Advantages of Offshore Banking

by James Brown

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Some experts believe that more than half the worldâ€™s capital flows through offshore banking. Since one of the advantages of an offshore bank account is the complete

anonymity and privacy of the depositorâ€™s assets, this has to be an educated guess. Although many countries require that the income from interest from off shore bank accounts be declared, the bank itself is not required to report it so just exactly how much of the worldâ€™s money is flowing through Hong Kong companies, Panama companies, and Cypress companies, for example, is rather hard to track. Even though the term â€œoffshoreâ€• originally referred to being â€œoff shoreâ€• of the UK in the Islands, the term has come to mean any bank located outside of the depositorâ€™s

country of residence. These banking accounts maybe tied into an offshore

corporation or an offshore trust or foundation that has an offshore formation in a particular country for tax advantages. In low or no taxation countries, low or no taxation on interest is paid. In addition, offshore banks are not required to deduct tax on interest as is required for banks in some countries.

Besides being able to take advantage of a countryâ€™s lower tax rates, there are other advantages of offshore company formation and off shore banking.

For example, without the burden of heavy banking regulation, a bank offshore may be willing to offer loans that might otherwise be too risky for more regulated banks. In addition, there might also be the possibility of a higher interest rate since competition between a Belize bank account and a Seychelles bank account for example, may be beneficial to the depositor. Some offshore banks offer banking services that may not be available from domestic banks such as anonymous bank accounts, anonymous debit cards and investment opportunities not available elsewhere.

It is also possible to obtain the full spectrum of "Financial services" financial services from offshore banks, including deposit, credit, wire and electronic funds transfers, foreign exchange, letters of credit and trade finance, investment management and investment custody, fund management, trustee services and corporate administration.

For many an asset protection trust offered by banking offshore allows them to transfer funds to a more stable political atmosphere not likely to be seized by the government. In addition, those arguing in favor of international.com" off shore banking points out those offshore accounts are one of the few ways, besides tourism, that small island countries can compete and help develop the economy of their country. For this reason, the motives of those calling for more regulations of banking offshore from the more developed countries are suspected as a means of halting competition. However, recent terrorism developments has put additional pressures on offshore bank accounts organizations like the Financial Action Task Force (FATF), Basel Committee and the Offshore Group of Banking Supervisors (OGBS) that impose strict regulations on the offshore banking sector. Those offshore banks that do not comply with the regulations imposed by these organizations risk being put on a black list. Being on a black list makes it impossible to transfer funds, which reduces illegal transactions and helps eliminate money laundering.

Putting these regulations in place helps dispel some of the myths about off shore banking being used only by criminals and terrorists, particularly since 50% of the worldâ€™s wealth is estimated to being passed through these banking centresâ€“most of which are either an offshore IBC or wealthy individual trying to protect their assets.

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