



Updates from the Liberian Corporate Registry

Introduction

Welcome to the third edition of the Liberian Corporate Registry's quarterly electronic newsletter.

We hope you enjoy this edition and we look forward to receiving your suggestions for topics to cover in future editions.

Tell us how we are doing. Please take a moment to complete a short survey on our website [here](#).

The Corporation's Transfer of Subscription

A *Transfer of Subscription* is a document that transfers the right of a share subscribed for in the Articles of Incorporation.

A Transfer of Subscription will be issued by the incorporator when a Liberian corporation is incorporated by Registry staff on your behalf and when the Incorporator also subscribes for a share of the corporation's stock. (Subscription is done upon a client's request.)

Proper handling of a Transfer of Subscription is required as it represents title to a share subscribed for in the Articles. The completed Transfer of Subscription should be surrendered to the Corporation so that the transfer of the subscribed share (for paid consideration) is recorded in a resolution of the directors, who also resolve to issue the necessary share certificate and to make the appropriate entries in the share register. If the corporation proposes to issue additional shares, the same resolution may address and authorize the issuance of these additional shares (also against paid consideration for the shares). The corporation then needs to issue the correct share certificates.

Issuance of shares is an internal activity of a Liberian corporation. Since there is no requirement to record or file such information with the Registry, the subscription, payment and issuance of shares requires no interaction with or by the Registry. As previously addressed in Corporate@ #1 ([link](#)), it is possible to voluntarily file resolutions and/or a Certificate of Shareholding with the Liberian Minister of Foreign Affairs or privately record such information with The LISCR Trust Company as exclusive Registered Agent, thus retaining its privacy.

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Feature Article -

Private Foundations

Modeled on Austrian law, the private foundation is a new type of non-resident business entity for Liberia. While foundations have traditionally been used over the centuries for benevolent or charitable purposes, often being associated with pieces of arts or other valuable collections, the Liberian foundation works well for individuals wanting a straight forward asset holding / protection structure designed to provide beneficiaries with an asset - derived income...(Read)

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Meeting Clients

Once again, the Liberian Corporate Registry will be on the road.

In late May, the Registry will be organizing a seminar in Oslo, Norway (email corporatehamburg@liscr.de for details). This event will be closely followed by exciting times in early June at the biennial Posidonia Exhibition in Greece. If you can, please stop by Liberia's stand to meet LISCR Greece MD, Dr. Michalis Pantazopoulos, and Corporate Assistant, Ioanna Papoutsoglou.

Al Gundermann, Corporate Attaché in Europe will be at the ITPA event in Venice, Italy. He and Pini Shwartz, Head of the Corporate Program, attended the last ITPA meeting in Geneva (www.itpa.org). Al, Catherine Kwok (LISCR FarEast) and Brad Berman appreciated seeing many of you in Singapore at the Shorex event (www.shorex.com), over two days in mid-April.

As can be expected, Peter Kidman, Manager of LISCR Zurich, will continue to host their lunch meeting program. The next meetings are planned for July 1st and September 30th (email info@liscr.ch). These sessions provide an opportunity to learn about the Registry, our procedures and the available documentation. Peter can also provide some thoughts on trends in the international corporate management world after his recent participation in the INTAX EXPO March Conference (www.intax-expo.com) in Nicosia, Cyprus and the BOSCO International Corporate Solutions Conference (<http://www.bosco.org.ua/>) in Kiev, Ukraine in April.

As they say in the movies - "See you when we see you"

Feature - Private Foundations

Modeled on Austrian law, the Liberian Private Foundations law was added to the Business Corporation Act (BCA) as Chapter 60, in 2002.

Essentially, Private Foundations act as a holding entity for assets transferred to them. The transfer is usually in the form of a gift, by a person who the BCA refers to as "the donor". In some jurisdictions, the term "settlor" is used.

The Private Foundation is an additional type of non-resident business entity for Liberia. Foundations have traditionally been used over the centuries for benevolent or charitable purposes, often being associated with pieces of art or other valuable collections.

The Liberian Foundation works well for individuals desiring a straight forward asset holding/protection structure designed to provide beneficiaries with an asset-derived income.

Foundations cannot be used for trading activities or for conducting financial service business activities. However, the buying and selling of assets (real estate, shares in trading companies, investments etc.) is not considered a trading

activity. Foundations can act as a shareholder but not a director or officer, in a trading entity like a Liberian corporation.

In Liberia, there is no gift tax to pay at the time a Foundation is established, and earnings generated by the Foundation are tax exempt in Liberia. However, incomes paid by Foundations to its beneficiaries, once declared by beneficiaries, might be subject to local taxation at their place of domicile.

Because the Foundation's assets are gifted, the donor receives no payment in return. The Foundation becomes the owner of the assets endowed to it and, as such, the entity has a separate legal personality. It is in this area that Foundations fundamentally differ from trusts, since trusts are not considered to be legal entities. In the case of a trust, legal title of its assets is held in the name of the trustee.

In order for the Foundation to function, the assets need to have been endowed and placed at the disposal of the Foundation and its officers. This endowment satisfies the tax inspector's question "has the property ceased to be the asset of the tax-payer (donor)".

One of the documents required by Liberia at the time of registration of a Foundation is a Certificate of Initial Assets signed by its officers. This declaration must confirm that assets of not less than US\$10,000 in value have been endowed to the Foundation.

Upon receipt of the Certificate of Initial Assets, the Registry will issue a 'Certificate of Endorsement of Statement of Value of Initial Assets'. The specific assets endowed at the time of registration need not be named and additional assets can be gifted at anytime, again without any public record of their value or their source.

Unlike trusts, once assets are placed in a Foundation, they cannot be withdrawn at will by the donor. A statement relating to the endowed assets also needs to be included in the Memorandum of Endowment signed by the donor and submitted with the application to register. The Memorandum is not filed, but is returned to the Foundation attached to a Certificate of Endorsement of Documents issued by the Registry. An 'Extract of Particulars of the Memorandum of Endowment', signed by the Secretary of the Foundation is filed in the Registry. The names, addresses and specimen signatures of the appointed officers and the Secretary, and details of the address to be used for the service of documents to the donor are included in this Extract.

The name of the donor does not appear in the Extract and, therefore, need not become public information. In addition, more than one donor is permissible, and there are no restrictions on residency or nationality of the donor. However, a donor cannot act as an officer or be appointed as the Secretary of the Foundation, but can participate in its supervisory board, if one is appointed. Moreover, the donor can be one of the beneficiaries.

Management responsibility of a Liberian Foundation sits with its officers who are usually professional administrators. Officers determine the distribution of income and capital in accordance with the donor's instructions.

A minimum of three officers need to be appointed, and at least two officers must be physical persons. One of the officers can also act as the Secretary and a corporate Secretary is

permitted. Consent to Act declarations for each officer and the Secretary need to be submitted with the application to register the Foundation, and these are filed in the Registry together with the Extract.

As with the donor, there are no restrictions on residency or nationality for the officers and/or the Secretary. Officers can delegate their powers to one another.

To assist in the management of a Foundation, the officers may decide to appoint a Supervisory Board comprised of at least three physical persons. Liberian Foundation Law permits a donor to participate on the Supervisory Board.

The Supervisory Board must be established as a body that is independent of its officers and beneficiaries. The Board acts like the Protector of a trust. Similarly, auditors may also be appointed. The procedural rules for running a Foundation are set out in the Management Articles, a document that is very similar in scope to the bylaws of a corporation. The Articles are signed by the donor and submitted with the application to register the Foundation. Like the Memorandum, the Management Articles are not filed, but returned to the Foundation attached to a Certificate of Endorsement of Documents issued by the Registry.

A typical function of a Liberian Foundation is to provide beneficiaries with an income derived from an asset(s) endowed to it from a donor(s). As has been outlined above, the donor provides guidelines as to how the Foundation is to be managed and also defines who the beneficiaries will be, what payments should be paid to the beneficiaries, and when payments should occur.

While the officers of the Foundation need to know the names of the beneficiaries, such information is not required to be filed in the Registry. A donor can also provide further guidance to assist officers to manage the Foundation in the form of a Letter of Wishes and, from time to time, change the beneficiaries.

The Letter of Wishes is an internal document and not, therefore, filed in the Registry. As with all Liberian entities, formation instructions will only be accepted from professional intermediaries such as established trading businesses, company and trust managers, lawyers, banks and accountancy firms. An instruction sheet with model forms '*Registration of a Private Foundation*' is available for clients to use upon request. Foundation formation instructions can be submitted through any LISCRC office, and the filing of the Certificate of Registration in the Registry can be done on the same day.

Once formed, a mandatory annual return for the Foundation, signed by the Secretary must be submitted to the Registry. The annual return must confirm that the information filed in the Extract remains correct and that proper accounts have been maintained. Annual returns are not publicly filed.

The Liberian Private Foundation provides a perfect holding structure for emerging financial and asset empires, while distancing the donor from otherwise taxable events. The Foundation permits income generated from assets held by the Foundation to be available to the donor and subsequently his heirs in accordance with the (changing) wishes of the donor/settlor. At the same time, the Foundation keeps intact the wealth-generating activities of a family (shipping operation hotels property licenses royalties manufacturing

or service activities).

Model Foundation documents, copies of the law and formation instructions can be obtained from any registry office.

Corporate Matters - Filings Made in Foreign Languages

Liberian Corporations are permitted to make filings in foreign languages.

If the documents to be filed are not in the English language, than a translation will be required as part of the filing. The translation will need to be certified by the translator and endorsed by an officer of the entity as an accurate translation of the document.

For the purposes of the corporation, it will be the English version of the filing which will prevail.

Next newsletter

The next newsletter will be issued in August 2010 and will include a feature article on Restructuring and Re-domiciliation.

Contact details

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As always, we are ready to serve your needs.

Best regards,

The Liberian Corporate Program

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