



# Cayman Islands Local Companies

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# Preface

Set out in this guide is a short summary relating to the incorporation of a local company in the Cayman Islands along with a list of benefits and requirements.

*The information contained in this guide is provided for the general interest of our readers, but is not intended to constitute legal advice. Clients and the general public are encouraged to seek specific advice on matters of concern. This guide can in no way serve as a substitute in such cases.*

The Cayman Islands levy no taxes whatsoever on income, capital, capital gains or sales. There are no withholding taxes and no taxes on inheritance. The Cayman Islands generate revenue by the imposition of customs duties, by a stamp duty on land transfers and by other indirect means. There is no currency exchange control in the Cayman Islands.

We recommend that any non-Caymanian forming such a company obtain fiscal and legal advice from attorneys, tax and financial experts in his own country in relation to what he intends to achieve by using a Cayman Islands company. This firm will not advise on any foreign legal or other ramifications of any business or tax venture or scheme and we advise only on the laws of the Cayman Islands.

A local company is a company formed and registered under The Companies Law (Revised) and includes a foreign company registered locally, a controlled strata title corporation but does not include an exempted company or a non-resident company, principally used to carry on a trade or business within the Cayman Islands.

There are basically two types of local companies. This classification is based upon the proportion of equity in the company owned by persons having Caymanian Status:-

#### **COMPANIES WITH FOREIGN CONTROL**

The Local Companies (Control) Law (Revised) deals with operations of persons or entities carrying on the island and it ensures that local Caymanians are not taken advantage of; that the investor fits in with the development of the islands and it seeks to retain, under the control of Caymanians, the economic resources of the islands.

An investor will need to show a sufficiency of resources, as well as an unblemished character if he intends to take an executive interest in the company. Further, professional or technical qualifications will also have to be provided and it is necessary to satisfy the Board that there is not an availability of services of the kind on the Islands.

A local company seeking a licence is required to pay an annual fee in addition to the Trade and Business Licence fee. Once a licence has been granted, it is normally for the period of the specific project or up to a maximum of 12 years. However, before such a licence can be applied for appropriate advertisements inviting Caymanian participation must be placed in the local newspaper as prescribed for by law. These advertisements must give details of the project, capital required and the like.

It is usual for a proposed company to save fees of registration by making an application in principle to the Immigration Board.

#### **COMPANIES WHICH ARE 60% CAYMANIAN OWNED**

Such a company is not required to obtain a licence under THE LOCAL COMPANIES (CONTROL) LAW (REVISED). However, if a non-Caymanian person is to be employed by such a company then he will require a work permit.

It should also be noted that any device, arrangement or artifice which in anyway waters down the requirement of the law is subject to penal provisions, More specifically, it is illegal to set up Caymanian "fronts" and therefore the 60-40% Caymanian/foreign element MUST for all purposes be a valid one.

#### **INCORPORATION**

A company cannot be formed until we have received funds and the completed company and due diligence questionnaires. Once received, we can usually submit a company to the Registrar for incorporation on the same day, however, it may take a week to have the completed papers returned to us from the Registrar of Companies. If you have an emergency requirement for a company, documents can be returned on an 'express basis' at an additional cost.

The information we require for incorporation is:-

- The preferred name of the company with at least two alternatives.
- The authorized share capital of the company. The majority of companies are incorporated with an authorised capital of CI\$42,000 as this is the maximum authorized capital permitted for payment of the minimum Government fee.
- Any special classes of shares desired, and the par value of the shares. If it is contemplated that the company may wish to buy back some of its shares at a future date, then a class of specifically redeemable shares should be created, such as a class of redeemable preference shares.
- The name(s) and address(es) of the beneficial owner (s) of the shares, and the number of shares to be issued to each shareholder.
- If the objects of the company are to be restricted, specific details as to the purposes and objects of the company will be required. Otherwise, our standard objects clause is drawn so widely that the company can undertake any business which a natural person can undertake.
- The names and addresses of the company's directors and officers, which must be filed at the office of the

Registrar of Companies. The only officer required by the Companies Law (Revised) is the company secretary. Only one director is required, and this person may also be the secretary.

- A minimum retainer of US\$4,000 (which includes a provision for disbursements such as faxes and federal express packages) plus the pro-rated registered office fee for the balance of the current calendar year (at US\$1,400 per calendar year).

**STATUTORY COMPLIANCE**

Once the company has been formed we provide the following services:

- Registered office of the company.
- Company secretary or assistant secretary (if required).
- Maintenance of the company records and statutory registers.
- Provision of minutes of the statutory meetings to keep the company in good standing.
- All necessary returns and reports to the Registrar of Companies.

All transactions should be approved by the directors or officers to whom such business has been delegated. Meaningful records of business decisions should either be prepared by us or, if we provide registered office services to the company, sent to us to ensure completeness of the company's corporate records.

NOTE: While it is not the policy of this firm to provide Directors for a company, and if you require such a service we will refer the matter to one of the many local trust companies or management companies.

**DUE DILIGENCE**

Cayman Islands law requires us to "know our client" and we must know the proposed activities of an exempted company to be formed by us. We must also have basic information on its proposed directors, officers and shareholders. Before we incorporate any exempted company, we require you to complete and return to us the attached due diligence questionnaire.

**INCORPORATION FEES & DISBURSEMENTS FOR A LOCAL COMPANY**

Legal Fees	US\$1,200
<b>Incorporation Fees to Government:-</b> <i>Fees for an Authorised share capital over CI\$42,000 are US\$609.76</i>	US\$366
Disbursements (stamp duty, filing fees, corporate seal etc) approx	US\$625
Registered Office Fees (pro-rated)	US\$1,400
Secretarial Fees (pro-rated) if required	US\$500*
Mail Forwarding Fees	US\$500*
Government Express Fees (for 24hr service if required)	US\$550*

\* *Optional Costs*

**ANNUAL FEES AND DISBURSEMENTS**

Annual fees, due in January of each year, are US\$1,766 for a local company with the minimum authorised share capital (which includes our annual registered office fee of US\$1,400 and government fees of US\$366). We can provide the office of secretary or assistant secretary for US\$500 per annum. We also offer mail forwarding services at a fee of US\$500 per annum.

We charge between US\$575-US\$625 per hour for general legal work which you may require over and above the incorporation of the local company.

**BANKING**

If you wish to open a bank account in the Cayman Islands, we would be happy to assist for a nominal fee. Some of the large international banks which have Cayman Islands subsidiaries are:

Butterfield Bank (Cayman) Ltd., Box 705, George Town:

Tel: (345) 949 7055 Fax: (345) 949 7004  
[www.butterfieldbank.ky](http://www.butterfieldbank.ky)

Cayman National Bank, Box 1097, George Town:

Tel: (345) 949 4655 Fax: (345) 949 7506  
[www.caymannational.com](http://www.caymannational.com)

FirstCaribbean International Bank, Box 68, George Town:

Tel: (345) 949 7300 Fax: (345) 949 7179  
[www.firstcaribbeanbank.com](http://www.firstcaribbeanbank.com)

Royal Bank of Canada, Box 245, George Town:

Tel: (345) 949 4600 Fax: (345) 949 5777 [www.rbc.com](http://www.rbc.com)

Scotiabank (Cayman Islands) Ltd., Box 689, George Town:

Tel: (345) 949 7666 Fax: (345) 949 0020  
[www.scotiabank.com/ky](http://www.scotiabank.com/ky)

#### **RETAINER**

Should you wish to proceed with the incorporation, we kindly request that you provide to us a retainer in the amount of US\$4,000.00 on account (or US\$4,500.00 for an express incorporation). This amount may be paid by way of cheque, money order, bank draft or a wire transfer as per the wiring instructions below. We will deliver a fee note to you at the completion of the incorporation.

Thank you for contacting our firm. We look forward to working with you and, if you have any further questions or concerns about the above, please do not hesitate to contact us.