



COMPANY FORMATION IN ISLE OF MAN

MAIN FORMS OF COMPANY/BUSINESS IN ISLE OF MAN

Isle of Man companies can currently be formed and regulated under two separate Acts.

This Note outlines the formation and regulation of companies as embodied in the Isle of Man Companies Act of 2006. A second Note is available which details companies governed by the Isle of Man Companies Act of 1931 (as amended). Please request this second note if you wish to consider both types of Isle of Man company.

1. Incorporation

Incorporation can be effected within three days of company name approval.

2. Company Name

The proposed name must be approved by the Companies Registry. The Company can have its name ending in any of the following:

- Corporation
- Corp
- Incorporated
- Inc
- Limited
- Ltd
- Public Limited Company
- PLC

3. Capitalisation

A company may be incorporated with a single shareholder. This shareholder need only apply for a single share, which can have a par value of zero.

4. Shareholders

Companies can be incorporated with only one shareholder. Shareholders need to be recorded at the registered agent of the company.

5. Nominee Shareholders

These are permitted and can be provided by Dixcart.

6. Minimum Number of Directors

The minimum number of directors is one. Directors do not need to be resident in the Isle of Man. Corporate Directors are permitted, however they must be licensed as an Isle of Man corporate service provider or incorporated as the nominee company of an Isle of Man corporate service provider. In addition a single natural person can act as a Director of a 2006 company.

7. Secretary

There is no requirement for a company secretary.

8. Registered Agent

A registered agent is required and can be an Isle of Man licensed corporate service provider.



9. Annual Return

There is a requirement to file an annual return. It is the responsibility of the director(s) to prepare the annual return and the responsibility of the registered agent to file the return.

10. Annual General Meeting

There is no requirement to hold an annual general meeting.

11. Accounts

Accounts need not be prepared. However accounting records must be maintained at the address of the Isle of Man registered agent.

A company need not have its accounts audited if it meets two of the three following criteria:

- Its annual turnover is £5.6 million or less
- Its balance sheet total is £2.8 million or less
- Its average number of employees is 50 or fewer

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

A tax return must be prepared and filed at the Isle of Man Treasury.

Isle of Man companies benefit from a zero rate of tax on trading and investment income. They are also able to register for VAT, and businesses in the Isle of Man are treated by the rest of the EU for VAT purposes as if they are in the UK.

Isle of Man companies are therefore particularly useful for:

- Holding investment portfolios and participations in other companies. This is due to the zero rate of tax on such activities and the lack of withholding taxes on dividend income from such companies.
- Trading within the EU. Due to the zero rate of tax on trading income and the ability to quote an EU accepted VAT number.
- Holding UK commercial property. For VAT purposes the UK and the Isle of Man are treated in the same manner.
- Isle of Man companies wishing to borrow money from banks benefit from being in a well regulated jurisdiction with a public register of mortgages and other charges.
- As the Isle of Man is a signatory to the Paris Convention on Patents and Trademarks, many intellectual property companies base themselves in the Isle of Man.

The key points above outline some of the most frequent reasons for the use of Isle of Man companies. Please note it is not a definitive list of reasons for using such companies.

The Isle of Man has a Customs and Excise agreement with the UK. This means that for VAT, Customs, and most Excise duties, the two territories are treated as one.

The European Union's VAT Directives instruct other member states to treat transactions involving Isle of Man companies as if the transactions originated in or were intended for the UK.