

Guide to do business in

BRITISH VIRGIN ISLANDS

Chandrawat
& Partners





ABOUT BVI

Featuring one of the most prosperous economies in the Caribbean, the British Virgin Islands "BVI" ranks top 20 in per capita GDP in the world. About 60% of the country's economy is based on financial services, primarily offshore financial services. With a bulk of the remainder based on tourism, BVI has transformed into a cruise ship destination in recent years. In BVI, tourism is based on a nearly perfect climate, sparkling beaches, tropical vegetation, and undersea coral reefs that provide about half of the islands' income and is the largest employer. BVI islands are among the most favorable destination for the formation of offshore investment funds, after the Cayman Islands. Further, it attracts a huge amount of foreign direct investment and is second only to Hong Kong.

ADVANTAGES

Known as a tax haven jurisdiction and with significant levels of confidentiality, the British Virgin Islands "BVI" is one of the most favored places for offshore seekers. Its worthwhile and welcoming business laws make the country a sound choice for offshore investments. Below qualities of the country make the jurisdiction as most favorable jurisdiction for offshore investors:

Corporate flexibility

BVI's company law is intended to furnish maximum flexibility with common law legal frameworks. Under this law, the companies are allowed to undertake any lawful act or movement, and there are no injuries relating to corporate advantage.

Tax neutrality

There is no income tax, corporation tax, capital gains tax, and wealth tax applied in the country. Thus, doing business in the BVI brings considerable tax benefits giving BVI a status of a tax-neutral territory.

Minimal corporate requirement

Any person who is interested to register a business entity in BVI is not troubled by the overburden of document compliances or corporate necessities. A BVI company is explicitly empowered to financially assist a third party in securing its claims.

Global business hub in the Caribbean

The country has the Caribbean's global business hub and has long attracted businesses from around the world due to its strategic location and administrative benefits. Further, establishing an entity in the BVI is an easy and quick process. Moreover, ongoing entity maintenance is simple and compliance obligations are non-onerous.

Financial services

Along with tourism, financial services are one of the main economic drivers of the British Virgin Islands. There are about 950,000 companies registered in the Territory. The BVI is considered one of the major players in this sector. There are about 950,000 companies registered in the Territory. The BVI is considered one of the major players in this sector. There are about 950,000 companies registered in the Territory. The BVI is considered one of the major players in this sector.

Close ties to the U.S. Virgin Islands

BVI has close economic ties to its neighboring islands such as U.S. Virgin Islands, so it has adopted the U.S. dollar as its official currency. This makes BVI an easy and attractive location for U.S. companies to do business.

SIMPLE TAX REGIME

Individual income tax

In BVI, individuals are not liable to pay income tax, land, or housing taxes. Income tax was abolished in 2006 after approval of a new payroll tax in January 2005 by the Legislative Council.

Further, a payroll tax is levied at a rate of 14%, of which 8% is paid by the employer and the remainder by the employee, although the first US\$10,000 of income is tax-free. The contribution for small businesses, defined as those employing less than seven people and with a payroll of less than US\$150,000 per year, is 10%.

There are some indirect taxes applicable in BVI, such as:

- An individual who resides in the British Virgin Islands will be liable to customs duties on most imported goods like electronics, automobiles, furniture, and clothing at a rate between 5% to 20% of their value.
- There are exemptions on some items such as books, computers, and construction materials, to encourage investment, rebuilding efforts, and infrastructural development within the territory.

Corporate taxes

The British Virgin Islands companies are not liable to pay corporate tax, capital gains tax, wealth tax, or any other taxes. They are exempted from income taxes and stamp duties regarding all instruments or deeds relating to company business, including the transfer of all property to or by the company and its securities transactions.

The country is a well-recognized and the most favorable offshore worldwide jurisdiction for the incorporation of an offshore entity. Moreover, under the Business Companies Act of the British Virgin Islands, there are the following main types of companies available:

Company limited by shares

This form of business entity is the most common type of company that is registered in the British Virgin Islands. As the name suggests, a company limited by shares is a company having the ability to issue shares, and its member's liability is separate from the company's debts and obligations. Members of this company are holders of its shares. It requires to have at least one shareholder and at least one director, both of whom may be the same person.

Company limited by guarantee

This type of company is typically used for nonprofit organizations. However, under section 5 of the BVI Business Companies Act, a business is allowed to register a company limited by guarantee in two forms:

1. A company limited by guarantee that is not authorized to issue shares.
2. A company limited by guarantee that is authorized to issue shares.

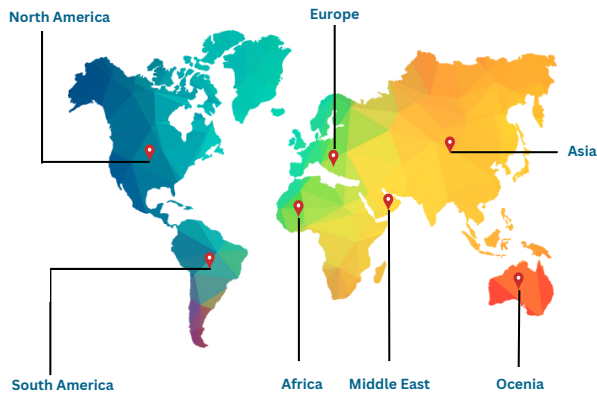
Restricted purpose company

These companies have names ending with 'SPV Limited' or 'SPV Ltd' and are quite similar to a BVI business company. These are for transactions and activities with limited purposes such as insolvency remote issues, securitization, or off-balance sheet-financing work. The companies are prohibited to amend their memorandum or erase the statement for their type of company.

Segregated Portfolio Company

A "SPC" is deemed a legal entity that has separate portfolios, whereas, the assets and liabilities of each portfolio are segregated from each other and the general assets and liabilities of the company.

SERVING CLIENTS WORLDWIDE



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