McDonalds and Stray Dogs

PPLI Gives Tax Relief

Incongruities can be resolved in both form and substance with ***Private Placement Life Insurance (PPLI)***. We frequently learn best from examples that jolt our minds into new understandings. When I was running recently in the park across from my hotel in Shanghai, I saw several stray dogs playing. They were having a marvelous time frolicking about on the lawn in between the beautiful, mature trees in the park.

These dogs had no sense that they were strays and thought of by humans as just common street dogs. In the international tax arena, strangely enough McDonalds has some connection to these dogs. We will explore this further in our article, but now back to #PPLI.

PPLI is of course a ***specialized form of life insurance***, and when used properly fulfills the definition of life insurance in all respects. When used as a structure for ***wealthy international families***, it acts more like a trust than traditional insurance.

This can make PPLI difficult to grasp for clients and advisors. If one starts from the six principles of Expanded Worldwide Planning (EWP), PPLI is seen in its true light: an excellent structuring tool for the assets of wealthy international families.

The six principles of EWP

Privacy This is a key element. With ***FATCA***, ***CRS***, and Registers of Beneficial Ownership our clients are looking for ways to keep their affairs private, and still be compliant with tax authorities worldwide. But as you know, it takes ***study and constant attention to detail*** to create a proper structure.

Tax Shield In high tax jurisdictions, a tax shield is important. Why pay more tax than is necessary? If there is a PPLI structure than can give you a tax-free environment wouldn't it be desired by our clients?

Asset Protection Asset protection is an element that almost all clients seek. Making their assets inaccessible to former spouses, creditors, and those seeking to claim them without legal authority. An excellently crafted PPLI structure can also accomplish this for them.

Succession Planning Especially in jurisdictions that have forced heirship rules, succession planning is vital to clients. Most clients wish to distribute their assets according to their wishes and not according to a plan that they don't agree with.

Compliance Simplifier In today's world attempting to hide assets only draws more attention to them. Most clients wish to be compliant with the world's tax authorities, and at the same time keep as much privacy as possible. Finding our way in this maze of regulations is an important element.

Trust Substitute In some jurisdictions, in particular, those that use civil law as opposed to common law, a trust substitute would be useful. Why create an entity that in the end will just be ignored by tax and legal authorities? Why not have a PPLI structure that works both in civil and common law jurisdictions?

We will now return to McDonalds and the stray dogs. We give you a few excerpts from Paul Caron's *New York Times* article, "***EU Ends Inquiry Into Luxembourg's Tax Deal With McDonald's.***"

"The European Union has sparred with multinationals like Apple and Amazon as well as countries such as Ireland in its efforts to curb tax avoidance. In the case of McDonald's, it is standing down.

The European Commission, the bloc's executive arm, had been examining whether a deal that Luxembourg granted to McDonald's may have led to the fast food chain's paying less tax than it owed. The commission said Wednesday that these deals did not constitute illegal state aid.

The profits under scrutiny had not been taxed in Luxembourg or the United States, according to the commission, but it said that this was a result of a mismatch between the countries' tax laws rather than special treatment from Luxembourg, and that no rules had been broken. Still, Margrethe Vestager, the European Union's competition commissioner, said that it was important that Luxembourg change its laws to ensure profits do not go untaxed regularly."

"Of course, the fact remains that McDonald's did not pay any taxes on these profits — and this is not how it should be from a tax fairness point of view," Ms. Vestager said in a statement. "That's why I very much welcome that the Luxembourg government is taking legislative steps to address the issue that arose in this case and avoid such situations in the future."

McDonald’s and the government of Luxembourg welcomed the decision from the European Commission.

“We pay the taxes that are owed and, from 2013-2017, McDonald’s companies paid more than $3 billion just in corporate income taxes in the European Union with an average tax rate approaching 29 percent,” McDonald’s said in a statement.”

After carefully following the law, albeit to its own advantage, McDonalds is now cast as a stray dog--as something common and vagrant, certainly not something to be admired. But in one sense it was just being a smart tax payer, trying to pay as little tax as possible, but still following the law. One’s attitude toward McDonalds is, of course, determined by one’s own attitudes toward what is fair and good corporate behavior. *Is McDonalds to be judged poorly or judged to be a smart tax payer?*

At *Advanced Financial Solutions, Inc.* we carefully examine the laws and regulations of all the countries of the world, seeking ways to lower your taxes using PPLI. We hope you will join our lists of satisfied clients by seeking our advice on structuring your assets.

We seek to keep you compliant with the world’s tax authorities, and at the same time pay as little tax as possible. Contact us today for a free initial consultation.

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