

Isle of Man shaping up to be Europe's corporate domicile of choice in 2007

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The Isle of Man has a triple 'A' Sovereign rating and has enjoyed continuous economic growth for over two decades and yet not content with that its Government has this year introduced a zero rate of corporate tax, and a modern new company law. This article explains why the Isle of Man is now proclaiming itself as Europe's corporate domicile of choice in 2007.

The Isle of Man has just undergone a general election – and while there were many issues for the prospective new members of Government to discuss and debate, the state of the Island's economy was not one of them.

The reason for this is because the Island enjoys an enviable economy which affords opportunities for both its residents and businesses along with new foreign direct investment. The combination of strongly performing industry sectors, none more so than the financial services sector (which makes up nearly 40% of the Islands GDP), virtually no unemployment for the last decade and good controls on public spending have contributed to over 21 years of continuous economic growth for the Island. What's more, all the indications are that this growth is continuing for the 22nd year, which is a remarkable achievement for a country of just 80,000 people.

Rather uniquely, the Isle of Man has introduced laws governing its own spending, and the Government is legally obliged to budget for a surplus in respect of annual public spending. Its success in achieving this has been an important factor in the Island being awarded and retaining a 'triple A' credit rating from both Standard & Poor's and Moody's.

Since the mid-nineties, real economic growth has been averaging around eight per cent per annum, and this rate seems to have stabilised at around six per cent p.a. Per capita income is now six per cent higher than that of the UK and 15 per cent higher than the EU15 average.

It would seem that Manx residents have even more to cheer about as the top rate of income tax, which kicks in when personal income exceeds roughly £19K, is only 18%. In addition, following this year's Budget announcement in February, tax liability for high income earners has been capped at no more than £100,000, a policy decision taken to further encourage the attraction of highly skilled entrepreneurs and new business to the Island.

But it's not just a resident friendly jurisdiction. Businesses are also delighted because along with the implementation of the cap on personal income tax, the Treasury Minister announced the introduction of a standard zero rate of corporate tax for business (10 per cent for banking and property development) in the 2006 Budget.

The credit for a successful economy is not attributed to the Government alone, it is equally due to the partnering relationship that it has with industry and residents.

For example, in 2002 Treasury and local Fund Managers worked side-by-side to introduce significant reforms which paved the way for growth and helped to build a platform from which the fund industry could develop. Since 2002 the industry has

seen outstanding growth with funds under administration trebling to stand at in excess of US\$36 billion by the end of September 2006. Significant opportunities for further growth and development have led leaders of the industry to now speculate about achieving US\$100 billion under management by 2010. The current success of the funds industry is a practical demonstration of what can be achieved by proactive partnership between the public and private sectors.

The latest demonstration of this free interchange of ideas has crystallised with the launch of the 2006 Companies Act, a bespoke corporate law package geared to the fast moving 21st century global market. 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. In effect, it streamlines the whole process of how businesses are set up and run and complements the Island's new zero tax regime. It is considered that these two initiatives together will make the Isle of Man the jurisdiction of choice for company services and incorporation within a European time zone.

The Isle of Man hosts more licensed Corporate Service and Trust Service Providers than any other jurisdiction and is a centre of excellence in administration of companies and trusts. Provisions in 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.

Alongside this the Isle of Man remains a leading world player in the international life industry. Annual premium income last year rose by 60 per cent, from £4 billion to £6.5 billion, and indications from the market are that 2006/7 is likely to be another buoyant year in terms of volume of business. While such healthy figures reflect to a certain extent the rising investment market, they also indicate the level and depth of skills now available on the Island enabling companies to administer more sophisticated and innovative investment products – and companies' ability to identify the needs of the market and fulfil them.

There has been a steady increase in the number of international pension schemes based in the Isle of Man. A total of 110 schemes have been registered since the Government launched a new initiative to attract the pension provision of multi-nationals and wealthy expatriate workers only a few years ago. The regulatory framework provides for the setting up of tax neutral international pension arrangements for non-resident corporations and individuals, and has created many new opportunities for the Island's legal and accountancy firms and other specialist service providers.

International wealth, expatriate and related markets continue to thrive and clear opportunities exist in the areas of personal asset and wealth management, corporate finance, international financial planning, funds administration and fiduciary services.

As mentioned previously, the financial services industry accounts for almost 40% of the economy, but the Island isn't placing all its eggs in one basket, as the economy diversifies so does the skill base the Island has to offer. Filmmaking, satellite commerce and other technology driven industries are thriving alongside the more traditional ones. But here, too, innovation remains the watchword with both

Government and industry continuously seeking out new markets such as mega yachts, a recent success story and aviation, which is just on the starting blocks.

As well as its natural attributes, the Isle of Man also boasts world leading telecommunications, infrastructure and public services, which makes it a very attractive location in which to both work and live, especially for these with young families.

This year the Isle of Man again brought home the trophy for 'Best International Financial Services Centre' at the International Investment annual Fund and Product Awards in London and Isle of Man companies won eight of the key categories.

While the Island has already demonstrated an enviable track record, it has also shown that it has no wish to stand still. It is clear that with forward thinking taxation strategies and reforms to company law, quality jurisdictions like the Isle of Man are playing an increasingly important role in the highly competitive international business and wealth management industries. Business is not attracted by any one single factor – but the overall quality of the 'package' of benefits, including the calibre and depth of professional services. This coupled with the Island's genuine cost-effectiveness, fiscal and political stability and quality of life, affords those, who make the Island their domicile of choice, the 'freedom to flourish'.