

## **Isle of Man Companies Act 2006**

By Steven Beevers, Deputy Head of Isle of Man Finance

### **Background**

Over the past few years the Isle of Man has evolved into an international finance centre on a level with or ahead of many of its peers. In order to maintain this position as one of the worlds most respected and competitive jurisdictions the Isle of Man has focused its attention on performing the most radical reform of Isle of Man Company Law for more than half a century.

The Isle of Man Government worked closely with the financial services industry to create and launch a vehicle that will be of most benefit to the Island. The Isle of Man Companies Act 2006 was officially launched on 1<sup>st</sup> November 2006. The new company structure has been specifically designed for international use, at the same time meeting key OECD expectations in terms of disclosure and corporate governance. The Act will compliment the Island's zero corporate tax regime and offer the industry a customized corporate package specifically designed for a fast moving 21<sup>st</sup> Century global market.

The Companies Act 2006 will provide for a new corporate vehicle that will coexist with present and future companies incorporated under existing legislation including the Companies Acts 1931 to 2004, or under the Limited Liabilities Companies Act 1996.

### **Key features of the new Companies Act 2006:**

The Companies Act 2006 streamlines the whole process of how businesses are set up and run and complements the Islands new zero rate corporate tax regime.

The main benefits of the new Act are that it combines the advantages of speed of incorporation and flexibility of use with the ease of administration – it streamlines the process of setting up and running a Company in the Isle of Man; it is the only modern IBC model available in a European time zone; it compliments the Isle of Man's zero rate corporate tax strategy introduced in April 2006, creating a unique package coupled with the strong professional support on the Island – over 140 licensed corporate service providers – The Isle of Man offers an ideal environment for incorporation.

The aim of the new Act is to allow the Isle of Man to compete more strongly with other jurisdictions and enable it to continue to maintain the international standards that the Island has consistently applied over the years.

Provisions of the new Companies Act 2006 are expected to have broad appeal in the specialist offshore market. Key elements include greater flexibility of use, greatly reduced and simplified reporting, use of regulated corporate directors, increased focus on registered agents, use in protected cell form and as a vehicle for operations to easily re-domicile to or from the Island.

Features explained in more detail:

- **Capital arrangements** – There is no requirement for a company formed under the new Act to have an authorised share capital and shares of no par value will be permissible. Protected Cell Companies are permitted.
- **Proceedings of the company** – A company will be able to have unlimited capacity, and there will be no differentiation between public and private companies. Single directors will be permitted, and there will be the ability to have corporate directors, although only licensed Isle of Man Corporate Service Providers (CSPs), or persons authorised by the Isle of Man Financial Supervision Commission (FSC) will be able to act as corporate service providers.
- **Accounting and annual returns** – the Act enables simplified financial reporting, companies must maintain reliable accounting records to international standards but there will be no requirement to have them audited in most cases.
- **Re-registrations, re-domiciliation and restructuring** – The new legislation will permit a '1931 Act' company to re-register under the new Act, subject to approval. Foreign companies will also be able to apply to continue as a company incorporated under the Act. The Act will also offer the ability to merge or consolidate companies in a simple manner.

### **AIM (Alternative Investment Market) listings**

Over the past few years there has been a considerable rise in the number of companies incorporated in the Isle of Man and listing on London's junior market, AIM, and other key capital markets. Figures show that approximately 5% of all AIM traded companies are incorporated in the Isle of Man.

The Island is viewed as an ideal location for these companies due to its reputation as a well regulated international finance centre with a stable political, legal, fiscal and regulatory environment. The Island was once again this year endorsed with a 'AAA' credit rating by Standard & Poor's and Moody's credit ratings agencies. Standard & Poor's stated that the Island's substantial inward investment, stable business environment and net immigration have supported robust economic growth over the past decade.

The Isle of Man has a professional and mature corporate service provider industry, which is home to many lawyers, accountants, administrators and banks that have extensive experience and expertise in dealing with companies wishing to float on the London and European markets.

It is hoped that the simplicity of the new Companies Act 2006 will further encourage businesses to incorporate offshore and position the Isle of Man as the number one jurisdiction for company incorporation with a view to listing on the AIM.

### **Conclusion**

2006 has been a great year for the Isle of Man. Forward thinking tax strategies and reforms to company law have allowed the Isle of Man to step ahead of the competition and play an important role in the international business and wealth management industries.

Business is not attracted by any one factor but by the overall 'package'. Thus the Companies Act 2006 coupled with the Island's strong professional infrastructure and its zero rate of corporate tax for all companies, lack of capital gains and death taxes and its personal income tax cap of £100,000 means that the Isle of Man will enter 2007 in a stronger position than ever as a domicile for both private wealth management and international business operation and structuring utilising the new Companies Act 2006.