**REDUCING U.S. TAX LIABILITY VIA**
**QUALIFIED FOREIGN CORPORATIONS**

## Introduction

There are situations in which U.S. taxpayers own businesses which operate outside of the U.S. and such businesses are held through companies formed in low or zero tax jurisdictions ("Offshore Company or Companies"). Traditionally, these individuals paid income tax at the prevailing rate, when dividends from such Offshore Companies were repatriated to the U.S.

However, certain provisions of the American Jobs Creation Act of 2004 (the "Jobs Creation Act") create the opportunity for significant tax savings in the context of repatriating the foreign earnings derived from such non-U.S. operating businesses.

## Qualified Foreign Corporations

One of the most important aspects of the Jobs Creation Act was the introduction of a fifteen percent (15%) minimum tax rate on "qualified dividend income" received by U.S. taxpayers. Dividends received from a domestic corporation or a "Qualified Foreign Corporation" are eligible for this reduced rate. A "Qualified Foreign Corporation" is defined as any foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States.

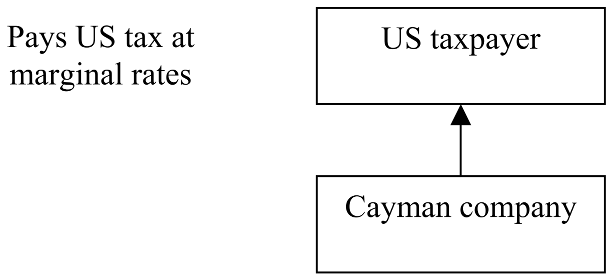
As previously stated, prior to the passage of the Jobs Creation Act, any U.S. taxpayer that beneficially owned an Offshore Company (i.e. Cayman Islands, British Virgin Islands, Bahamas, Aruba, Curacao), would be taxed at ordinary income rates on any dividends paid to the shareholder. The Jobs Creation Act now provides that, if a Qualified Foreign Corporation is interposed between the Offshore Company and the U.S. shareholder, it is possible to convert the offshore income into qualified dividend income with an income tax rate of 15%. The difference between the current income tax rates and the minimum tax rate on qualified dividend income (15%) represents a significant tax savings for most U.S. taxpayers.

It is important to note that this reduced tax rate is only available to income earned by non-U.S. active, operating businesses – this structure cannot be used to reduce the tax rate on passive income.

There are a number of qualified foreign jurisdictions that satisfy the treaty requirement and have favorable holding company legislation, which can be used as the Qualified Foreign Corporation in such structures. These jurisdictions include Australia, Switzerland and Cyprus.

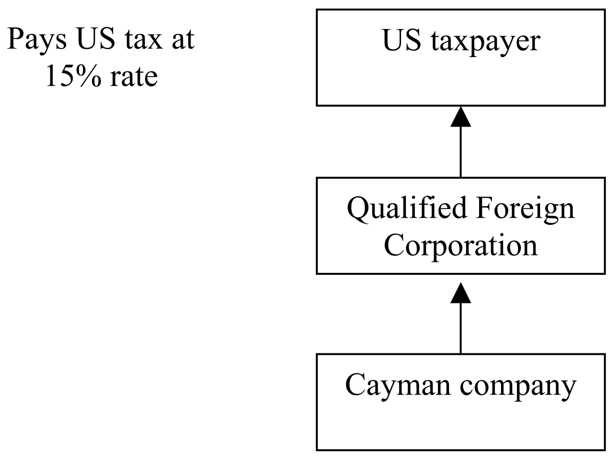
An example of a structure that might benefit from this planning is as follows:

A U.S taxpayer beneficially owns a business that supplies cleaning products throughout the Caribbean. Such individual owns the business through a Cayman Islands company of which he is the sole shareholder. The individual currently pays U.S. income tax at his current rate on dividends paid to him by the Cayman Islands' operating company.




If such individual were to form a Qualified Foreign Corporation and interpose that as a holding company between the Cayman Islands' operating company and himself, the tax rate on the dividends paid to the individual would be reduced to 15%.

The new structure would consist of the Qualified Foreign Corporation, the shareholder of which would be the individual (or his trust); and the Qualified Foreign Corporation, which would be the parent company of the Cayman Islands' operating company.




**ATC Services**

The ATC Group is able to provide for the formation, domiciliation and management of Qualified Foreign Corporations and the opening of any requisite overseas bank accounts. We are also able to establish international trusts to hold shares in Qualified Foreign Corporations.

**Contact ATC**

For more detailed information on the use of Qualified Foreign Corporations and the services ATC provides, please contact the following persons:

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