

Transnational Tax Network
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U.S. Virgin Islands

Exempt Companies

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The U.S. Territories (not states!)

- U.S. Virgin Islands
- Puerto Rico
- Guam
- Northern Mariana Islands
- American Samoa



U.S. Virgin Islands

- Unincorporated territory which means it is not a U.S. state.
- Political system: governor, legislature, courts
- Applicability of U.S. laws in general
- The mirror system of taxation: U.S. Internal Revenue Code applies as a local tax code, word substitution scheme
- Local tax administration: Bureau of Internal Revenue

U.S. Virgin Islands (continued)

- Special Provisions of the Internal Revenue Code:
 - Section 932: Coordination of U.S. and USVI income taxation
 - Section 934: Reduction of USVI income tax liability permitted in certain cases
 - Section 937: Anti-abuse provision, addresses territorial residence and source of income
- U.S. tax treaties do not apply to the U.S. Virgin Islands (or to any U.S. territory)
- U.S. estate tax does not apply to individual U.S. citizens who are born or naturalized in the USVI.

USVI Exempt Company

- Corporate law requirements
- Entity may be formed as a corporation or a limited liability company
- Must be owned at least 90% by nonresidents/noncitizens
- 100% tax exemption in the USVI

USVI Exempt Company (continued)

- Generally no tax return filing if requirements are met
- U.S. source income subject to U.S. withholding
- Ownership is not publicly available
- Annual report

Potential New Legislation in the USVI

- Trust and Asset Protection
 - Self-settled trusts
 - Limited statute of limitations
 - Non-Application of foreign law
 - Uniform principal and income act
- Corporate law changes
- Other

Foreign Account Tax Compliance Act

- FATCA was enacted in 2010 to combat tax evasion by U.S. persons using offshore accounts.
- Requires non-U.S. financial institutions to report information regarding accounts owned by U.S. persons.
- Implemented through Intergovernmental Agreements (“IGA’s”) with over 100 countries.
- U.S. banks are required to provide some information to home countries of account holders, but the IGA’s are not fully reciprocal.

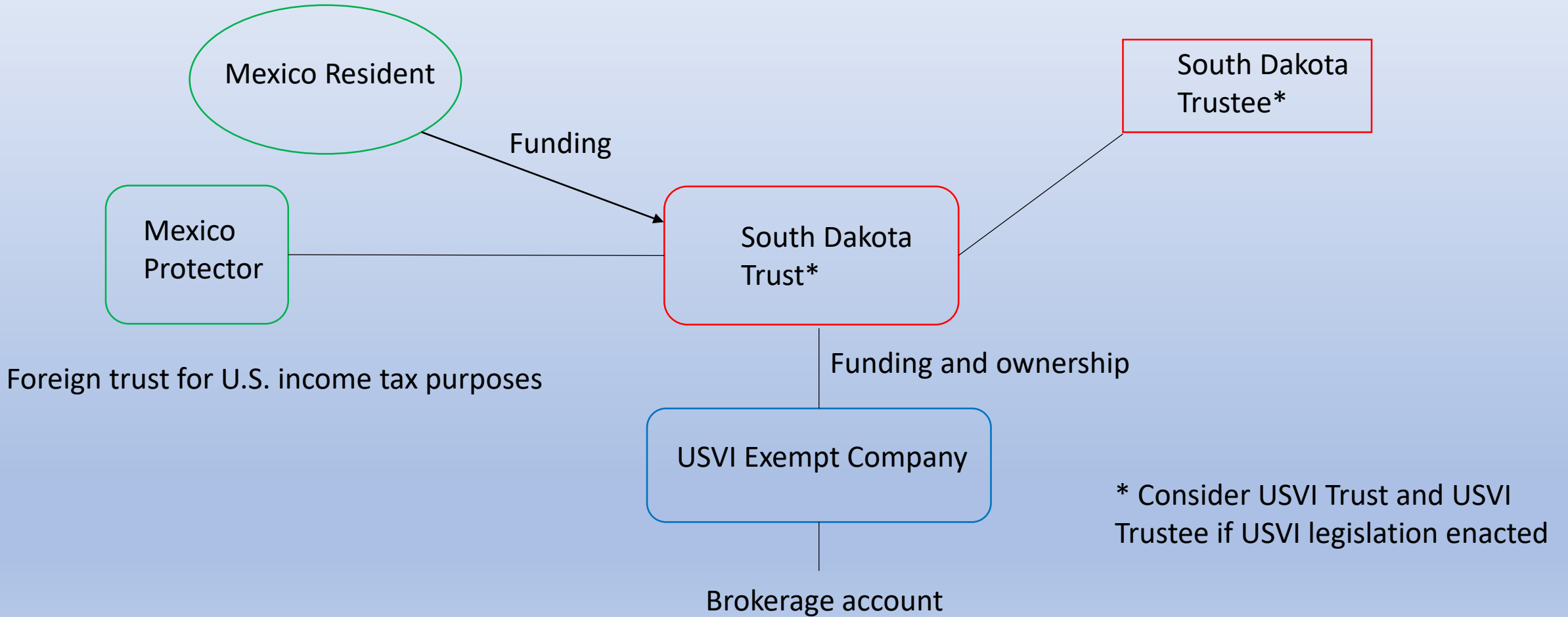
Mexico/U.S. FATCA IGA

- The term “United States” excludes the USVI and all other U.S. Territories.
- The following types of accounts will be reported back to the Ministry of Finance in Mexico:
 - A depository account held by an individual resident of Mexico that generates more than \$10 in interest in a year
 - A financial account (other than a depository account) in which the account owner is an individual or entity that is resident in Mexico
- Accounts owned by a USVI Exempt Company are not reported to the Ministry of Finance

Common Reporting Standard (“CRS”)

- CRS is a standard for the automatic exchange of information between countries regarding bank accounts.
- The United States does not participate in CRS.
- The USVI does not participate in CRS.

Structure Example



Thank You!

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