSS Family Office Services Switzerland helps you to find the family office which provides exactly the corporate services you require.