

Guide to do business in

CAYMAN ISLANDS

Chandrawat
& Partners





ABOUT CAYMAN ISLANDS

An island group and overseas territory of the United Kingdom in the Caribbean Sea, the Cayman Islands are situated northwest of Jamaica. A pleasant tropical climate is one of the main assets and tourism is of primary importance to the economy of the country. The Cayman has the highest per capita income in the Caribbean. The economy of the country depends on banking, tourism, and other services, whereas, international finance has also become a major component of the economy in recent times. The absence of direct taxes and liberal banking laws ensures confidential transactions in the country. The Island is a major importer of machinery, transport equipment, other manufactured items, fuels, and foods. The United States, Jamaica, the United Kingdom, and Japan are the primary trading partners of the Cayman.

ADVANTAGES

Located in the western Caribbean Sea, the Cayman Islands is an attractive financial service center for offshore investors and corporations. The followings are some of the advantages of doing business in the Cayman Islands:

A business-friendly environment

The country is recognized as one of the world's leading providers of institutionally focused and specialized financial services and is also a favorite destination for the structure and domicile of offshore investments. The Islands have a stable government and a common law legal system that is based on English law.

Tax neutrality

Domestic or foreign companies do not require to pay any corporation, capital gains, payroll, property, or withholding taxes for doing business in the country. Therefore, doing business in the Cayman Islands brings significant tax benefits.

Flexibility

The key benefit of registering an entity in the Islands is that the companies can use those corporate structures when conducting international investments or financial transactions. With a holding company, businesses can maximize tax efficiencies, create IPOs, merge with other companies in the Territory or with authorized foreign entities, and more. Therefore, the country's corporate structures are a favored choice for wealth management and effective tax structuring.

Ease of entity registration

The registration of an entity in the Islands can be done in a short period, generally in three to five working days. Registration fees are also low and no minimum capital requirement is stipulated.

SIMPLE TAX REGIME

In addition to having no corporate tax, the Islands impose no direct taxes, whatsoever, on residents. There are no income tax, property tax, capital gains tax, payroll tax, and withholding tax applicable in the Cayman Islands.

However, instead of earning revenue through direct taxation, the Cayman earns revenue via:

- Fees related to stay-over tourism, work permits, financial transactions, and import duties.
- Duty taxes levied on most goods imported to the Cayman, at a rate of 22% to 27%.
- Some items such as baby formula are exempted from duties, and taxes while other goods such as automobiles, are taxed at a higher rate based on the value of the vehicle.
- For expensive cars the duty tax can be imposed at a rate of 42%.

There are the following types of legal entities available in the Cayman Islands:

Associations not for profit

These types of organizations would typically be required to register as charities, sporting associations, philanthropic organizations, religious organizations, community groups, professional associations, or sporting organizations. An association not-for-profit is not required to publish its name, send a list of its members, to the Registrar, or pay an annual fee.

Exempted company

Proposed activities of this type of company have to be carried out mainly outside of the country, and the offshore registrants can apply for registration as an exempted company. Mainly, there are two types of exempted companies available in the Islands:

- **Exempted Limited Duration Company**

An LDC is continued until its terminal time or event specified in its Memorandum of Association. However, its duration should not exceed more than 30 years and should have at least two members. On the expiry of duration, it is automatically deemed to commence voluntary winding up and dissolution. Moreover, it may be wound up earlier voluntarily, if its members pass a special resolution and compulsory liquidation always remains available with LDC's creditors 30 years and should have at least two members. On the expiry of duration, it is automatically deemed to commence voluntary winding up and dissolution. Moreover, it may be wound up earlier voluntarily, if its members pass a special resolution and compulsory liquidation always remains available with LDC's creditors.

- **Segregated Portfolio Company**

This type of company remains a single legal entity, wherein, the assets and liabilities of each portfolio are legally separate from the assets and liabilities of any other portfolio and the SPC's general assets and liabilities.

Foundation Company

This type of company is a separate legal entity that may be formed by the founder for any lawful object, which need not be beneficial to other persons, provided that it shall fall within the wide parameters permitted by the legislation such as: Foundation Companies Law, Companies Law, etc., and its constitutive documents are its memorandum and articles of association.

Limited Liability Company

These companies have a separate legal identity therefore, the members of the company cannot be held personally liable for the company's debts or liabilities. Moreover, an LLC has no share capital, but members acquire an LLC interest and its management rests with its members and/or managers.

Non-Resident Company

An ordinary non-resident company has been granted nonresident status through an application to the Minister of Finance through the Registrar of Companies and must state that the company does not intend to carry on business within the Cayman Islands. Such companies must maintain at their registered office, open for public inspection, a register of their past and present members. This may convert from an ordinary resident company to an exempted company.

Overseas Company

These companies are usually referred to as a foreign companies, incorporated outside the Cayman Islands. The registration under Companies Law is necessary to enable overseas companies to hold land or carry on business in the Cayman Islands, or to act as the general partner of a Cayman Islands Exempted Limited Partnership.

Resident Company

An ordinary resident company carries on its business within the Islands. They must maintain their past and present members register at the registered office, open for public inspection. They must also report annually to the Registrar, giving the names and addresses of members, directors, and the amounts of paid-up capital.

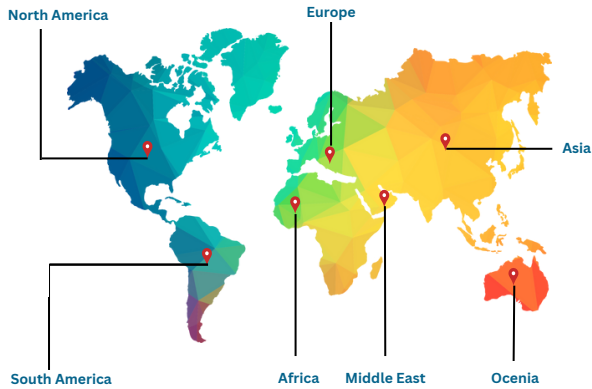
Special Economic Zone Company

This type of company is authorized to carry on business in a special economic zone "SEZ" under any Law in force in the Islands. The country's Companies Law permits the re-registration of existing exempted companies as SEZ companies. The memorandum of association of companies is required to state the intention of carrying on SEZ business and the name of the company must include 'special economic zone company' or "SEZ".

Unlimited Company

In an unlimited company, the liability of all the shareholders or members is unlimited. They have joint, several, and non-limited obligations to meet any deficiency in the assets of the company to settle outstanding debts in the event of the winding up of the company. The articles of the company must state the number of members with which the company proposes to be registered and the amount of share capital in case the company is registered with share capital.

SERVING CLIENTS WORLDWIDE



The information contained herein is of a general nature. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. The information is not offered as an advice on any matter, and no one should act or fail to act based on such information without appropriate legal advice after a thorough examination of the particular situation. The information does not make us responsible or liable for any errors and/or omissions, whether it is now or in the future. We do not assume any responsibility and/or liability for any consequences.

Key Contact



Surendra Singh Chandrawat

Managing Partner

✉ surendra@chandrawatpartners.com

Connect Surendra on



WhatsApp



WeChat

Chandrawat & Partners is a leading and rapidly growing full-service firm providing high quality professional and corporate services to foreign and local clients, representing companies and individuals in a wide range of sectors through separate entities established in various countries worldwide.

Copyright © 2023 | All rights reserved | Chandrawat & Partners | Email: enquiries@chandrawatpartners.com | Website: www.chandrawatpartners.com

Follow us on:

