

Corporate@

Issue No. 7, June 2011



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Updates from the Liberian Corporate Registry

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

Share Certificates

Chapter 5 of the Liberian Associations Law covers 'Corporate Finance' which includes the form and content of share certificates, an extract of which appears below:

5.8.4. *Other statements on certificate.* Each certificate representing shares shall when issued state upon the face thereof:

- (a) That the corporation is formed under the laws of Liberia;
- (b) The name of the person or persons to whom issued, if a registered share;
- (c) The number and class of shares, and the designation of the series, if any, which such certificate represents;
- (d) The par value of each share represented by such certificate, or a statement that the shares are without par value; and
- (e) If the share does not entitle the holder to vote, that it is non-voting, or if the right to vote exists only under certain circumstances, that the right to vote is limited.

Corporations can obtain share certificates from a number of third party suppliers. Corporations are also able to print their own certificates.

In addition, professional quality share certificates are available through the Corporate Registry. The certificates can be printed with the name and authorized capital of the specific corporation, or they can be personalized by also including the name of the owner and number of shares, in preparation for issue (dating and signing) by the officers of the corporation.

Please contact your local Corporate Registry office for an order form to obtain share certificates through the Registry. Note that only a Corporation's Address of Record (Billing Address) can order certificates for a corporation.

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Feature Article - LLCs, Liberia and Delaware

If you intend to take advantage of an LLC for your clients *without subjecting them to the U.S. Internal Revenue Service "Reporting Rule" for foreign banking activities*, the Liberian non-resident LLC is the solution....([Read](#))

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Meeting Clients

The Liberian Corporate Registry staff is very active this spring. In addition to numerous visits with clients around the globe, the following are some of the more notable events.

Margaret Ansumana, Deputy Registrar, and Stephen Frey, Vice President of the Corporate Registry, met with clients in Bermuda prior to attending the OECD Global Forum on Tax Transparency.

Hilary Spilkin, Vice President & Director of the Corporate Registry, and Afra Gyekye, the Corporate Coordinator for the Registry's Hamburg office, met with friends of the Registry at the annual Society of Trust and Estate Practitioners (STEP) Conference in Zurich.

In April, Ms. Spilkin attended the American Bar Association (ABA) International Tax Section meeting in Paris, and in June, she met with clients and attended the International Tax Planning Association (ITPA) Conference in Monaco.

The Registry's staff welcomes opportunities to arrange visits with clients. Those wishing to meet with a Corporate representative should contact either their local office or email Corporate@liscr.com to schedule a meeting.

Feature - LLCs, Liberia and Delaware

A *Limited Liability Company* (commonly known as an LLC) is a hybrid legal entity designed to provide the operational flexibility of a partnership and the limited liability features of a corporation, thus protecting its members from personal liability. Although similar to a corporation, the LLC is treated as a non-corporation for tax purposes. This means that the taxable profits and losses of an LLC flow through to the LLC's individual members, unlike a corporation which would be taxed as a separate business entity.

The owners of an LLC are referred to as members and are treated similar to shareholders of a corporation. A member can be a natural person, a corporation, a partnership, or another legal association or entity.

Why form an LLC?

1. *Limited Liability Protection:* The most important advantage is the separation of personal assets of the members from the potential future liabilities of the LLC with regard to creditors. The corporate veil of the LLC cannot be pierced by creditors who have claims against the LLC itself. The members' assets will remain separate unless a fraud is proven.
2. *Flexible Distributions:* An LLC can elect its own form of distribution of profits, unlike a partnership, where the profits are usually divided among the partners in pro rata percentages, thus allowing more flexibility
3. *Simplified Record-keeping:* While corporations are required to keep corporate secretarial records such as corporate minutes of meetings or resolutions, the LLC has no such requirement.
4. *Pass through Taxation:* The hybrid nature of the LLC allows for business profits, losses and expenses to flow through the company to the individual members, thus avoiding taxation at two levels like a corporation.
5. *Enhanced Privacy of Ownership:* There is no requirement to disclose ownership of the LLC, nor does it require transfer of ownership information.
6. *Exempt from Taxation in Liberia:* Liberia imposes no taxes on non-resident LLCs: no income tax, no franchise tax, no inheritance tax, no capital transfer tax, no sales tax
7. *Freedom to choose location of Headquarters:* The LLC's registered address will be the LISCRC Trust Company in Monrovia, Liberia, however, there is no restriction imposed on the location of the LLC's headquarters, and there is no requirement to maintain a Liberian physical address.
8. *Corporate Stock freely transferable:* Corporate stock can be transferred freely without the necessity of notifying the Registered Agent.

Potential Drawbacks:

1. The LLC has a limited life and will be dissolved on the death or bankruptcy of one of the members, unlike a corporation which generally has unlimited duration, however, this may be limited in the LLC Agreement.
2. This form of entity is not used for business owners who plan a public offering.

Delaware LLCs

Wyoming became the first state to enact LLC legislation in 1977, as it wanted to attract capital investments for a Texas oil company. Other states shortly followed suit when it became clear in 1988 that the IRS would treat an LLC as a partnership for tax purposes. Delaware has become synonymous with US corporate incorporation services.

The Financial Crimes Enforcement Network (FinCEN) has issued its final rule to amend the Bank Secrecy Act (BSA) regulations regarding the reporting of foreign financial accounts. The new Regulation 31 CFR Part 1010, published on February 24, 2011 addresses the scope of persons who are required to file reports of foreign financial accounts, specifies the types of accounts that are reportable, and adopts provisions to prevent persons who are subject to the rule from avoiding the reporting requirement.

The Rule became effective on March 28, 2011 and applies to reports required to be filed by June 30, 2011, with respect to foreign financial accounts maintained in calendar year 2010 and for reports required to be filed in subsequent calendar years.

Briefly, the rule requires that a resident or citizen of the United States who has a financial interest in or signature or other authority over a bank, securities, or other financial account in a foreign country, must report this relationship for each year in which such relationship exists. The form to be filed on or before June 30, 2011 is in respect of foreign financial accounts exceeding \$10,000 USD.

The Notice of Proposed Rulemaking defines a United States person as a "citizen or resident of the United States, or an entity, including but not limited to a corporation, partnership, trust or limited liability company, created, organized, or formed under the laws of the United States, any State, the District of Columbia, the Territories, and Insular Possessions of the United States of the Indian Tribes".

Delaware LLC law allows for the re-domiciliation of an LLC out of Delaware and the ability to convert to a foreign entity (para 18-2160 Subchapter II), providing that the LLC Agreement does not prohibit conversion. However for LLCs that exist as of the effective date of this Ruling, it is too late to avoid the "Reporting Rule" of foreign bank accounts.

However, it is not too late for those who are still contemplating the formation of an LLC. If you intend to take advantage of an LLC for your clients without subjecting them to the U.S. Internal Revenue Service "Reporting Rule" for foreign banking activities, the Liberian non-resident LLC is the solution.

Next newsletter

The next issue of Corporate@ is scheduled for September 2011.

www.LiberianCorporations.com

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As always, we are ready to serve your needs. Please contact the Liberian Corporate Registry for additional information.

Best regards,

Stephen Frey
Vice President, Liberian Corporate Registry and the entire staff of the Liberian Corporate Registry