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<b>CORPORATION TAX</b>	
Resident companies	Registration fee from US\$360 to US\$600 according to capital + an annual fee
Non-resident companies	Registration fee from US\$701.22 to US\$993.90 according to capital + an annual fee between US\$823.17 and US\$1,115.95
Exempt companies	Variable registration fee from US\$853.5 to US\$3,131.71 depending on capital + an annual fee of the same amount
Foreign companies	Registration fee of US\$1,620 + annual fee of the same amount
Trusts	US\$48 registration fee + US\$600 annual tax or lesser of trust income
Limited partnerships	Registration fee US\$ 1,020
<b>WITHHOLDING TAXES</b>	Not applied
<b>OTHER TAXES</b>	
Corporate income tax	None (only annual taxes are applied)
Tax on capital gains	None
Tax on capital	None
Inheritance and gift taxes	None
Import duties	Applied at variable rates
Hotel tax	13%
Departure tax	US\$ 37.5
Tax on vehicles	US\$ 216 minimum
Stamp taxes	7.5% of proceeds from the sale or disposal of Caymanian real estate. 1%-1.5% on mortgages, bills and other documents
<b>ADVANCE RULINGS</b>	Not applied
<b>INCORPORATION TIME</b>	1- 2 days
<b>REGISTRATION COSTS</b>	\$US 365.85 - \$US 3,863.41 depending on capital + \$US 1,000 - US\$ 3,000 for professional costs
<b>EXCHANGE CONTROLS</b>	None
<b>BANK SECRECY</b>	Guaranteed; however, the exchange of information is applied in case of illegal activities
<b>LEGAL SYSTEM</b>	<i>Common Law</i> + local statutes
<b>BILATERAL TAX AGREEMENTS</b>	A double tax treaty with the United Kingdom + TIEAs with 35 countries

## **1- GENERAL INFORMATION**

### **I- Location**

The Cayman Islands consist of 3 small islands (Grand Cayman, Cayman Brac and Little Cayman) which are situated in the western Caribbean, south of Cuba. The capital is George Town on Gran Cayman.

### **II- Political factors**

The Cayman Islands are a British Overseas Territory. They are largely self-governing. Laws are enacted by a Legislative Assembly, consisting of 15 elected members and 3 senior civil servants appointed by the Governor. Day-to-day government is in the hands of the Cabinet which is made up of 2 official members and 5 elected members with the Governor as chairman (non-voting). The 5 elected members are designated as ministers and hold portfolios. The Governor is appointed by the British Crown.

### **III- Legal system**

The law of the Cayman Islands is based on English common law, together with local statutes, thus making it more modern and appropriate for a leading international financial centre.

### **IV- Language**

The official language is English, although there is an increasing number of people who also speak Spanish.

### **V- Currency and exchange controls**

The unit of currency is the Cayman Islands dollar (CIS), which is divided into 100 cents. There are no exchange controls and payments and transfers of funds can be made in any convertible currency.

### **VI- Economic policy**

The development of the Cayman Islands as an international financial centre has led to a sophisticated business environment with a full range of services including banks, trust companies, lawyers, accountants, insurance managers, mutual fund managers and administrators, and all the expected support services.

### **VII- Financial institutions**

There are 231 banks and trust companies licensed in the Cayman Islands (as of 31 July 2023), including 40 of the 50 largest banks in the world. Approximately 70 banks and trust companies maintain their own office in the Cayman Islands. All banks which are not branches or subsidiaries of an approved international bank are expected to have a physical presence in the Islands.

### **VIII- Bank secrecy**

In July 2016, the *Confidential Information Disclosure Law 2016* replaced the *Confidential Relationships (Preservation) Law (2015)*, the previous banking secrecy law. The 2016 law lists certain exempted circumstances under which disclosure of confidential information will not be considered as a breach of the duty of confidence and it contains a number of other privacy laws and regulations.

The *Proceeds of Crime Law (2020)* applies to all conduct which would have constituted an offence if it had occurred in the Cayman Islands. In that way, the money laundering regime applies not only to all financial institutions, but also to persons such as lawyers, accountants and realtors engaged in relevant financial business, currently not supervised by the Monetary Authority.

The *Anti-Corruption Law (2019)* enhances the regime prohibiting local and foreign corruption and provides for the establishment of an Anti-Corruption Commission.

The *Monetary Authority Law (2020)* makes provision for the Monetary Authority to assist financial services supervisory authorities outside the Islands to obtain information from within the Islands.

The Monetary Authority has signed over 50 bilateral memoranda of understanding (MOUs) with regulators including Bermuda, Brazil, Canada, the United Kingdom, the Isle of Man, Jamaica, Jersey, Panama and the USA.

The *Criminal Justice (International Cooperation) Law (2015)* makes provision for the purpose of mutual legal assistance whether that involves taking evidence, serving documents or executing search and seizures.

### IX- Foreign investment

The government's objective is to achieve a steady rate of growth in the 2 major industries, tourism and finance. The government is receptive to ideas for creating employment and expanding the economic base of the Islands, and foreign investment is welcomed except in areas already well served by locally owned enterprises.

### X- The Stock Exchange

The Cayman Islands Stock Exchange (CSX) was established in 1996 and has seen slow but steady growth. The CSX is a statutory body corporate owned by the Cayman Islands Government. The CSX is regulated and supervised by the Stock Exchange Authority, which consists of the Managing Director of the Monetary Authority, an independent chairperson, the Attorney-General (or an assignee) and not less than 2 other members appointed by the Governor.

In 2004, the CSX was designated a recognised Stock Exchange by the UK's HMRC (Her Majesty's Revenue and Customs).

## 2- CAYMAN ISLANDS COMPANIES AND TRUSTS

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Corporations</i>	Seven types of companies are recognised by the law: <ul style="list-style-type: none"> <li>• Ordinary resident companies</li> <li>• Ordinary non-resident companies</li> <li>• Exempted companies</li> <li>• Foreign companies</li> <li>• Exempted limited duration companies</li> <li>• Segregated portfolio companies</li> <li>• Limited liability companies (LLCs)</li> </ul>	The principal documents of incorporation are the memorandum of association and articles of association.	All companies (other than exempted limited duration companies) are managed by a board of directors which is appointed in accordance with the terms of the company's articles of association. The powers of the board of directors are defined by the articles of association. Companies can act as directors.
<i>Partnerships</i>	There are 3 forms of partnership in the Cayman Islands: <ul style="list-style-type: none"> <li>• general partnership</li> <li>• limited partnership</li> <li>• exempted limited partnership.</li> </ul>		A limited partnership registered under the Partnership Law (2013 Revision) is required to pay a fee on formation.
<i>Trusts</i>	There are 3 classes of trust company licence as defined in the Banks and Trust Companies Law (2021 Revision): <ul style="list-style-type: none"> <li>• a trust licence permitting both domestic and offshore operations</li> <li>• a restricted trust licence permitting business only with specified clients</li> <li>• a nominee (trust) licence permitting nominee functions to be performed by a company which is a subsidiary of another licensee.</li> </ul>	A trust may be created by a declaration of trust by the trustee, or by settlement executed by the settlor or the trustee.	Trustees are allowed to borrow money on the security of the trust funds. Neither the settlor nor the trustees need be resident or physically present in the Cayman Islands. The beneficiaries under an exempted trust must not include any person at any time resident or domiciled in the Cayman Islands.

## **I- Corporations**

All companies are governed by the Cayman Islands Companies Law. This Law was passed in 1960 and has since been extensively amended, up to the latest version in 2021.

Seven types of companies are recognised by the law:

- ordinary resident companies
- ordinary non-resident companies
- exempted companies
- foreign companies
- exempted limited duration companies
- segregated portfolio companies
- limited liability companies (LLCs).

In most cases, companies are formed with limited liability and are limited by shares.

Before the incorporation of any Cayman Islands company for a client is completed, it is necessary for the organisation incorporating the company to conduct thorough due diligence in respect of the client. This includes obtaining certain documentation which typically includes: a copy of the individual client's photo page of their passport certified by a notary public or a certificate of incorporation or the equivalent constitutional document for a corporate client certified by a notary public, proof of a client's place of residence and of the source of funds being used in the transaction, 2 references and, where the company is to be regulated in the Cayman Islands, a business plan setting out details of the proposed business of the company.

The principal documents of incorporation are the memorandum of association and articles of association.

*The memorandum of association* contains the following information:

- the name of the company, which must be approved by the Registrar of Companies, and must contain the word "Limited" or "Ltd" (except for a segregated portfolio company which carries the abbreviation "SPC" or the words "Segregated Portfolio Company")
- the registered office, which must be in the Cayman Islands
- the objects of the company are not mandatory
- a statement that the liability of the members is limited or unlimited
- the amount of the authorised share capital of the company, unless the company is a company limited by guarantee (which does not have a share capital), the amount of the authorised share capital of the company. A company may issue share capital up to this amount, but may issue less and can be formed and operate with only one shareholder holding one share.

The articles of association regulate the internal management of the affairs of the company and are equivalent to by-laws. The articles govern such matters as appointment, powers and duties of directors, issue of shares, proceedings at meetings and borrowing powers.

Incorporation is accomplished by filing the memorandum of association and articles of association, related documents and the required fees with the Registrar of Companies. The process takes between 3 and 5 days. However, there is an express incorporation service which can be used to achieve incorporation on the same day an application is made.

All companies (other than exempted limited duration companies) are managed by a board of directors, whose powers are defined by the articles of association. Companies can act as directors.

Though not legally required, every company (other than exempted limited duration companies) has at least one director. It is usual but not mandatory to appoint a separate company secretary which may be a corporation. All acts of the board of directors and shareholders must be recorded in a minute book usually kept (but not required to be) at the registered office, together with the register of directors and officers. The location of the registered office must be notified to the Registrar of Companies. The names of all directors and officers must be notified to the

Registrar of Companies, as also must any changes. A register of all mortgages and charges specifically affecting property of the company must be kept.

The register of mortgages is open to inspection by any creditor or member of the company, whereas the register of directors and secretaries and the minute books are not.

All companies are required to keep proper books of accounts.

Audit is not required by law, except for entities licensed or regulated by the Monetary Authority, but may be required by the articles of association.

Exempted limited duration companies may elect a board of directors, otherwise, the company is run by the shareholders.

Shares must normally be in registered form. However, the issuance and use of bearer shares is no longer permitted in the Islands after 13 May 2016. Before 13 May 2016, bearer issues were permitted only in exceptional circumstances and had to be held by an authorised custodian, usually a financial institution such as a licensed bank or trust company.

A company may have only one shareholder. A share register must be kept at the registered office, or any other place as directed by the board of directors.

#### **Resident and non-resident companies**

Resident companies are used for local business purposes within the Islands, including owning real estate in the Islands and owning ships to be registered on the Cayman Islands Shipping Register.

Resident companies with no registered capital, or registered capital not exceeding US\$50,400, must pay a fee of US\$360 on incorporation and every year thereafter. Resident companies with registered capital exceeding US\$50,400 must pay a fee of US\$600 on incorporation and every year thereafter.

In addition, a resident company must pay a trade and business licence fee dependent on the type of business carried on. If such a company is not at least 60% Caymanian owned and controlled, it must also obtain a local companies (control) licence from the Trade and Business Licensing Board and pay an annual fee of US\$3,000 for such a licence.

Ordinary non-resident companies with no registered capital or registered capital not exceeding US\$50,400 must pay a fee of US\$701.22 on incorporation and an annual fee of US\$823.17 thereafter. Ordinary non-resident companies with registered capital exceeding US\$50,400 must pay a fee of US\$993.90 on incorporation and an annual fee of US\$1,115.85 thereafter.

Ordinary companies are required to maintain, at their registered office and open for public inspection, a register of their past and present members and are also required to report annually to the Registrar of Companies stating the names and addresses of members and the amount of paid-up capital. The only tax which might be payable is land transfer tax on any land owned which is situated within the Islands.

An ordinary company which is non-resident may be re-registered as an exempted company if the company passes a special resolution that it be so re-registered, and an application for re-registration is delivered to the Registrar of Companies. If the Registrar of Companies is satisfied that the ordinary non-resident company has met the requirements of the law, a certificate of re-registration is issued stating that the company is an exempted company.

The re-registration of an ordinary non-resident company as an exempted company does not create a new legal entity, prejudice or affect the identity or continuity of the company, affect the property of the company, affect any appointment made, resolution passed or the rights, powers, authorities, functions and liabilities or obligations of the company.

#### **Foreign companies**

A company incorporated in a foreign jurisdiction must register as a foreign company in the Cayman Islands before it can carry on business in the Cayman Islands. In order to register as a foreign company in the Cayman Islands, a company must file with the Registrar of Companies:

- a certified and authenticated copy of the statutes or memorandum and articles of association
- a list of the directors

- the names of one or more persons resident in the Cayman Islands authorised to represent the foreign company.

The company must pay a registration and annual fee of CI\$1,350 (US\$1,620) to the Registrar of Companies.

#### **Exempted companies**

The Companies Law makes specific provisions for companies whose business is to be carried out mainly outside the Islands. Such companies, called exempted companies, are the normal preferred corporate body used for offshore businesses. From 1 January 2019, exempted companies may apply for a licence to carry on business in the Islands. The advantages afforded to exempted companies by the law include:

- a tax-free guarantee may be granted for a period of up to 30 years
- names and addresses of shareholders are not made public or filed with the Registrar of Companies, but full disclosure must be made to the registered office service provider and the board of directors
- the annual reporting requirements consist of a statement signed by a director or the company secretary that the operations of the company have been carried on mainly outside the Cayman Islands and that no changes to the memorandum and articles have been made unless already notified to the Registrar of Companies
- the name of an exempted company may be in a foreign language and need not include the word “Limited” or the abbreviation “Ltd”, which is mandatory for ordinary companies
- no annual meeting of the shareholders or directors is required.

Every exempted company must pay a fee on registration and an annual fee in the January of each year thereafter. The latter tax varies from US\$ 853.56, for companies with nominal capital of less than US\$ 50,400, up to US\$ 3,131.71 for companies with nominal capital greater than US\$ 1,968,000.

#### **Exempted limited duration companies**

The Companies Law provides for the registration of a form of exempted company with a limited duration not exceeding 30 years if the the company is an exempted company, has at least 2 subscribers or 2 shareholders and has the words “limited duration company” or “LDC” after its name, or an existing exempted company may be converted to an exempted limited duration company. An ordinary non-resident company may simultaneously re-register as an exempted company and as an exempted limited duration company. A company re-registering in the Cayman Islands as an exempted company by way of continuation may simultaneously re-register as an exempted limited duration company.

The articles of association of an exempted limited duration company may require that the transfer of any share requires the unanimous approval of all shareholders. There may also be a requirement that the management of the company be vested in the shareholders.

A company ceases to be an exempted limited duration company if it fails to meet the requirements of the legislation for exempted limited duration companies, in which case it must pay a deregistration fee of CI\$400 (US\$480) and the Registrar of Companies issues a Certificate of Incorporation altered to meet the changed circumstances of the company.

Liquidation of an exempted limited duration company is taken to have commenced voluntarily if the period fixed for the duration of the company expires, or if the shareholders pass a special resolution that the company be wound up voluntarily.

Subject to any contrary provision in the memorandum or articles of association, liquidation is also taken to commence on the expiry of a period of 90 days or commencing on:

- the death, insanity, bankruptcy, dissolution, withdrawal, retirement or resignation of a member
- the redemption, repurchase or cancellation of all the shares of a member, or
- the occurrence of any event which under the memorandum or articles of association terminates the membership of a member of the company,



unless there remain at least 2 shareholders who, by unanimous written resolution adopted during that period of 90 days, resolve that the company continue in existence.

#### ***Segregated Portfolio companies***

The Companies Law provides for segregated portfolio companies (which in some jurisdictions are called protected cell companies or segregated account companies). A segregated portfolio company is divided into one or more portfolios, each of which is segregated from the other portfolios of the company and each of which must be structured so that the liabilities of a portfolio extend only to the segregated portfolio assets attributable to that portfolio. A segregated portfolio company is a single legal entity and any segregated portfolio of or within a segregated portfolio company does not constitute a legal entity separate from the company. Each segregated portfolio company may issue shares in one or more classes. The proceeds of issue of the shares relating to a segregated portfolio are included in the assets of that segregated portfolio.

#### **Licences**

Licences are not normally required for offshore companies, except for banks, trust companies, insurance companies, mutual funds or mutual fund administrators, company management companies, or others. Both exempted and ordinary non-resident companies are prohibited from carrying on local business other than local business which they carry on in furtherance of their offshore business, but from 1 January 2019, exempted companies may apply for a licence to carry on business in the Islands.

Licences are required by the following types of company:

- Banks, trust companies and insurance companies may require licences from the Monetary Authority, the grant of which is discretionary.
- A management company requires a company management licence, which overall cost is CI\$1,500 (US\$1,800).
- Companies providing incorporation and registered office services require licensing by the Monetary Authority paying an overall amount of CI\$1,000 (US\$1,200).
- A company administering mutual funds requires a mutual fund administrator's licence, at the overall cost of CI\$20,000 (US\$24,000) or CI\$25,000 (US\$30,000) (depending on the number of funds under management).
- A company carrying on investment business is subject to the Securities and Investment Business Law (2020 Revision), which regulates securities advisors, managers, stock brokers and broker dealers. Initial and annual fees range from CI\$5,000 (US\$6,000) to CI\$8,000 (US\$9,600).
- For any other type of offshore business, a trade and business licence is required if an exempted or ordinary non-resident company wishes to maintain its own staffed office in the Cayman Islands. If a company trades through agents in the Cayman Islands, no trade and business licence is normally required.

#### **Migration of companies**

Cayman Islands companies may be transferred into the Islands from another jurisdiction or viceversa.

Transfer into the Islands is subject to the following requirements:

- The company seeking transfer ("the registrant") must be with limited liability and a share capital.
- The home jurisdiction must permit the transfer of the registrant.
- A fee equal to the fee for the incorporation of a Cayman Islands exempted company must be paid by the registrant.
- The registrant must deliver to the Registrar of Companies the same documents that are required for the registration of a foreign company.
- The name of the registrant must be accepted or changed by the Registrar of Companies in the Cayman Islands.
- The registrant must designate a registered office within the Cayman Islands.

- The registrant must file the same declaration as that filed by an exempted company: that its operations will be conducted mainly outside the Cayman Islands.
- No proceeding must be outstanding against the registrant.
- No trustee or other similar person must have been appointed in respect of the registrant or its property.
- The registrant must be solvent.
- The registrant must be able to pay its debts.
- The application for registration must be bona fide and not to defraud creditors.
- The registrant must deliver to the Registrar of Companies an undertaking to notify all secured creditors within 21 days.
- The registrant must file any required consent or approval for contracts or undertakings.
- The charter of the registrant must permit the transfer.
- The laws of the relevant jurisdiction must permit the transfer.
- The registrant must be constituted in a form substantially the same as an exempted Cayman Islands company limited by shares.
- The laws of the relevant jurisdiction must provide that the registrant will cease to be registered thereunder on transfer.
- The registrant must obtain any necessary Cayman Islands licences.
- The transfer must not be against the public interest.

On completing the transfer the registrant receives a certificate from the Registrar of Companies as an exempted company of the Cayman Islands, and continues as an exempted company under the laws of the Cayman Islands.

The registrant shall within 90 days of the date of registration by special resolution make such amendments, alterations, modifications, variations, deletions and additions to its charter documents as are necessary to ensure that they comply with the requirements of Cayman Islands law relating to exempted companies.

An exempted company, incorporated under the laws of the Cayman Islands and having a share capital, may deregister and transfer to a relevant jurisdiction provided it meets the same basic requirements as outlined above for registration. Such requirements shall be read in the context of deregistration rather than registration. Further requirements are as follows:

- the fee for deregistration shall be 3 times the annual fee that would have been payable by the company immediately preceding the application for deregistration, and
- in the case of a company licensed under the Banks and Trust Companies Regulation Law (Revised) as amended or the Insurance Law (2010 Revision) as amended, the approval of the Governor-in-Council of the Cayman Islands shall have been received.

## **II- Trusts**

Trusts in the Cayman Islands are subject to the Trusts Law (2020 Revision), the Special Trusts (Alternative Regime) Law 1997 and the general law of trusts (which follows English principles).

All trusts formed under the Trusts Law may have a perpetuity period of up to 150 years.

The Trusts Law permits the creation of a Special Trusts Alternative Regime (STAR). Such trusts may be formed for any legitimate purpose and without specific beneficiaries, they are subject to somewhat stricter regulation than ordinary trusts and are not subject to any maximum perpetuity period rules. The trust company must have an office in the Cayman Islands where it must keep the trust deed and all relevant records.

A trust may be created anywhere – usually in the Cayman Islands – by a declaration of trust by the trustee, or by settlement executed by the settlor or the trustee.

Exempted trusts are required to be registered and pay a registration fee of CI\$500 (US\$600) with the Cayman Islands Registrar of Trusts, who cannot, by law, disclose the existence of the trust, and to pay an annual fee of the lesser of CI\$500 (US\$600) or the income of the trust.

Ordinary trusts are not registered and pay no annual fee. All trusts must be stamped at the rate of CI\$40 (US\$48).

The settlement sum can be minor with provisions made to add further funds.

There are no restrictions on beneficiaries, but those under an exempted trust must not be resident or domiciled in the Cayman Islands.

Neither the settlor nor the trustees need be resident or physically present in the Cayman Islands. The beneficiaries under an exempted trust must not include any person at any time resident or domiciled in the Cayman Islands.

There are no legal requirements for annual or audited accounts, but these are usually required by the trust deed. Accounts are not public or filed.

Migration is possible under the laws of the Cayman Islands.

The Cayman Islands Registrar of Trusts cannot, by operation of law, disclose the existence of an exempted trust. Other trusts are subject to normal confidentiality rules.

The Trusts Law contains a number of specific powers, which include:

- power to revoke, vary or amend the trust instrument
- power of appointment of income or capital
- the power to determine any limited beneficial interest in the trust property
- power to act as a director or officer of any company owned by the trust
- power to give the trustee binding directions in relation to the investment of the trust property
- power to appoint, add or remove any trustee, protector or beneficiary
- power to change the governing law and forum for administration of the trust, and
- power to require the trustee to obtain consent before exercising a power.

#### **Trust company licences**

There are 3 classes of trust company licence as defined in the Banks and Trust Companies Law (2021 Revision): a trust licence permitting both domestic and offshore operations, a restricted trust licence permitting business only with specified clients and a nominee (trust) licence permitting nominee functions to be performed by a company which is a subsidiary of another licensee. All trust licence applications carry an application fee of US\$2,400.

Generally, trust licences are issued only to major international trust companies, subsidiaries of major international banks or trust companies, and to privately owned institutions of a high calibre. A minimum paid-up capital of US\$480,000. The fee payable on the grant of a trust licence is approximately US\$84,000 on formation and approximately US\$108,000 pa thereafter.

Restricted trust licences require a minimum paid-up capital of US\$24,000. The fee payable on the grant of a restricted trust licence alone is US\$8,400 on formation and US\$8,400 for each annual renewal thereafter. A restricted trust licence may be issued to any reputable company, individual or group of individuals and is often used in relation to family trusts, or specific off balance sheet commercial transactions.

The Banks and Trust Companies (Amendment) Law 2008 and the Trusts (Amendment) Law 2008 amend the definition of “private trust company”. The Banks and Trust Companies (Amendment) Law 2008 includes a general provision for trust company licensing exemptions to be made by regulation, including a registration regime for private trust companies (ie those that do not provide trust services for the public) and expansion of the scope of activity for controlled subsidiaries of licensed trust companies. The private trust exemption regime is set out in the Private Trust Companies Regulations 2008.

A nominee (trust) licence requires a guarantee from the licensee of which it is a wholly owned subsidiary for liabilities up to US\$240,000. The fee payable on the grant of a nominee (trust) licence is US\$8,400 on formation and US\$7,200 for each annual renewal thereafter.

If the trust company does not have a physical presence in the Cayman Islands, it must in all cases be represented by a class “A” bank or trust company which does have a presence.

### **Trustee services**

Trust companies provide extensive trustee services. Many banks also hold trust licences, in which case the bank will have a division providing trust facilities and will act as the trustee. Fees for providing these services may be based on the value of the trust assets at the end of each year or may be based on a time spent basis. Usually the following services are provided:

- wills, executors and trustees
- trustees of inter vivos trusts and settlements
- administration of estates
- management of trusts and companies dealing in offshore operations
- trustees of commercial trusts involved in international financing transactions, and
- in some cases, investment management.

### **III- Special entities**

There are 3 forms of partnership in the Cayman Islands — a general partnership, limited partnership and exempted limited partnership.

#### **General partnership**

It is a partnership in which each of the partners is jointly liable with the other partners for all debts and obligations of the firm. This is the form of partnership usually used by professional firms such as lawyers and accountants.

#### **Limited partnership**

It must consist of one or more persons called general partners, and one or more persons called limited partners, who shall not be liable for the debts or obligations of the firm beyond the amounts so contributed.

A limited partner may receive lawful interest annually on their contribution.

A limited partnership is required to pay a fee on formation amounting to CI\$850 (US\$1,020). A foreign limited partnership should pay a registration fee of CI\$1,350 (US\$1,620) and an annual fee of the same amount thereafter. A limited partnership may be converted into an exempted limited partnership on compliance with the provisions of the Exempted Limited Partnership Law (2021 Revision).

#### **Exempted limited partnership**

It is an alternative form of limited partnership for the carrying on of business outside of the Cayman Islands.

An exempted limited partnership may apply to the Cayman Islands Government that no law which is thereafter enacted in the Cayman Islands imposing any tax on profits or income or gains or appreciations shall apply to such exempted limited partnership or to any partner thereof. Such an undertaking may in addition provide exemption from estate duty or inheritance tax and may be for a period not exceeding 50 years from the date of approval.

The exempted limited partnership must have a name which includes the words “limited partnership”, or the letters “LP” or “L.P.”.

Unlike a regular limited partnership, there is no requirement for any information concerning the exempted limited partnership to be published in the Gazette.

An exempted limited partnership is required to pay a fee on formation amounting to CI\$1,000 (US\$1,200) and to file every year with the Registrar of Limited Partnerships a return signed by or on behalf of the general partner in accordance with the requirements of the law.

The annual fee can vary between CI\$1,200 and CI\$2,000.

A limited partnership may be converted into an exempted limited partnership on compliance with the provisions of the Exempted Limited Partnership Law (2021 Revision).

#### **A resident partnership**

This partnership pays no annual fee but is subject to the trade and business licence fee. For every partner working in the Islands who is not a Caymanian, gainful occupation licence fees must be paid.

### **Mutual funds**

Mutual funds in the Cayman Islands are regulated by the Mutual Funds Law (2021 Revision). Under the Mutual Funds Law, “mutual fund” means a company, unit trust or partnership that issues equity interests, the purpose or effect of which is the pooling of investor funds with the aim of spreading investment risks and enabling investors in the mutual fund to receive profits or gains from the acquisition, holding, management or disposal of investments. The Mutual Funds Law provides for the regulation of mutual funds and for the licensing of certain types of mutual funds and the licensing of mutual funds administrators. The annual registration fee is CI\$2,500 for a master fund, and CI\$3,500 for other mutual funds. Furthermore, all mutual funds pay an annual licence fee of CI\$3,500 (US\$4,200).

## **3- TAXATION SYSTEM**

### **I- Introduction**

The Cayman Islands has no income tax, corporation tax, capital gains tax, wealth tax, inheritance tax or death duties on income, profits, dividends or wealth.

Revenue is raised by the Cayman Islands Government from various indirect taxes.

There is no tax return requirement as such. However, it is the responsibility of all persons and companies liable to pay licence fees to submit the appropriate fees in January each year.

### **II- Resident companies, general partnerships and limited partnerships**

There is no liability for tax on any profit earned by a Cayman Islands resident company or partnership, but licences apply.

### **III- Foreign income**

There is no tax on any corporate profits or dividends received, whether derived from a local or foreign source. Although the Cayman Islands impose no tax on profits, a tax deduction is available equal to the amount of tax paid on income derived from the United Kingdom (in accordance with the tax treaty).

### **IV – Other taxes**

The only taxes levied in the Cayman Islands (except for corporate taxes) are:

- Import duty: varying rates of duty (usually 22%) are levied on all imports into the Islands, except certain basic foods;
- Room tax is levied at the rate of 13% on revenue from hotels and other accommodation;
- Departure tax of CI\$30 (US\$37.50) is charged on all persons leaving the Islands who are 12 years of age or older;
- Motor vehicle licence fee is charged annually on all vehicles. The minimum charge is CI\$180 (US\$216).
- Stamp duty is payable on the transfer of land at a flat rate of 7.5%.

Concessions apply to Caymanian first-time buyers.

If the land is owned by a company or other body corporate the above stamp duty is payable if shares of the company or other body corporate are transferred for value.

Mortgages, promissory notes and other legal documents require stamping at varying rates up to 1% ad valorem, or 1.5% of the consideration if more than CI\$300,000 (US\$360,000).

The stamp duty payable on a mortgage of movable property situated in the Cayman Islands is a maximum of CI\$500 (US\$600) if the mortgage is granted by an exempted company, an ordinary non-resident company or a company incorporated outside the Cayman Islands.

Certain instruments or notes and any global instruments, whether secured or unsecured, relating to them, and any assignment or transfer of such global instruments are exempt from stamp duty provided the instruments or notes are issued as part of a series of instruments of equal rank, the

issuer is an exempted company, an ordinary non-resident company or a company incorporated outside the Cayman Islands or the issuer has paid a duty of CI\$500 (US\$600) in respect of the issue, and the issue is not secured by immovable property within the Cayman Islands.

#### **Taxation of dividends**

There is no income or withholding tax. Thus, dividends received by one Cayman Islands company from another are not subject to tax on either the payer or recipient companies.

#### **Advance rulings**

Advance rulings are not available.

#### **Anti-avoidance**

There is no anti-avoidance legislation per se in the Cayman Islands.

#### **Special incentives**

The two incentives applied in the Cayman Islands are the waiving of import duties and the first special economic zone of the Islands.

*Import duties* may be waived in full or in part for construction of new hotels and buildings for industries which employ Caymanians.

The Cayman Enterprise City, the Cayman Islands' first special economic zone, opened in February 2012, aimed at companies whose principal purpose must be to trade outside of the Cayman Islands. Trade within the Cayman Islands is not permitted unless it is to further the company's business outside of the Cayman Islands.

There are no restrictions on ownership of companies in the zone, so full foreign ownership is permitted. Companies in the zone are exempt until the end of 2061 from: corporate tax, income tax, capital gains tax, work permits, import duties, and other duties and fees including those in respect of transfers and real estate.

#### **Transfer of income and capital**

There are no exchange controls.

There is no tax on capital gains accruing to non-resident companies.

## **4- OFFSHORE COMPANIES**

### **I- Introduction**

The offshore companies in the Cayman Islands may be either:

- Exempted companies
- Limited liability companies (LLCs), or
- Non-residents companies.

Non-resident companies are an alternative to exempted companies and LLCs.

Exempted companies and LLCs are always non-resident. Non-resident companies are those where business is primarily conducted outside the Cayman Islands.

All companies are free from taxes on income, capital gains, or capital other than incorporation and annual charges (with maximums and minimums) based on the authorised capital.

Non-resident individuals and companies may freely repatriate all profits and gains of any amounts, free of any exchange controls or tax.

### **II- Offshore holding companies**

No specific taxing provisions apply to offshore holding companies other than those relating to companies generally, provided the finance company does not carry on banking or trust business. No individual or corporation may conduct banking business and no corporation may conduct trust business unless a licence has been issued by the Cayman Islands Government.

### **III- Offshore finance companies**

In the Cayman Islands no individual or corporation may conduct banking business, and no corporation may conduct trust business, unless holding a licence issued by the Monetary Authority

There are three main classes of banking licence:

- an “A” licence which may permit both domestic and/or offshore operations (depending on the licence fee paid),
- an unrestricted “B” licence permitting offshore operations only
- a restricted “B” licence permitting business only with specified clients.

All bank licence applications carry an application fee of approximately CI\$2,000 (US\$2,400).

A” licences are issued only to branches of major international banks or their subsidiaries. If incorporated in the Cayman Islands, they require a minimum paid-up capital of CI\$400,000 (US\$480,000) or such greater sum as may be determined by the Monetary Authority. The Monetary Authority normally fixes the required paid-up capital by reference to the type of business to be carried on and a capital adequacy ratio.

If the bank does not wish to carry on local retail business, but wishes to represent other licensed banks, the fee payable for this licence is between CI\$ 200,000 and CI\$ 350,000.

If the bank does wish to carry on local retail business, the annual fee is CI\$1,000,000 (US\$1,200,000).

If an organisation holds both a class A banking licence and a trust licence, the same fee covers both licences.

The annual fee payable for B licences, which are generally only issued to existing financial institutions or their subsidiaries, is between CI\$60,000 (US\$72,000) and CI\$100,000 (US\$120,000) on each annual renewal.

The annual fee payable for a restricted “B” licence varies between CI\$37,000 (US\$44,400) and CI\$40,000 (US\$48,000).

All banks are required to have a physical presence in the Cayman Islands. If this is not possible, the Cayman branch or subsidiary may be represented by an “A” licensed bank with a physical presence.

### **IV- Offshore concessionary companies**

The Patents and Trade Marks Law (2010 Revision) extends to the Cayman Islands the effect of rights under UK and EU patents and trade marks. Such extensions are recorded in a register maintained in the Islands, and remain valid so long as the rights in the United Kingdom (or the EU, as the case may be) continue in force. A fee of CI\$200 (US\$240) is payable on application for registration in one class. Copyrights are governed by various regulations and orders issued pursuant to the Copyright Act 1956 of the United Kingdom.

The use of a Cayman Islands licensing company is a very popular structure with US residents with interests in industrial or intellectual property.

Where a jurisdiction has “controlled foreign corporation” legislation and rules, consideration should be given to the use of an exempted trust. The patent or other property rights are assigned to the Cayman Islands exempted trust which then licenses other companies in the other jurisdiction to use such rights. The income of the trust from such sources could be freely accumulated in the Cayman Islands free of any tax.

### **V- Offshore trading companies**

The Government of the Cayman Islands, with the help and support of the British Government, has established the Islands as a domicile for the registration of ships.

All major international maritime conventions to which Britain is a party have now been extended to the Cayman Islands.

In order to register a ship in the Cayman Islands, ownership of the vessel must be held by a national body corporate or shipping entity of the Cayman Islands, the European Union or a

European Economic Area State, or countries that are included in the Money Laundering Regulations (examples are the Bahamas, Hong Kong, Israel, United Arab Emirates and the United States) including their overseas territories.

Ships registered in the Cayman Islands fly the red ensign and, with some minor exceptions, meet the same standards as British ships registered in the United Kingdom.

A Cayman Islands corporation that has operating ships will enjoy tax-free profits.

The officers and engineers of a ship registered in the Cayman Islands, other than a yacht (including a commercial yacht) which has different requirements, may hold any of the following certificates:

- UK Certificates of Competency.
- Certificates recognised by the United Kingdom, even if issued by any of the Commonwealth Countries.

#### **VI- Offshore insurance companies**

No person or corporation may carry on any form of insurance business in or from the Cayman Islands without a licence. The licensing procedure is similar to the procedure for the licensing of banks and trust companies. Licence applications are addressed to the Cayman Island Monetary Authority. All insurance companies must have their registered office (if a Cayman Islands company) or place of business (if a foreign company) in the Cayman Islands, and they must either have a fully-staffed office in the Cayman Islands or appoint an insurance manager. The capital requirements are geared to the business to be carried on and the type of licence held.

If the insurance company wishes to carry on insurance business in the Cayman Islands (whether or not it also carries on business outside the Cayman Islands) it must hold a Class A Insurer's Licence. Initial and annual fees are CI\$75,000 (US\$90,000).

Insurance companies carrying on business outside the Cayman Islands must hold a Class B licence. Initial and annual licence fees range from CI\$8,500 (US\$10,200) to CI\$10,500 (US\$12,600).

A segregated portfolio company holding an insurer licence should pay an additional annual licence fee of CI\$250 (US\$300) for each segregated portfolio.

#### **VII- Offshore real estate companies**

Exempted companies, LLCs and non-resident companies may purchase and hold real property anywhere in the world, subject to local laws, except in the Cayman Islands. Cayman Islands land may be purchased by a non-resident person or by a Cayman Islands ordinary resident company owned by a non-resident.

#### **VIII- Offshore administration/headquarter companies**

No specific provisions apply to offshore administration/headquarter companies other than those relating to companies generally.

#### **IX- Offshore trading and other companies**

No specific provisions apply to offshore trading companies other than those relating to companies generally.

#### **X- Offshore trusts**

A Cayman Islands non-resident trust enjoys certain advantages:

- Any person may settle funds in a Cayman Islands trust.
- The settlor need not be physically present in the Cayman Islands.
- The trust deed creating the trust may be executed anywhere in the world.
- The trust enjoys the asset protection and reserved powers provisions of the Trusts Law that give greater certainty to settlors and beneficiaries.



- The perpetuity period may be up to 150 years.
- There are no restrictions on the transfer of further capital nor on the accumulation of income.
- Trustees are allowed to borrow money on the security of the trust funds, subject to the terms of the trust deed.
- Provided all beneficiaries are non-resident in the Cayman Islands, the trust may be registered as an exempted trust, in which case it receives a guarantee from the Cayman Islands Government that it will be free of all taxes and future taxes for a period of up to 50 years.  
If any beneficiaries become Cayman Islands residents the tax undertaking is withdrawn in their case. It is unaffected in relation to the other beneficiaries.

## **5- BILATERAL TAX AGREEMENTS**

The Cayman Islands has a double tax treaty with the United Kingdom, effective for corporation tax, income tax and capital gains tax since 6 April 2011. No Cayman Islands withholding taxes apply to UK entities as there are no taxes on income or capital gains arising in the Cayman Islands.

In response to the OECD tax initiatives, the Cayman Islands gave its commitment (in 2000) to provide effective exchange of information and transparency, signing various memoranda of understanding and information exchange agreements (TIEAs). For that reason, the Cayman Islands are on the OECD's "white list". TIEAs have been signed with: Argentina, Aruba, Australia, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Faroe Islands, Finland, France, Germany, Greenland, Guernsey, Iceland, India, Ireland, Isle of Man, Italy, Japan, Malta, Mexico, Netherlands, Netherlands Antilles, New Zealand, Norway, Poland, Portugal, Qatar, Seychelles, South Africa, Sweden, United Kingdom and United States.