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# INTRODUCTION TO TAX OPTIMISATION



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# Introduction to Tax Optimisation and International Structures



Below you can find a short introduction to the content we have created at Staatenlos for **entrepreneurs**, **freelancers**, **savers**, and anyone who is tired of paying too much tax, regardless of their level of income and property.

It's possible that you learned everything you know about tax havens and tax avoidance from the news, and solely in the context of illegal activities.

You may also have heard whispers that someone you know has a company in Hong Kong, Delaware, or Panama, where they don't pay tax (or only pay very little).

What's more, if you ask your agent or tax advisor about tax havens, foreign companies, Hong Kong, Delaware, Panama, or tax avoidance schemes, they'll look at you as if you just mentioned something sinister.


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They'll certainly tell you that it's illegal, complicated, and not worth the effort, that you need a turnover of several thousands a year, or in the best-case scenario, that they don't know anything about it and you should go ask someone else.

The reality is that "normal" tax advisors rarely know about international structures. Moreover, as we mentioned, most of them believe that tax havens are illegal, and they give their clients the impression that finding ways to pay less tax is illegal too.

This ends up creating a climate of secrecy and ignorance that only serves the Administration (and your rivals, if they have found their own ways of optimising their companies' taxes).

Many people think it's unfair for big corporations to pay so little tax, when in reality, the injustice is that smaller companies don't have the money for specialist services to help them build the necessary structures.

But have no fear, because the Staatenlos blog is here, offering free, clear information and direct help at a fraction of the prices usually found on the market.

Today, we're going to answer 5 fundamental questions:

1. **Is it illegal to try to avoid or optimise taxes?**
2. **Who could benefit from transferring their company or creating international structures?**
3. **What is the best option if you don't want to pay taxes?**
4. **And if you don't want to live as a tourist, how can you pay little to very little tax?**
5. **If you live in a country with a high tax burden and are unable or unwilling to transfer your residence, what solutions are there to pay less tax?**

Once you've read our answers, you'll know more than 95% of the population (and at least 50% of tax advisors) about tax optimisation.

## Is it illegal to try to avoid or optimise taxes?

We're going to answer this question by beginning with a few definitions.

At Tax Free Today, we differentiate between evading, dodging, avoiding, and optimising taxes. The first two concepts are illegal, while the second two aren't.

Dodging or evading taxes consists of finding illegal ways not to pay, whether this is by hiding the money or somehow breaking the laws we are subject to. In our opinion, these activities make no sense and aren't appropriate for intelligent people, because you'll end up in jail.

However, avoiding or optimising your taxes is a legal activity, suitable for intelligent people and entrepreneurs. It consists of finding ways to save on taxes through local and international laws.


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Just as you try your best to improve your product, optimise processes, and sell more, why don't you look for ways to pay the State less money?

To sum up, avoiding or **optimising taxes** is perfectly **legal**. What's more, if you don't do it, you're letting a way to improve your business slip through your fingers.

## Who could benefit from transferring their company or creating international structures?

Offshore companies come at a price: in the cheapest jurisdictions, you need to envisage a minimum investment of 500 dollars a year to maintain them. Logically, therefore, it's not worth setting them up before you have a working business that brings in money.

However, as soon as your turnover reaches **1,000** dollars or euros a month, it's worth transferring your tax residence and, if you want to set up a company in Europe, establishing it in Bulgaria, Cyprus, the United Kingdom, the Czech Republic, or Estonia.

(In fact, if you're setting up a business, have savings, and don't depend on any benefits, you can transfer your residence before this point.)

If you are OK with moving outside from Europe, you can create an international structure in a more advantageous place, such as Panama, United Arab Emirates or Marshall Islands.

As for entrepreneurs who want to maintain their residence in their country of birth, the situation will vary, but it's usually not worth trying to optimise taxes with international structures until profits reach **3,000** euros a month.

Anyone can register their company in a tax haven, but some people will find it easier and more appropriate than others.

In general, if your business isn't tied down to any one place, or you're a digital nomad, internationalising your company shouldn't be too tricky.

Here is a list of businesses and operations that can benefit most easily from the creation of international structures:

- e-commerce and internet-based companies
- international companies
- successions and inheritance
- investment and trading
- mobile assets (like yachts, for example)
- intellectual property
- consulting
- intermediary work and trade


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## What is the best option if you don't want to pay taxes?

Without a doubt, the best solution if you want to pay less tax (or none at all) is to transfer both your personal and company residence to a country with a low tax burden, or even to a tax haven (and I repeat, this isn't illegal; no one can force you to keep your residence anywhere or stop you from transferring it elsewhere, whether it is your company's or your own).

If you live as a tourist or perpetual traveller, you aren't required to pay personal taxes anywhere. On a basic level, this implies that you won't remain in the same place for more than **183 days** or pay personal taxes anywhere.

As for your company, if you don't want to pay taxes, you have to set it up in a country with territorial taxation, a non-dom system, or a complete lack of corporate tax (you can find more information in this article).

Often, if you want to sell in the European Union and in countries with a high tax burden in general, you have to do so through onshore companies. In this case, you will always have to pay some taxes but you can reduce the amount either by establishing an additional offshore company (holding) or through some kind of intermediary (Tax Free Today can help you with this processes).

## And if you don't want to live as a tourist, how can you pay little to very little tax?

If you don't want to travel the world as a tourist, but you don't mind transferring your residence abroad, another option is to choose a country to take up tax residence in where foreign income isn't taxed, or where nobody is required to pay taxes.

If you choose the right place for your residence, you could end up paying very little tax, or even none at all, while still remaining in Europe (here is one article, and another article, on this topic).

As for your company, you have the same options as in the previous point.

## If you live in a country with a high tax burden and are unable or unwilling to transfer your residence, what solutions are there to pay less tax?

If you are unable or unwilling to move abroad (which we still invite you to reconsider, since there are many places in the world where you can reside without spending too long there), all is not lost.

You have to remember that you won't be able to escape personal taxes (income tax, etc.), but if you do it right, you can optimise what your company pays by a great amount.

If your operations or your business's operations fall under the ones we mentioned above, you still have the option of establishing a company abroad, either in the European Union or even offshore (but with more complications and with the help of international structures).

To do so, you need to bear in mind CFC rules (we explain their effects and how to legally avoid them here) and double taxation agreements.


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If your business isn't tied down to any one place (i.e. it isn't a workshop, bar, shop, etc.), you can establish your company abroad, whether in the United Kingdom, Ireland, Estonia, Cyprus, or anywhere else.

Don't forget that if you reside in a country with CFC rules, your foreign company will have to show a certain level of substance (office, clients, etc.) to comply with the country's legislation.

The main advantage of this is that if you choose the right country for your company, it won't pay corporate tax (or it will pay much less than in your country of origin).

Of course, when the company distributes dividends, you have to declare them in your country of residence and pay taxes to the Administration.

An option in this case would be to leave the profits in the company and invest them to make them grow.

After a few years, you could move to another country that doesn't tax this kind of income. You could do so by moving to a country such as Ireland or the United Kingdom, where you can benefit from the non-dom system, or directly to a country with territorial taxation that has a double taxation agreement with your own country.

Georgia is usually an attractive option, since it isn't considered to be a tax haven by many countries at all.

## Conclusion

As you can see, there are many options for optimising your taxes. The most simple and effective consist of transferring your personal and company residence to a suitable country.

But there are also other methods for entrepreneurs with enough income and the right type of business or operations, who don't want to take up residence outside their country.

If you found what you read interesting, there's much more in store for you on the Tax Free Today blog, where you can even sign up for free.

Subscribing to Tax Free Today you will receive once or twice a month exclusive content in your inbox, including our analyses, advice, and information for entrepreneurs, digital nomads, savers, traders and investors.

If you have any questions after reading this introduction (and browsing the blog) or want to find the best solution for your specific situation, you can book a consultation with Tax Free Today here.

We also offer a data verification service that you can use to check if your plans to pay less tax (or the plans provided to you by other people) really make sense. You can find more information about this service here.


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