

## A Unique Location for Companies

### Overview

The Isle of Man has a highly favourable regime of corporate taxation, offering many benefits to clients who wish to deploy well-structured tax planning vehicles, including Manx companies.

Some of the Island's unique benefits include:

- Licensing and regulation of corporate service providers by the Isle of Man Financial Supervision Commission;
- Beneficial Taxation Arrangements - Isle of Man companies with non-Isle of Man beneficial ownership and whose activities take place outside the Isle of Man are subject to income tax at zero%;
- No capital gains or inheritance taxes and import taxes are favourably comparable with any location;
- The world's oldest continuous and democratic Parliament – Tynwald. The non-party political system means once a policy commitment is made, we have a reputation for seeing it through;
- 'AA' credit rating from Standard & Poor's and Moody's.

### Types of Isle of Man Companies

The Isle of Man has been at the forefront of innovative financial and corporate legislation for a number of years. In order to retain its pre-eminent position, the Isle of Man Government introduced new corporate legislation in 2006, to complement the existing Company Legislation.

#### 1931 Act and 2006 Act Companies

1931 Act companies are governed by the Companies Acts 1931 - 2004 and are subject to many rigid operational and filing requirements.

The 2006 Companies Act has been specifically designed to be more flexible for today's fast moving and sophisticated global market.

Under both the 1931 and 2006 Companies Acts there are a variety of companies available:

#### Company Limited by Shares

This is probably the most commonly used company where the liability of its members is limited to the amount unpaid on shares they hold.

#### Protected Cell Company

A form of company limited by shares, a protected cell company is a single legal entity in form but has the ability to segregate and protect its assets in separate cells.

#### Guarantee Company

Pure guarantee companies have no predetermined capital and thus no shares; the members' liability

being limited to the amount they have agreed to contribute, if the company is wound up. A hybrid company combines both the features of a guarantee company and a company limited by shares.

### **Unlimited Company**

This company is similar to a civil law partnership and its use is usually limited to situations where a corporate personality only is required.

The company has a share capital, but there is no limit to the liability of the members.

### **Public Company (PLC)**

A 1931 Act company can be established as a public company, the difference being that a public company may offer its shares or debentures for sale to the general public. It must also have its annual financial statements audited.

The 2006 Act does not distinguish between private and public companies and any type of 2006 Act company can offer its shares to the general public.

### **Limited Liability Company (LLC)**

Originally conceived in the USA, a limited liability company (LLC) basically represents an 'association with limited liability'. It is a vehicle with a corporate personality and limited liability but taxed as if it was a partnership, with each member of the LLC paying tax on their share of the profits.

### **The 2006 Company - "The New Manx Vehicle"**

The Isle of Man Companies Act 2006 introduced what is now known as the "2006 Company", also known as the "New Manx Vehicle" or the "New Manx Company".

In order to maintain its pre-eminent position in innovative financial and corporate legislation the Isle of Man Government undertook in 2006 the most radical reform of company law for more than seventy five years. One of the results of this reform was the 2006 Company.

This modern vehicle for business incorporation has been specifically designed for today's fast-moving and sophisticated global market. It was created by the Isle of Man Treasury working in close cooperation with the private sector.

Coupled with other innovative legislation, including zero tax for companies and the capping of personal income tax, the 2006 Company further enhances the Island's status as a leading, "AA+" and "Aa1" rated (Standard & Poors' and Moody's accordingly) centre for international business.

### **2006 Company - Key Elements**

The 2006 Company is based on, but is more streamlined than the International Business Company (IBC) model, which was previously adopted in other international jurisdictions such as Bahamas, Barbados and the BVI, and is fully in line with recognised benchmarks. It is introduced alongside the Companies Acts 1931-2004. Companies formed under the 1931 Act are permitted to convert to a 2006 Company.

The key elements of this streamlined corporate vehicle are:

- Greater flexibility of use
- Simplified reporting

- Cost effective
- No requirement for authorised share capital
- No capital maintenance requirements (subject to satisfaction of a solvency test)
- Use of regulated corporate directors/one director individual or corporate
- Use of registered agents, in place of company secretary (a role performed by licensed corporate service providers)
- Unlimited corporate capacity but restricted objects permissible
- No preclusion of financial assistance
- Pre-incorporation contracts can be adopted
- Simple merger and consolidation procedures
- Introduction of protected cell companies for general business use
- Simple corporate re-domiciliation from other jurisdictions

## The Mann Made Group

Mann Made Group has offices in the Isle of Man, United Kingdom, Hong Kong and Malta, Cyprus and Ireland and is an International group providing corporate and trust structuring and services worldwide. Should you be interested in the services we can provide please visit our website or contact us as follows:

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