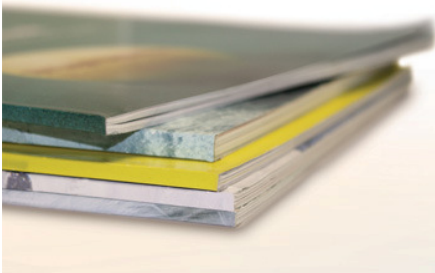


Company Formation Post Election and the Benefits/Implications for this in an Offshore Jurisdiction

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BY MICHELLE HOTCHKISS

Over the past 20 years, the Isle of Man has built itself up into a world-renowned offshore business centre. Its business friendly taxation regime and progressive company legislation has made the Island somewhat of an oasis to wealthy individuals and entrepreneurs seeking to escape the increasingly uncompetitive tax environment of the UK.

A key question is whether the UK Conservative-Liberal Democrat coalition government will have a positive or detrimental impact upon this. On 20 May 2010, the coalition government published its programme for government. Two somewhat opposing proposed reforms seem set to impact upon businesses and key business individuals. The first is the pledge to “*create the most competitive corporate tax regime in the G20*” and the second is the pledge to significantly increase capital gains tax (CGT) for non-business assets to “*close to those applied to income*” (40% to 50%).

Ahead of the emergency Budget on 22 June 2010, there is little meat on the bones of the proposed reforms. At the CBI Annual Dinner on 19 May, George Osborne indicated that the Budget will “*set out a 5 year road map*” for the reform of corporation tax, so it looks like the changes will not happen quickly and despite the chancellor’s assertion “*I want multinationals coming to the UK, not leaving*”, commentators predict that an increase in CGT will prompt an exodus of key business individuals

offshore, to jurisdictions such as the Isle of Man, hopefully bringing their businesses with them.

The Isle of Man has not escaped the global recession completely unscathed, as evidenced by its recent budget and unwarranted criticism of its ‘zero-ten’ regime, which has prompted a consultation on the Island’s business taxation system. Despite this, the Island has undoubtedly fared better than most as evidenced by its unbroken 26 years of economic growth and continued AAA rating from Standard and Poor’s. The Isle of Man is a well respected finance centre, which takes its international responsibilities seriously. It has signed more Tax Information Exchange Agreements than any of its counterparts, has been placed on the OECD’s ‘white list’ and has stood up to the scrutiny of organisations such as the International Monetary Fund, whose report, published in September 2009, confirmed the Island as amongst the best regulated international financial centres in the world.

There does not appear to be anything within the coalition programme that is likely to stem the departure of companies from Britain to offshore jurisdictions like the Isle of Man in order to escape higher taxes. In fact, the Isle of Man company offering is only likely to improve with the future option of on-line incorporation and registration and new products being offered such as incorporated cell companies and foundations. Despite a commitment

to revisit the rate of corporate tax on the Isle of Man, which has been passed as acceptable by the EU's Code of Conduct Group, there are no imminent plans for change. Accordingly, the Isle of Man seems set to remain a jurisdiction of choice for the formation of offshore corporate vehicles.

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MICHELLE HOTCHKISS
Associate
mhotchkiss@applebyglobal.com

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