Search
Home 2 My Network Jobs Messaging Notifications Me For Business For Premium for CHF0
Edit article View stats View post

Mexicans want a windfall tax on US banks. Should the rich of Miami approve?

Mexicans must restructure the entities holding their undeclared loot in the USA due to the US Corporate Transparency Act.

Mark Morris
CIO and CARF expert. No, truly

September 26, 2024

- The days of Mexicans (and all Latin / South Americans by the way) using US trusts owning a US company to hide their undeclared booty in US banks is now a hair's breath from being discovered by the Servicio de Administración Tributaria.

- Become familiar with John Doe summonses, e.g. by Finland, where Mexico can legally demand from the IRS for names of companies owned or controlled (e.g. the director) by Mexican residents.
- As a two-stage process, they then ask the IRS to ask banks or other FIs (e.g. credit card Cos, crypto asset providers) to ***spill the beans*** on the Mexican resident Account Holders. Oh no!

See this article on John Doe Summonses as Mexico has a Double Tax Agreement with the US to allow this.

US banks have been a secrecy haven for Mexicans for $40b - $50b a year flow

Mexican foreign Tax cheats find US banks a secrecy haven.. until now

- In all the bluster about cracking down on Americans who hide money overseas, the US turns a blind eye to foreign tax cheats who are parking money in the US banking system. In particular, the US effectively serves the role of Switzerland for Mexico, which suffers from rampant tax evasion.
- Annual, of of the $40 - $50 billion a year of illicit funds flowing out of Mexico each year ends up in US banks.
- The FATCA reciprocal exchange of information on interest paid by banks to individuals should have provided a tool to detect, prevent, and control tax evasion, money laundering, terrorist financing, drug trafficking, and organized crime but US banks offered zero interest rate deposits to avoid this meager exchange.
- Replace the nationalities, and you've replicated the UBS scandal. Mexicans can't tax it because they are never going to know about it. It's the financial equivalent of "Don't ask, don't tell."

US answers Mexico's request for data on Mexican financial accounts

- For the US, an agreement with Mexico does not offer any clear, immediate upside. Very few Americans hide their money in Mexican banks.
- And the banking lobby is vigorously opposed to it, especially among banks with huge foreign deposits in Florida, California, Texas, and New York. The Florida International Banking Association, in a report put out at the beginning of the decade, warned that a policy change could prompt at least a third of the more than $100 billion its members held in foreign deposits to flee.

The 2024 Corporate Transparency Act includes trusts holding companies

Click on page pictures to get Spanish flipbook publication of US B.O.I

English PDF version here

Portuguese (Brazil) PDF version here

- Any company, local or foreign doing business including holding portfolio must report on its beneficial owners, which are persons with substantial control

- Beneficial owners include Senior Officers and important decision makers. This is much stricter than say Persons of significant control for UBO registers in the UK, Hong Kong, etc
- Companies owned by trusts, need to report the trustees and beneficiaries of trusts.
- Mexico has a double tax agreement with the USA and hence could issue a John Doe Summons for the IRS to obtain bank accounts of companies owned by Mexico.

So what could be done?

- Do not use a US entity to hold the account
- So then, which non-US jurisdiction?

> A *foreign Reporting Company* is any entity that is (1) a corporation, LLC, or other entity, (2) formed under the law of a foreign country, *and* (3) registered to do business in any state or tribal jurisdiction by the filing of a document with a secretary of state or any similar office under the law of a state or American Indian tribe.

So when using a non-US entity, do not register it to do business in any state

My prior articles have repeatedly demonstrated the best jurisdiction for this entity, taking into account:

1. ease of meeting economic substance requirements
2. zero tax
3. speed to establish a company
4. low cost to establish an entity
5. ease of the client being the (sole) director if wanted

> Beware if the entity is categorized a managed Investment Entity (earns mostly investment income and some assets - no dominiria - are managed by a Financial Institution) then it will have Common Standard Reporting obligations, even though account is in USA

Owned by a trust?

- **If the client wants the entity to be held by a trust, then use a UK trust as a Custodial Institution - holds assets on behalf of others and earns at least 20% of its income from custody-like fees (no beneficial owner registration, nor registration with HMRC, no naturalation, etc).**
- **Ensure distributions are not routed via the trust, such as dividends, else the trust could be an investment entity, subject to being a CRS reporting FI**
- **If using a US trust, ensure the trustee is a non-US person and is resident in a non-participating FATCA / CRS jurisdiction. My articles have demonstrated these little-known jurisdictions.**

Why you should NOT use US-resident trustees?

- Better to use a trustee as a Custodial Institution in a non-CRS/FATCA jurisdiction, than an investment entity in the USA.

Will this work for crypto?

- But instead of underlying investment entity, you must use a nominee agent on behalf of the custodial institution

==========<END>==========

Mark Morris
CIO and CARF expert. No, truly

More articles for you

China/India/Malaysia, etc. isn't on list of $1 trusted Requestors to access to Beneficial Ownership information of Corporate...
Mark Morris

Ignorants try to circumvent the CRS by claiming Companies Limited by Guarantee have no Controlling Persons or are Active...
Mark Morris

The 4 categories of Netherlands foundations seem double Dutch to foreign planners. A Stichting is a tax efficient,...
Mark Morris
0

Comments
Like Comment Share
Add a comment...
No comments, yet.
Be the first to comment.
Start the conversation
Messaging