

## Formation of Companies in the Isle of Man Companies Act 1931

Isle of Man companies benefit from a zero rate of tax on trading and investment income and treated as if they are in the UK for VAT purposes.

By **Paul Harvey**, 8th March 2024

### **Why Use the Isle of Man?**

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 as if they are in the UK for VAT purposes. There is also no withholding taxes on dividend income from Isle of Man companies.

Isle of Man companies are therefore particularly useful for activities such as:

- Holding Companies e.g. equity, real estate, superyachts, aircraft, investment portfolios etc.
- Estate Planning
- International Structuring e.g. multi-jurisdictional or cross-border businesses

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.

### **Formation of Companies in the Isle of Man**

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

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

#### **1. Incorporation**

Standard incorporation of a Company occurs within 48 hours of receipt of the relevant documents to the Isle of Man Registry, however for an additional fee companies can be incorporated in 2 hours or “while you wait”.

## **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:

- Limited
- Ltd
- Public Limited Company
- PLC

## **3. Capitalisation**

Companies may be incorporated with a single share, which can have a par value as low as one pence. There are therefore no thin capitalisation rules.

## **4. Shareholders**

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

## **5. Nominee Shareholders**

These are permitted and can be provided by Dixcart.

## **6. Minimum Number of Directors**

The minimum number of directors is two. Directors do not need to be resident in the Isle of Man.

## **7. Secretary**

A company secretary is required. The secretary does not need to be resident in the Isle of Man.

## **8. Registered Office**

The registered office must be situated in the Isle of Man.

## **9. Annual Return**

There is a requirement to file an annual return.

## **10. Accounts**

Accounts must be prepared but these do not need to be filed with the Companies Registry.

## **11. Audit of Accounts**

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

## 12. Taxation

A tax return must be prepared and filed at the Isle of Man Treasury. These are not publicly available.

All Isle of Man companies are now treated as resident companies. Resident companies are taxed at a rate of 0% on their trading and investment income. Income derived from land and property situated in the Isle of Man is taxed at a rate of 20% and banks are taxed on their banking business at a rate of 15%.

## 13. VAT

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.

## 14. Beneficial Ownership Register and Nominated Officer

The Isle of Man operates a non-public Beneficial Ownership Register and a nominated officer is required for each entity, a service which can be provided by Dixcart. The register is only accessible by Isle of Man regulatory bodies and/or law enforcement agencies for a permitted purpose. It is not available to the public.

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