



I-Team: How We Started An Offshore Shell Company

It doesn't take a squadron of bankers or lawyers to set up one of these secretive shell corporations that dodge U.S. taxes

By Chris Glorioso and Tom Burke

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It is no secret that America's ultra-rich stash much of their wealth in offshore accounts. The idea is to avoid taxes by keeping assets hidden in shell companies that just happen to be incorporated in zero-tax nations like the Cayman Islands or Belize. The mere mention of the term shell company or offshore tax haven may evoke thoughts of complicated international finance. But as it turns out, you don't need a squadron of bankers or international lawyers to set up one of these secretive shell corporations. I-Team reporter Chris Glorioso has the story.

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But as it turns out, you don't need a squadron of bankers or international lawyers to set up one of these secretive shell corporations.

Delving into the little-known world of offshore finance, the I-Team set up its own tax haven shell company -- and it only took a phone call plus a few emails.

The transaction required no lawyer, no complicated paperwork and no expensive trips to a tiny Caribbean island. Indeed, the salespeople offering set up our offshore corporation were stunningly frank about how the shell company could be used to avoid U.S. taxes - and how our names could be kept out of official paperwork in order to remain hidden from anyone who might inquire.

The I-Team called about a dozen so-called "corporate services" firms in Antigua, Belize, and the Island of Nevis. Three of the firms allowed the I-Team to record their sales pitch.

"I'm trying to set up a company that my name is completely unattached to. Do you guys do that?" asked I-Team reporter Chris Glorioso.

Each firm explained that is precisely what they do.

"If the U.S. federal government were to ask you, 'Does Chris have a shell company in Belize?' what would you say?" asked Glorioso.

"I would say, 'Sir, we are not allowed to give out information on our clients,'" said the salesman.

To hide the real owner of a newly formed shell company, some salespeople offered "nominee services," whereby we pay for local people -- so-called "straw" persons who live on the island -- to sign their names on the paperwork so public records don't identify the real owners of the offshore account.

"Our law allows us to act on behalf of the client," explained one salesman. "There's nothing illegal about it."

"Are you basically saying I can shelter my money from U.S. taxes?" asked Glorioso.

"Basically, yes," said another salesperson.

After sampling several sales pitches, the I-Team decided to incorporate a shell company through the Caribbean Island of Nevis. Based in Charlestown, the capital of Nevis, a corporate services firm called "Despen Trust" charged about \$1,000 to file a certificate of formation, and articles of incorporation for the offshore company. The only name printed on any of the corporate documents is that of Chanelle Sturge-Woods, an employee of Despen Trust.

After receiving copies of the incorporation documents via email, the I-Team reached out to Sturge-Woods and Despen Trust for further comment. The message had not been returned by the deadline for this story.

The I-Team decided to name the offshore corporation "Our Shell Company, LLC." You can see the incorporation documents and the articles of organization below.

[Our Shell Company LLC, Certificate of Formation](#)

[Our Shell Company LLC, Certificate of Notary Public](#)

[Our Shell Company LLC, Endorsement Certificate](#)

[Our Shell Company LLC, Articles of Organization](#)

[Our Shell Company LLC, Organizer Document](#)

A number of corporate services firms also offer, for as little as a few hundred dollars, a chance to buy an existing shell company – one that had been set up years ago. That service is called "shelf company" incorporation – meaning an individual can buy an offshore corporation "right off the shelf."

Although forming an offshore account is not illegal, the IRS warns against individuals using offshore accounts to avoid taxes:

“Despite being hidden or disguised, the income and assets of U.S. persons are still subject to U.S. tax. Taxpayers should be aware that abusive offshore arrangements will not produce the tax benefits advertised by their promoters and that the IRS is actively examining these types of arrangements. Furthermore, taxpayers and/or the promoters of these offshore arrangements may be subject to civil and/or criminal penalties.”

Though individuals may be punished for hiding income offshore, corporations and corporate profits are treated differently.

As long as a U.S. company argues its profits were born in a zero-tax foreign country, that wealth can be shielded from U.S. corporate taxes.

“For big companies, the trick is they kind of claim all their money arose in tax havens even though they’re not actually doing anything there,” said NYU law professor Daniel Shaviro. He says the companies essentially pretend their products, assets or headquarters are based in locations that happen to be tax havens.

While critics condemn tax havens for being unfair, economic Libertarians argue they are good for the economic progress because they put pressure on big countries, like the U.S., to lower their tax rates and remain competitive.

“Every American who has a bank account, every American who buys products from a company is indirectly benefiting from tax havens,” explained Daniel Mitchell of the Cato Institute, a conservative think tank. “People are attacking Mitt Romney for having some of his funds domiciled in the Cayman Islands, but the same thing was true of John Kerry and John Edwards.”

“Anybody in America with any significant wealth is going to touch a tax haven,” said Mitchell.

Of course, that is precisely the complaint from tax haven critics. Even though offshore strategies are available to anyone – even the I-Team set up a shell company -- it is the wealthy that benefit most from installing corporate subsidiaries and investment funds in zero-tax countries.

“If everyone thinks the game is unfair it could have pretty big consequences at some point down the road,” said Shaviro. “Once you think the game is rigged, that could lead to a collapse in compliance.”