



商業信託
Commercial Trust



Country Profile: Cayman Islands

The Facts

Location	Central America, in western Caribbean Sea
Languages	English
Nationality	Caymanian
Religions	Protestant – 67.7% Roman Catholic – 12.6% Others – 19.7%
Government	Parliamentary Democracy
Head of Government	Premier
Legislature	The Government and the Legislative Assembly
Constitutional Document	The Cayman Islands Constitution Order 2009
Economy	The economy of Cayman Islands is mainly dependent upon the tourism and financial services sector. Caymanians enjoy one of the highest living standard in the world. Taking the advantage of being tax free territories, over 70,000 companies were attracted to register themselves in Cayman Islands.
Currency	Cayman Islands Dollar (KYD)
GDP (2011)	Total – KYD 2,388 million Per capita – KYD 43,202 Real GDP growth – +1.1%
Population	52,560 (approx.)
Percentage of population	Mixed – 40% White – 20% Black – 20% Others – 20%
Area	264 km ²
Time zone	EST (UTC-5)
Public Holidays	National holidays – 13
Climate	Tropical marine climate



Sources: Cayman Islands Government, Central Intelligence Agency, Economics and Statistics Office

Cayman Islands

With global foreign investments accelerating at a record breaking pace in the last quarter century, Cayman Islands now more than ever is poised to benefit from the changing economic landscape. The group of small islands situated to the south of Miami, Florida, and west of Jamaica, was ranked amongst the world's top 10 countries in terms of investment flows in 2007, generating more than \$2 billion in foreign direct investment from financial and tourism services. The economy of the Cayman Islands is strong and the island nation enjoys full employment, a high standard of living and low inflation (under 4%). With government policies encouraging free enterprise and foreign investment, Cayman presents a supportive business environment for investors, with the absence of exchange controls and a stable political climate.

The Cayman Islands Business Climate

The government's effort in establishing Cayman Islands as an investor friendly destination has to be appreciated. One of the major steps taken by the Cayman government in this regard is the absence of direct taxation. There is no personal or corporate income tax, neither are there taxes on profits and gains made from investments. With state of the art communication systems and a sound banking and legal framework, investors consider the opportunities that the island offers are too good to pass up.

With easy location and accessibility to countries like the US, Canada and England, and a highly educated population with 82% having completed high school, not only does the land possess potential but also resources to meet that potential. Companies meeting certain investment and employment criteria are also given import concessions, along with other incentives schemes. Some of the reasons why businesses should consider investing in this land of undiscovered opportunities are:

- **Lucrative business environment:** Complete absence of direct taxation (corporation, capital gains, etc), along with no property or withholding tax.
- **Support infrastructure:** Possesses sound infrastructure and state of the art communication systems, offering a hassle free environment for setting up businesses.
- **Government support:** Not only supports foreign investment but also offers incentives and concessions to businesses that match a certain criteria.
- **Minimum regulations, speedy processing:** Regulations and norms for establishing business forms are user friendly (minimum one shareholder required), without any capitalization requirements.
- **Legal protection of interests:** The legal framework provides protection to investor interests except where cooperation with law enforcement agencies is mandated.
- **Proliferation of world class companies:** With more than 40,000 companies already operating in the Cayman Islands, the business procedures have already been set up, making the running of businesses an easy and smooth process.
- **Standard of living:** With inflation under 4% and economy prospering at a decent rate, Cayman Islands presents a sophisticated standard of living quotient.
- **Quality workforce:** The island nation not only has people from diverse cultures, but the workforce is also highly educated, helping businesses meet their quality standards.

Setting up business in the Cayman Islands presents many competitive advantages, from the tax and business environment to the licensing procedure. And with government support heading in towards an investor friendly direction, more and more businesses are being attracted to this island destination. According to a study by the Caribbean Export Development agency, the Cayman economy progressed 3.1% in 2011, with employment levels also seeing substantial increase, while inflation stayed at 3%. With a host of small and big businesses entering this undiscovered territory of amazing potential, it is only a matter of time before this small island becomes a magnet for big businesses.



Setting Up a Business in Cayman Islands

There are many reasons for the Cayman Islands being perceived as a favorable destination for business. The small and sophisticated jurisdiction not only offers a tax neutral and friendly offshore business environment, it also maintains a favorable climate for setting up business. Any individual or corporate that wishes to do business in the nation needs to obtain the appropriate trade and business license. However, for businesses that are wholly or partially owned (60%) by a person of Caymanian status, the fulfillment of this trade and business license condition is a mere formality. For businesses that are not local, a local companies control law license is essential, in addition to obtaining a trade and business license.

The grant of these respective licenses depends on a number of factors, such as benefits they will bring to the Caymanian community, competition with local businesses and the extent of Cayman participation, among other things. A solid business plan, which offers something to the island, always helps. If a business operates in another country but wishes to establish a branch in the Cayman Islands, advice and propositions from professionals is recommended but not mandatory. After setting up a solid business plan that has something for the Caymanian community, the plan has to be presented to the trade and licensing board. Once you receive your license, you are free to proceed with the company incorporation and registration procedure.

Incorporating a Company

For establishing a company in the Cayman Islands, an application has to be submitted to the Registrar of Companies and a registered office must be designated. Applications for company incorporation have to be delivered in person to the Registrar of Companies office in Georgetown. After the application has been submitted, you can then proceed with the following steps.

- **Company name:** Contact the registrar of companies to check if the company name is available. Your legal counsel (if any) can also check the same.
- **Memorandum of association:** The next step is the preparation of a memorandum of association, articles of association and a cover letter detailing the purpose of your business.
- **Paperwork:** Submit all the required documents with photocopies of each (memorandum of association, bank account certificate, etc.) to the registrar of companies.
- **Registration fees:** Depending on whether the company is resident, exempt, etc., and its share capital, a registration fees payable to the Cayman Islands government has to be deposited. For a typical local company with share capital less than CI\$42,000, the fee is CI\$1,300.

The company is incorporated the same day its fees and papers are submitted. The processing time for the proof of incorporation document and certified memorandum is 3-4 days. For an additional fee, the proof of incorporation and other documents can be returned on the same business day.

Legal Forms of Doing Business in Cayman Islands

There are many ways of running a business in the Cayman Islands. From pursuing a solo trader operation to setting a limited liability company, everything is possible in this land of opportunities. Of course, the choice of the appropriate legal form depends on your business's requirements and objectives. The different legal forms of doing business in the Cayman Islands are:

- Company
- Partnership
- Solo Trader
- Branch

If your business operations is to be conducted mostly outside the Cayman Islands, you also have the option of setting up an Exempt company.

Company

Companies are the most common form of doing business in the Cayman Islands, whether it is a one-man operation or a billion dollar firm. This business form is specially used when the owners of the business want to have limited liability for the debts incurred by the company. The different forms of registering a company in the Cayman Islands are:

- Limited liability company
- Ordinary resident company
- Exempted company
- Segregated portfolio company

Limited Liability Company

This legal form is most widely used by investors in the Cayman Islands. The regulations that need to be fulfilled for the establishment of a limited liability company include:

- Treated in law as a legal entity, which can enter into contracts and own property in the Cayman Islands for business purposes.
- Shareholder has liability to the company, which is limited to the amount unpaid by shares owned by him and the shareholder is not accountable for the liabilities of the company itself.
- Can distribute profits to shareholders by paying dividends and shareholders can get their investment back by selling or redeeming their shares.
- More formalities and fees associated with the establishment of a limited liability company when compared to a solo trader or partnership.
- Company formation norms are governed by the Companies Law (2011).



Ordinary Resident Company

The regulations that need to be fulfilled for the establishment of an ordinary resident company include:

- Preferred by those who wish to conduct business within the Cayman Islands or conduct off shore business from the islands.
- Requires at least 60% Caymanian shareholder participation and an LCCL license.
- Can conduct business locally and can be used for owning land or ships registered in the local shipping register.
- Has lesser formalities to deal with and no 20 year tax exemption, unlike an exempt company.

Exempt Company

This legal form is preferred by those who wish to conduct business out of the Cayman Islands. The regulations that have to be fulfilled for the establishment of an exempt company include:

- There are no restrictions on the nationality of the shareholders and directors.
- Not required to hold an annual shareholders meeting.
- Can obtain a 20 year tax exemption and has minimum filing formalities.
- An exempt company is not allowed to trade in the Cayman Islands.

Segregated Portfolio Company

The regulations that have to be fulfilled for the establishment of a segregated portfolio company include:

- Were primarily developed for the Cayman Islands insurance industry.
- Available for general use but not considered suitable for businesses supplying goods and services.
- Poses certain tax benefits, one shareholder is the minimum requirement.
- Establishment of the company is fast and straightforward with minimum formalities.

Partnership

When two or more people want to do business together but want to avoid the formalities and expenses of a company, they can choose the partnership structure. The different forms of setting up a partnership in Cayman Islands are:

- General partnership
- Limited partnership
- Exempted limited partnership

General Partnership

The general partnership structure is typically used by lawyers and accountants for setting up their business. The regulations that need to be fulfilled for the establishment of a general partnership include:

- A general partnership can consist of individuals and companies.
- All partners are jointly liable for the debts of the company.
- All the partners can participate in the management activities of the business.
- Only restrictions on profit sharing and withdrawing capital are those agreed by the partners.
- Has legislative governance and has a more flexible structure than a company.

Limited Partnership

The regulations that need to be fulfilled for the establishment of a limited partnership include:

- Must have a minimum of two partners.
- Limited partner's right to sharing profits and access to capital is restricted.
- A partner can only be held liable for his own negligence and not for the negligence (financial, etc.) conducted by other partners.
- At least one partner must be a resident, partnership would also require the appropriate trade and business license.
- Limited partners cannot participate in the management activities of the business.

Exempt Limited Partnership

The regulations that need to be fulfilled for the establishment of an exempted limited partnership include:

- Is one of the most flexible forms of partnership, preferred by the financial industry.
- Partners can be individuals, registered companies or unregistered companies.
- Is not considered a separate legal entity.
- Requires an appropriate trade and business license.



Solo Trader

Typically, small businesses with limited liabilities choose to operate as solo traders. The regulations that need to be fulfilled for the establishment of a solo trader operation include:

- Has unlimited liability to third parties doing business with them.
- Solo trader is personally responsible for any losses or debts that the business incurs.
- There are minimum formalities for establishment and also very less annual reporting fees.
- Only a Caymanian status holder can practice in solo trader business form.
- Can start off business operations by simply offering goods or services in return for payments.
- Requires a trading and business license and can hire people for work in the business.

Branch

Foreign businesses that do not want to establish a Cayman Islands subsidiary can choose to establish a branch operation in Cayman Islands. Some of the regulations that need to be fulfilled for the setting up of a branch operation include:

- Branch once registered is required to maintain a local registered agent.
- Has to pay yearly fees to the Cayman Islands government for registration.
- Can establish a place of business and own real estate property under Part IX of Companies Law.
- License to operate such business required from the Cayman Islands Monetary Authority.
- Should secure both a T&B and LCCL license for ensuring smooth operations.
- One director is the minimum requirement and one secretary is necessary.



Taxation

Cayman Islands is one of the few business destinations that imposes no taxes on income or gains. All the companies incorporated in the Cayman Islands are regulated by Companies Law and its Amendments. The Governor in Council of Cayman Islands has given an undertaking that there is going to be no future law imposing taxes on income, assets, gain or appreciations for a period of 20-30 years for an exempted company and up to 50 years for trusts and various partnerships. With no capital gains tax being levied on corporate houses, the only indirect taxes that government derives are from custom duties, business licenses and stamp duties.

Indirect Taxes

The government imposes custom duties on imported goods at an average 22%, with certain items (perfumes, camera, etc.) being duty free. Companies are also required to pay one time business registration fee and also an annual business licensing fees depending on their business structure and working share capital.

- Class A Bank – CI\$ 600,000
- Class B Bank – CI\$ 60,000
- Class A Insurer's License – CI\$ 50,000
- Class B Insurer's License – CI\$ 8,500
- Mutual Fund License – CI\$ 3,000

Stamp duties imposed on business action areas are as follows:

- For transfer of an immovable property, there is 4% of consideration if the transferee is a Caymanian.
- For mortgage, 1-1.5% is secured.
- For lease of land for a period of 5 years, its 5% of the annual average rent and for a period that exceeds 5 years but is less than 10 years, its 10% of the annual average rent.

As Cayman Islands does not have a tax treaty with any country, there are no withholding tax rates applicable.

Immigration and Visa Requirements

Whether going for business or travel purposes, proper permission from the Cayman Islands Visa Office needs to be taken. Cayman Islands offer temporary (up to 6 months) and annual business visas for investors. These are issued by the Chief Operating Officer after the submission of an adequate business plan. The maximum period for a business visa is seven years, after which the visa has to be renewed. Investors have the option of either applying at the Cayman Visa Office or the nearest British Consulate. The Cayman Islands Visa Office will accept your application on behalf of the Cayman Islands Department of Immigration and then forward your papers to them.

The visa office charges a non-refundable fee of CI\$92 for the processing of visa applications. The fee has to be paid via a demand draft payable to the Cayman Islands Visa Office. Based on your application, supporting documents and business plan, your application might take anything between one and four weeks for approval. Supporting documents that are required for the visa approval are:

- A valid passport with at least 6 months of validity remaining
- Signed application form with two recent passport size photographs
- Business plan
- Bank account reference
- Taxation documents
- Police record
- Medical record

Presenting a business plan that has something for the Cayman community, coupled with the right supporting documents, ensures that your visa processing is quick and hassle free.

Banking Requirements

After successful registration of your company, you can open a corporate bank account in the Cayman Islands at any of the major banks. Corporate banks in the Cayman Islands offer a wide range of account choices (offshore, investment, etc.) to their customers. Although accounts can be opened via e-mail, corporate bank accounts require the presence of a representative of the company. Some of the documents that have to be submitted to bank officials at the time of account opening include:

- A reference from your current bank
- Solid business plan document
- Full incorporation paperwork
- Professional reference from a law firm
- All the directors and shareholders information
- Valid forms of identification
- Physical address confirmation document

Cayman Islands is a well regulated, tax friendly and internationally respected destination for doing business. With a supportive business environment and accessibility to many business centres, the Cayman Islands has witnessed a proliferation of world class businesses in the recent years. And with the ease of doing business in the island nation being well supported by the expanding business prospects, there are certainly more corporate setups waiting to explore this lucrative destination.

Reference

Cayman Islands Government	www.gov.ky
Economics and Statistics Office – Government of the Cayman Islands	www.eso.ky
Central Intelligence Agency	www.cia.gov

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