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Commercial Trust



## Country Profile: British Virgin Islands

## The Facts

Location	Between the Caribbean Sea and the North Atlantic Ocean
Languages	English
Nationality	British Virgin Islander
Religions	Protestant – 84% Roman Catholic – 10% Others – 6%
Government	Constitutional Monarchy and Parliamentary Democratic Dependency
Head of Government	Premier
Legislature	The House of Assembly
Constitutional Document	The Virgin Islands Constitution 2007
Economy	The British Virgin Islands' economy is mainly dependent on tourism and financial services. As an offshore haven, it offers an investment environment with stability, high level of privacy, good reputation and flexible legislation. The main offshore businesses involve: trust management, mutual funds and captive insurance.
Currency	US Dollar (USD)
GDP (2009)	Total – USD 1,328 million Per capita – USD 57,626 Real GDP growth – +2.3%
Population	31,200 (approx.)
Percentage of population	Black – 82% White – 6.8% Others – 11.2%
Area	151 km <sup>2</sup>
Time zone	AST (UTC -4)
Public Holidays	National holidays – 14
Climate	Subtropical and humid



Sources: Government of the British Virgin Islands, Central Intelligence Agency, Undata

## The British Virgin Islands

The world has taken notice of the business environment of British Virgin Islands and the opportunities it boasts. Being an offshore financial center, the British Virgin Islands is one of the better prospering economies of the Caribbean region. And this is evident from the fact that the nation has an impressive per capita average income of around \$38,500, better than most Caribbean nations.

If we add the following incentives, the British Virgin Islands make for the perfect place to setup a business:

- Political and economic stability
- Competitive administration costs
- Low direct taxation, with tax exemption for certain classes of companies
- No capital gains, gift or wealth taxes and no death duties
- No exchange controls
- Modern corporate code
- Established trust law
- Excellent communications worldwide
- Limited reporting requirements
- Professional expertise to assist individuals and companies using the jurisdiction
- Minimum of bureaucracy and red tape

## The British Virgin Islands Business Climate

### Government and Legal System

The British Virgin Islands is a British Dependent Territory, with the responsibility of administering its own internal affairs since 1967. Independence from the United Kingdom is not an issue in local politics. The legal system in the nation is based on English common law and rules of equity, and on local statutes. The jurisdiction is part of the West Indies Court system, with final appeal to the Privy Council in London.

### The Economy

The most significant sectors of the economy in the British Virgin Islands are offshore financial services and tourism. The country is the world's largest offshore corporate domicile.



Business Companies are generally of several types and are used for many purposes. Most of the times, if not all, they are used as vehicles to hold assets and for tax planning.

### **Common Limited Liability Company**

A standard British Virgin Islands company is a limited liability company. This is a highly common structure in the country. Currently, there are over 450,000 active companies in the nation, which stands testimony to the popularity of this structure.

Let us take a look at the salient features of this structure:

- As mentioned before, this form is more of a personal wealth vehicle, which is considered a platform to hold personal assets, such as a house or other investments, and sometimes in concurrence with a trust. This structure may be for various purposes, such as tax planning, asset protection, and so on.
- A unique feature of this form is that one can include his/her family members as the shareholders. Through this, passing ownership on death isn't a difficult task, without nullifying the interest of the deceased. Placing the company in a trust can help prevent any problems in this regard.
- A business company is also incorporated for corporate tax structuring. Let us understand this better by considering a hypothetical situation. A US parent company, which boasts operations in various other nations, may decide to hold investments in the British Virgin Islands, where the income is taxed only when remitted back to the parent company. The company may also consider using the British Virgin Island company to trade with overseas suppliers as well as customers.
- Establishing mutual funds is also something that can be a reason for the formation of such a company structure. The clauses and memorandums of a mutual fund contain specific clauses that are meant to cater to this feature.
- The Merchant Shipping Order of 2005 puts forth the requirements for anyone wishing to register a shipping vessel under the British Virgin Islands Flag. The first requirement is that the vessel should be owned by a citizen of the British Virgin Islands, the UK or any one of its Dependent Territories. National of a member state of the EU can also seek to register their vessel under the British Virgin Islands Flag, if they have a place of business within the British Virgin Islands. If a non-citizen seeks to register a vessel, then the majority ownership of the vessel should be held by a person who is a citizen of one of the nations mentioned above.

Besides the common limited liability company, there are some other legal business structures that can be formed in the British Virgin Islands in order to setup a business or for investing in the nation.

## A Company Limited by Guarantee, with or without the right to issue shares

The highlighting features of this structure are:

- The Memorandum must state:
  1. Whether the company is limited by guarantee, and whether it has the right to issue shares
  2. The amount that should be contributed by all the guarantee members
- Salient features: A company that is limited by guarantee and is authorized to issue shares can be used to assure that order within the group is in place while accessing capital and financing through the issue of shares. The form can also be used for charitable purposes, along with the clubs and associations.

## An Unlimited Company, authorized or not authorized to issue shares

A very interesting structure, an unlimited company has the following features:

- The Memorandum should illustrate that the company is restricted by guarantee, and whether it has a right to issue shares or not
- Must have “Unlimited” or “Unltd” at the end of its name
- An unlimited company that isn’t certified to issue shares should file a compulsory return latest by March 31 annually, of the directors selected till December 31 of the previous year. This would then de facto become a public document

## Restrictive Purposes Company (RPC)

Features of this form are mentioned below:

- It must be mentioned in the memorandum that the company is a restrictive purposes company, along with mentioning the purposes and objectives of the company
- Must have “RPC Limited” or “RPC Ltd” in the company’s name.
- Such a company has a provision for modifying its purposes by amending its Memorandum; but amending it in order to cease being a restricted purposes company may not be allowed.

Salient features: Such companies are useful in helping investors manage various risk factors. For instance, a mutual fund promoter or a captive insurance company can detach a group of assets from the risk of bankruptcy legally, and register the transmission of financial assets as sales in the balance sheet. This can also be valuable for wealth preservation, or even as a technique of disposing particular assets. This structure can be used for ringing the fence liabilities. In doing so, it is important that the RPC be regarded as a separate legal entity.



## Segregated Portfolio Companies (SPC)

A Segregated Portfolio Company is actually a little different from all other business structures. Here are some of its important features:

- Forming a SPC requires a written approval of the Financial Services Commission.
- The memorandum should also mention the fact that the company is a Segregated Portfolio Company.
- Stating the words “Segregated Portfolio Company” or SPC in the name of the company is a must.
- An SPC may be deprived of the right to issue Bearer Shares.
- Although an SPC isn’t required to mention the details of the classes of shares or the rights and restrictions attached to each class
- This company is a single legal entity, but is comprised of numerous separate cells, and portfolios.

Salient features: An SPC is generally used by captive insurance companies as well as mutual funds. It assists the segregation of assets and liabilities present in the various portfolios. Thus, assets of each portfolio aren’t at risk even during difficult financial times. They are protected from creditors present in other portfolios, or the company’s general creditors.

## Private Trust Companies (PTC)

Another form that is used quite frequently is the Private Trust Company. Let us take a look at some of the distinguishing features of this structure:

- This is a not for profit company that is formed primarily for the purpose of acting as trustee of a particular trust or a group of trusts;
- Again, adding the words ‘Private Trusts Company’ or PTC is a must.

Salient features: A PTC is generally used for management of family wealth, providing important things like confidentiality, influence and even empowerment, and that too at a lower cost.

## Taxation

If you plan to invest or setup a business in the British Virgin Islands, you would be elated to know that there are no capital gains or capital transfer tax, sales tax, VAT or an inheritance tax. For resident companies, the only taxes levied are income and property tax. There may also be stamp duties at times for particular transactions, and property taxes. Business companies are exempt from income tax and stamp duty.

## Banking Requirements

The British Virgin Islands government upholds restrictive guidelines on granting of bank licenses, which limits such licenses to associates and branches of recognized international banks.

The currency that is in use in the Islands is the United States Dollar (USD). There are no exchange controls or restrictions on the movement of funds into and out of the Islands or on their conversion into other currencies.

Further, banks in the British Virgin Islands are regulated under the Banks and Trust Companies Act 1990. In addition, they are supervised by the Inspector of Banks and the Company Managers.

The licensing of banks is done under three categories:

- General Banking License - Through this license, all forms of banking activities are permitted;
- A Class 1- Restricted Banking License permits international business only;
- A Class 2 - Restricted Banking License permits the conduct of banking business only with counterparties named in the license.

The banking sector has been limited to a small number of international banks as part of the jurisdiction's determination to exclude money-laundering. There are currently 7 banks in the British Virgin Islands, including Barclays Bank and Chase Manhattan.

## Immigration and Visa Requirements

Whether one is going for business or travel purposes, proper permission must be acquired from the embassy. US citizens are not required to apply for travel and business visa in the British Virgin Islands. However, their passports must have at least 6 months validity left on the day they enter the British Virgin Islands.

For others, the application for a visa requires the following documents and details:

- Passport with validity that must exceed the intended stay period by 3 months
- Two photographs that need to be tagged to the application form
- Business letter stating your business purpose
- Proof of sufficient funds to support your business purpose
- Tax and financial statements
- Proof of stay (hotel reservation, rental facility, etc.)
- Proof of health insurance
- Travel documents (tickets, etc.)
- Photocopies of all the pages of the passport as well as photocopies of all the above documents mentioned.

Submit your visa application along with both original and photocopies of these documents. This would ensure transparency as well as descriptiveness in your application, increasing your chances for the approval of a visa.

## Reference

Government of the British Virgin Islands – London Office	<a href="http://www.bvi.org.uk">www.bvi.org.uk</a>
Undata	<a href="http://data.un.org">data.un.org</a>
Central Intelligence Agency	<a href="http://www.cia.gov">www.cia.gov</a>
Business Inc	<a href="http://www.business-inc.co.uk/british-virgin-islands-bvi-company-formation.htm">www.business-inc.co.uk/british-virgin-islands-bvi-company-formation.htm</a>
LCC Global	<a href="http://www.lccglobal.com/singapore/british-virgin-island-incorporation.php?gclid=COMfw4vatrECFUp76wodv2QA-Q">www.lccglobal.com/singapore/british-virgin-island-incorporation.php?gclid=COMfw4vatrECFUp76wodv2QA-Q</a>
BusinessBVI	<a href="http://www.businessbvi.com">www.businessbvi.com</a>
Harkom Corporate Services	<a href="http://www.harkombvi.com">www.harkombvi.com</a>

## Contact

Website: [www.cmltrust.com](http://www.cmltrust.com)

Email: [inquire@cmltrust.com](mailto:inquire@cmltrust.com)

Tel: +852 2162 7371