

## Cayman Islands

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### **Key facts**

#### **Main tax rates**

- Corporate tax rate: 0 percent
- VAT/GST standard rate: 0 percent
- Personal income tax top rate: 0 percent

#### **Population/GDP**

Population: 51,900 (2006 est)

GDP: \$2.25 billion (2008 est)

#### **Currency**

Cayman Islands dollar (CI\$) of 100 cents; CI\$1=US\$1.20 (pegged)

#### **Memberships of economic groups**

The Caribbean Community and Common Market (CARICOM: <http://www.caricom.org>)

#### **Major industries**

Financial services, tourism, and real estate sales and development

#### **Website of tax/finance authority**

Cayman Islands Monetary Authority: <http://www.cimoney.com.ky/>

Cayman Islands Government: <http://gov.ky>

Cayman Islands Tax Information Authority: <http://www.tia.gov.ky/index.htm>

#### **Introduction**

The Cayman Islands are situated in the western Caribbean, and are comprised of the islands of Grand Cayman, Cayman Brac and Little Cayman. The islands have their own democratic government and local laws, while the United Kingdom remains responsible for foreign affairs and security. There are no forms of personal or company taxation in the Cayman Islands. Accordingly, the Cayman Islands are one of the world's leading global financial centres.

The jurisdiction has 250 banks, including branches of 40 of the world's 50 largest banks, ranking it sixth internationally in terms of value of assets booked in the jurisdiction, and fifth in terms of liabilities booked. The Cayman Islands are also the leading offshore jurisdiction for the registration of investment funds with over 9,000 registered funds and the second largest captive domicile in the world with more than 700 captives. The Cayman Islands are also recognised for providing services in the areas of closed-ended funds, trusts, structured finance, company and partnership formation, and vessel and aircraft registration.

The Cayman Islands Government generates its revenue from registration fees, import duties (at varying rates) and stamp duty; however, issues of securities, mutual fund shares or units are normally exempt from stamp duty.

The Organisation for Economic Co-operation and Development (OECD) has placed the Cayman Islands on its "White List" of approved jurisdictions, recognising that its service providers adhere to all relevant international compliance standards and are committed to supporting global efforts to fight financial crime. As a member of the Caribbean Financial Action Task Force (CFATF) the Cayman Islands is also a member of the Financial Action Task Force (FATF).

#### **Recent developments**

The effects of the global economic downturn have been felt everywhere, including the Cayman Islands, and coupled with Government spending on infrastructure and schools in the wake of the devastation left by Hurricane Ivan in 2004, the Cayman Islands Government in 2009 sought commercially arranged funding of its debts from the international markets, which stood at approximately US\$400 million. As a UK dependency, the Cayman Islands Government required the consent of the Foreign Commonwealth's Office (FCO) to sanction such funding.

Initially, the FCO was reluctant to give its approval, with pressure from the UK Government that the Cayman

Islands introduce a diversified tax base in return for the required consent. This was so even though the UK Government has no obligations with regard to the Cayman Islands' debt, whether as guarantor or otherwise. This situation was resolved in the Cayman Islands favour and FCO consent was given without the Cayman Islands having to introduce any form of direct taxation. Instead, the Cayman Islands Legislative Assembly on December 2, 2009 passed the Money Services Amendment Bill, 2009, which increased certain fees payable by financial services businesses. The financial services industry appears to have been unaffected by the increase in fees. For example, whilst there had been a 10-15 percent closure of funds over each of the last two years consequent upon the global financial crisis, the total number of funds has actually grown from 9,413 to 9,472.

Under the Tax Concessions Law (1999 Revision) exempted companies can obtain an undertaking from the Cayman Islands Government that, in the event of the imposition of any tax, including income, capital gains and inheritance tax together with any deductions or withholdings that may be required to be made, neither the business or its shareholders will be subject to such taxes for a period of time from incorporation (typically 20 years). An Exempted Company may carry on business in any part of the world except the Cayman Islands. This does not prohibit an Exempted Company from having a bank account or, in some circumstances, maintaining an office in the Cayman Islands from which it conducts its offshore business. Further undertakings are also available for exempted partnerships and trusts.

### Corporate Taxes

#### General outline

As outlined above, there are no corporate taxes in the Cayman Islands; instead, registration and annual fees apply to companies that wish to carry on business in or from the Cayman Islands.

Corporate registration/annual fees vary and depend on (i) the type of company and (ii) the share capital of the company, as follows:

#### Company Registration and Annual Fees

Type of Company	Lower share Capital	Upper Share Capital	Registration Fee (CIS)	Annual Fee (CIS)
Companies Law (2009 Revision)				
Company Exempt		42,000.00	600	600
	42,001	820,000.00	900	900
	820,001	1,640,000.00	1,884	1,884
	1,640,001	9,999,999,999,999.00	2,468	2,468
Company Exempt- Limited Guarantee		42,000.00	600	600
	42,001	820,000.00	900	900
	820,001	1,640,000.00	1,884	1,884
	1,640,001	9,999,999,999,999.00	2,468	2,468
Company Exempt-Registration by way of continuity		42,000.00	600	600
	42,001	820,000.00	900	900
	820,001	1,640,000.00	1,884	1,884
	1,640,001	9,999,999,999,999.00	2,468	2,468
Company Exempt- Limited Duration		42,000.00	800	600
	42,001	820,000.00	1,100	900
	820,001	1,640,000.00	2,084	1,884
	1,640,001	9,999,999,999,999.00	2,668	2,468
Company: Ex-Segregated Portfolio Co.		42,000.00	1,100	2,600
	42,001	820,000.00	1,400	2,900
	820,001	1,640,000.00	2,384	3,884
	1,640,001	9,999,999,999,999.00	2,968	4,468
Company: Ex-Segregated Portfolio Co-LDC		42,000.00	1,300	300/segregated portfolio (subject to a

				maximum of 1,500)
	42,001	820,000.00	1,600	300/segregated portfolio (subject to a maximum of 1,500)
	820,001	1,640,000.00	2,584	300/segregated portfolio (subject to a maximum of 1,500)
	1,640,001	9,999,999,999.00	3,168	300/segregated portfolio (subject to a maximum of 1,500)
Company: Ex-Provisional Registration by way of continuation		9,999,999,999.00	1,500	1,00
Company: Non-Resident		42,000.00	575	575
	42,001	9,999,999,999.00	815	815
Company: Non-Resident-Limited Guarantee		42,000.00	575	575
	42,001	9,999,999,999.00	815	815
Company: Resident		42,000.00	300	300
	42,001	9,999,999,999.00	500	500
Company: Resident- Limited Guarantee		42,000.00	300	300
	42,001	9,999,999,999.00	500	500
Company Foreign		9,999,999,999.00	1,350	1,350

In addition, licensing fees may apply by reason of the nature of the business being carried on by the company. The following types of business attract such fees which vary according to the precise nature of the business, and whether such business is restricted/unrestricted or relates to offshore/domestic business:

- Trust company
- Company management
- Corporate service provider
- Insurance
- Insurance management
- Insurance agent
- Insurance broker
- Mutual fund
- Mutual fund administration
- Securities investment
- Money service providers
- Banking

#### **Other taxes**

Pursuant to the National Pensions Law (2000 Revision), employers of employees resident in the Cayman Islands are obliged to maintain a pension plan for such employee(s).

Stamp duty is charged on various documents executed by exempted companies, although such duties are generally either nominal or capped at CI\$500.

#### **Personal taxes**

##### **Main rates and bands**

There are no personal taxes in the Cayman Islands.

##### **Other taxes**

Pursuant to the Health Insurance Law (2005 Revision), every person resident in the Cayman Islands must, unless covered by a contract of insurance effected by an employer, effect a standard health insurance contract in respect of himself, his unemployed spouse and children.

##### **Tax treaties**

The Cayman Islands is not a party to any Double Taxation Treaties; however, the Cayman Islands has entered into a number of Tax Information Exchange Agreements, which have ensured that the Cayman Islands is on the 'White List' of territories compiled by the OECD which have substantially implemented the internationally agreed tax transparency standard.

##### **Miscellaneous taxes**

##### **Taxes on property**

There are no taxes on property save that stamp duty on certain documents conveying a property interest does apply: a rate of up to 7.5 percent applies on transfers of real estate and stamp duty at rates up to 1.5 percent applies on mortgages of CI\$300,000 or higher.

##### **Other taxes**

As outlined above, import duties are charged at varying rates, a full list of which can be found at the following url: [http://www.customs.gov.ky/portal/page?\\_pageid=1750,3490305&\\_dad=portal&\\_schema=PORTAL](http://www.customs.gov.ky/portal/page?_pageid=1750,3490305&_dad=portal&_schema=PORTAL)

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