

KEY FACTS

The Isle of Man has a well-developed offshore company regime. The following types of companies may be registered:

- Companies formed under the Companies Acts 1931 to 2004
- Companies formed under the Companies Act 2006
- Limited Liability Companies
- Protected Cell Companies

Corporate Tax Environment

Isle of Man legislation in 2006 has abolished the previous tax exempt and non-resident company status and has introduced a zero percent corporate tax rate. With effect from 5 April 2007 all Isle of Man registered companies are assessed to tax at zero percent.

COMPANIES FORMED UNDER THE COMPANIES ACTS 1931–2004
Principal Features

- Minimum of one Shareholder.
- May not be a public company (subject to certain exceptions).
- Minimum of two Directors.
- Corporate Directors are not permitted.
- A company Secretary must be appointed.
- Registered Office must be located within the Isle of Man at which statutory Registers of Shareholders, Registers of Officers and minutes of meetings and accounting records must be maintained.
- Shareholders' annual general meeting must be held at which financial statements are to be presented.
- Financial statements are not filed with any government body.
- Auditing of financial statements is not required.
- Share capital can be expressed in any currency.
- No maximum authorised share capital.
- Low incorporation costs based on a standard authorised share capital of £2,000.
- No restrictions on corporate capacity thereby avoiding the need for detailed objects clauses within the Memorandum of Association.
- Share transfers are free of stamp duty.
- An annual return, providing details of Directors, company Secretary and Shareholders, is required to be filed with the Registrar of Companies, accompanied by the current filing fee.

KEY FACTS
COMPANIES FORMED UNDER THE COMPANIES ACT 2006

The Companies Act 2006 introduced a new form of company which is intended to be a flexible and easily administered company, designed to complement the new tax regime.

Principal Features

- Unlimited capacity to undertake any business or activity and cannot restrict its activities by provisions in its Memorandum or Articles of Association.
- The provisions relating to dividends and the purchase of own shares are more liberal and require only a statutory solvency test.
- There is no differentiation between private and public companies.
- Registry filing and accounting requirements are reduced.
- The company may have a sole Shareholder.
- The company must have a Registered Agent holding the appropriate licence in the Isle of Man.
- Corporate Directors are permitted, within certain limits.
- Existing companies may re-register as 2006 companies.
- Apart from the enhanced flexibility and simplicity of administration, the company within the zero percent environment is seen to provide an opportunity to establish the management and control of assets in a tax-friendly environment.

LIMITED LIABILITY COMPANIES

The Limited Liability Companies Act 1996 enabled the formation of Limited Liability Companies (LLCs) which effectively have the characteristics of a partnership.

Principal Features

- The LLC is a corporate entity without Directors or Shareholders. The management of the LLC is vested in its members and there must be a minimum of two members. Management of an LLC may be vested in a manager elected by the members.
- The LLC has an unlimited duration.
- The members liability is limited to the extent of their contribution of capital.
- The profits of the LLC are taxed to its members.
- Provided the LLC members are not resident in the Isle of Man and its business is conducted overseas, the LLC can apply for International status and members are therefore not assessed to Isle of Man taxation.
- An International LLC is effectively discharged from submitting taxation returns and from withholding tax on distributions.
- An LLC must at all times have a Registered Office and Registered Agent on the Island.

COMPANY FORMATION

- Companies falling into any of the above categories (with the exception of LLCs) are formed under the Companies Acts 1931 to 1993 and may be Companies Limited by Shares, Companies Limited by Guarantee, "Hybrid" Companies Limited by Guarantee and having a Share Capital or Unlimited Companies.
- The minimum cost is based on nominal share capital of £2,000 and increases on a graduated scale based on nominal share requirements.
- Incorporation procedures generally take approximately one week to complete.

KEY FACTS
FOREIGN COMPANIES & RE-DOMICILIATION

- A foreign corporation, incorporated outside the Isle of Man, may carry on business from the Island or own land in the Island if it registers with the Registrar of Companies. To effect such a registration, it must file a certified copy of its Memorandum and Articles of Association, the name and address of its local Agent for Service of Process, and details of Directors and Secretary. The company will be assessed under the zero percent tax regime.
- The Isle of Man now has legislation in place enabling companies incorporated outside the Isle of Man to re-domicile themselves in to the Isle of Man. Also from January 2004, Isle of Man incorporated companies can re-domicile themselves in certain jurisdictions.

VAT (VALUE ADDED TAX) REGISTRATION

- With effect from January 1993, European suppliers of goods and services may “zero rate” their supplies only if the supplies are made outside of the European Customs Area or, where the supplies are made to persons within the European Customs Area, if they have registered with the Customs & Excise Authorities of a member state of the European Community and have been allocated a VAT number.
- The Isle of Man falls within the European Customs Area and therefore VAT registration in the Isle of Man will satisfy the requirements referred to above. Consequently, people trading with European suppliers can avoid the necessity of having to pay VAT if they deal with the European supplier through an entity registered for VAT in the Isle of Man.
- Isle of Man Customs & Excise will accept applications for VAT registrations from Isle of Man registered companies or from foreign companies, provided that such foreign companies have been registered with the Isle of Man Registrar of Companies as a foreign company having a place of business in the Isle of Man.
- Customs & Excise Authorities will require certain administrative and bookkeeping functions to be conducted from within the Isle of Man.

LIMITED PARTNERSHIPS
Principal Features

- Ability of limited partners to withdraw capital without affecting limited partner status.
- Limited partnerships may register as an international limited partnership and be treated as a separate entity for income tax purposes.
- Limited partnerships are required to be registered with the Isle of Man Registrar of Limited Partnerships. Registration is effected by lodging with the Registrar a statement signed by all the partners providing the following details:
 - Name of partnership
 - General nature of its business
 - Principal place of business
 - Full name and address of each partner
 - Date of commencement and the terms of the partnership
 - A statement that it is to be a limited partnership
 - Description of each limited partner

The number of partners is limited to twenty (subject to certain exemptions) and a limited partnership must consist of a general partner and one or more limited partners.

General partners and limited partners may be individuals or corporate entities.

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