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Comparative analysis of offshore companies based on characteristics, administration and costs

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ABSTRACT: A number of Overseas Countries and Territories (OCTs) having links to EU Member States were listed in 2000 under the tax haven headline by the Organization for Economic Cooperation and Development (OECD). A series of measures had been taken in order for them to adopt the OECD`s internationally agreed tax standard and to become compliant to the EU`s Code of Conduct for business taxation. At the same time a number of both fiscal and corporate advantages make these territories attract significant business activity. The aim of this article is to present a comparative analysis of two types of offshore companies: the international business company (IBC) and the exempt company, offered by six OCTs having links to the United Kingdom: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Montserrat, Turks and Caicos Islands. These companies are being analyzed in terms of characteristics, administration and Governmental fees for incorporation and continuation. Although the international business company (IBC) is seen as the emblem of the offshore sector, the results of the comparative analysis performed have shown that the exempt company is similar to the IBC structure in many respects. The lack of taxation of the revenues generated outside the territory of incorporation, the lax company administration conditions and the low Governmental fees are common features of these two corporate structures which are part of the offshore sectors of these territories.

KEYWORDS: Tax haven, OECD, Overseas territory, International Business Company, Exempt Company.

1 INTRODUCTION

The European Union is linked to 25 countries and territories through four of its member states: Denmark, France, the Netherlands and the United Kingdom. These Overseas Countries and Territories are associated with the European Union through the provisions of the Treaty on the functioning of the EU. The purpose of the association is to promote economic and social growth in these countries and territories and to establish close economic relations between them and the European Union [1]. Cooperation is also promoted in terms of taxation between the EU and the OCTs in order to facilitate the collection of legitimate tax revenue and to adhere of the principles of good governance in the tax area, including transparency, exchange of information and fair tax competition [2].

United Kingdom has 12 OCTs out of which six territories had been listed in 2000 by the Organization for Economic Cooperation and Development on the black list of tax havens: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands [3]. The amendments made to both their tax and commercial legislation imposed by the EU under the Code of Conduct for business taxation together with the implementation of the OECD`s standards of transparency and exchange of information for tax purposes made these states being erased from the tax haven headline.

Also, their current tax systems complemented by the juridical structures found in their commercial legislations present significant advantages such as: 0% tax rate on profits derived from activities conducted outside the territory where the company is incorporated; advantageous conditions in terms of administration of the company; low company incorporation fees and annual fees.

The purpose of this paper is to present a comparative analysis of two offshore corporate structures: the international business company (IBC) and the exempt company found in the commercial legislations of the six OCTs: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands. The companies are analyzed in terms of their characteristics, including fiscal advantages, administration criteria as well as the Governmental fees for incorporation and annual fees. The results stand to reflect the similarities between the two corporate structures although the international business company (IBC) continues to be the emblem of the offshore sectors, while the exempt company, is seen as being compliant to the international requirements. On the other hand, these two forms of companies are also the reason why these territories continue to attract business activity and have developed into important global financial centers, as it is the case of the Cayman Islands and the British Virgin Islands [4].

In the first part of the paper it is presented the evolution of the tax havens under the close supervision of the OECD and EU, followed in the second part by an introduction to the six OCTs: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands in regard to their implementation of the OECD`s internationally agreed tax standard. The third part presents the tax systems of the six OCTs and the types of companies that can be found in there commercial legislation, with an accent on the offshore structures. The paper continues with a comparative analysis between the international business company and the exempt company on: the functioning conditions, setting up requirements, administration and Governmental fees for incorporation and continuation. The conclusions come to reflect on the results of this analysis.

2 TAX HAVENS` EVOLUTION UNDER THE OECD AND THE EU

The OECD can be considered the most fervent opponent to the tax legislation promoted by the tax havens and its actions against the harmful tax measures adopted by these states is summarized in the following paragraphs.

In 1998 the organization presented a report called `Harmful tax competition: An emerging global issue`, where it draw the key factors in identifying a tax haven, namely: No or only nominal tax rates; Lack of effective exchange of information; Lack of transparency; and No substantial activities [5].Therefore, the fact that a state had in place a tax policy promoting 0% tax rates or an indirect taxation system was not considered the main reason for placing it under the tax haven headline, unless all the four criteria was met.

In order to put pressure on the targeted territories, in 2000 the OECD published a name and shame list where a number of 35 countries and territories were presented as meeting the tax haven criteria [3]. Among the territories that made advanced commitments to eliminate their harmful tax practices were: Bermuda and Cayman Islands. Commitment letters from the nominated states by which they declared adherence to the principles of transparency and exchange of information for tax purposes followed immediately after the publication of the black list.

The key principles of transparency and exchange of information for tax purposes refer to the implementation of a mechanism for the exchange of information upon request between countries; the strict confidentiality of the information exchanged and the availability of reliable information (bank, ownership, identity and accounting information) and power to obtain and provide such information upon request [6].

Under the supervision of the Global Forum on Transparency and Exchange of Information for Tax Purposes set up in 2000, the nominated states took important steps in the implementation of the OECD`s principles and Peer Review reports had been issued in order to summarize on the progress achieved and areas where improvement was necessary.

The latest OECD`s Progress Report on the jurisdictions surveyed by the Global Forum in the implementation of the internationally agreed tax standard from December 2012, reveal the fact that at the moment there are only two jurisdictions to meet the tax haven criteria: Nauru and Niue, as all the other states took important steps in the standards` implementation [7].

The European Union also took steps in order to create better tax coordination at the level of the Community and a level playing field in the area of taxation. Therefore, in December 1997, it introduced the Code of Conduct for Business Taxation which aimed at reducing distortions in the single market, preventing significant loss of tax revenue and helping states in creating tax structures that encourage employment [8]. Given these objectives, both Member States and their dependent and associated territories had to adopt the principles of the code and review their tax legislation in order to become Code compliant. A Code of Conduct Group was set up in 1998 in order to provide assistance in the restructuring of the fiscal policies.

The tax legislation of the OCTs also came under the review process as they were bound to cooperate in order to implement the principles of good governance in the tax area, including transparency, exchange of information and fair tax

competition. Also, these territories had to promote regulatory convergence with recognized international standards, including OECD`s Agreement on exchange of information for tax purposes [2].

The specialty literature, on the other hand presents tax havens from different angles. In 2005, Hines was presenting tax havens as locations with very low tax rates and numerous tax incentives meant to attract investors [9]. Four years later, Dharmapala and Hines conducted a more comprehensive research by which they presented the following characteristics of these territories: Small countries, predominantly islands, with a population below 1 million; Good communication infrastructure; Few natural resources; British legal origins with English as an official language; Parliamentary systems; Proximity to the large capital-exporter countries; More affluent than other countries as they attract significant foreign investment due to the low tax rates and opportunities for tax avoidance; and High-quality governance institutions that can be translated in political stability, government effectiveness, rule of law and control of corruption [10]. All these features represent important aspects that are looked for by the potential investors and business people.

Given the phenomenon of globalization, tax havens have been analyzed by the role they play in the global marketplace. According to Hines, the favorable fiscal systems of these territories have attracted massive foreign investment and they had registered important growing rates in the last 25 years [9]. At the same time, tax havens provide numerous tax planning opportunities for the multinationals through the profit shifting schemes [11]. Tax havens` effects over the other economies have also been analyzed. The results show that these territories divert activity from the high tax jurisdictions and enhance tax competition between countries that would eventually lead to a race to the bottom [12]. Contrary to these observations, Desai, Foley and Hines provide evidence that tax havens` operations enhanced activity in the nearby high-tax jurisdictions [13].

3 OCT`s Implementation of the OECD`s internationally agreed tax standard

The Global Forum conducts peer reviews in order to assess the jurisdictions` ability to exchange information upon request with other states on tax matters according to the internationally agreed tax standard. The peer reviews examine in Phase 1 the legal and regulatory aspects of the exchange of information and in Phase 2, the exchange of information in practice.

In respect of the six states under analysis, Anguilla and Montserrat are still at the Phase 1 review as they do not have in place some of the legal elements required while the other four states have already gone through the Phase 2 review process and their degree of compliance is summarized in Table 1.

In order to pass to the Phase 2 review, Anguilla is required to further amend its legislation in order to ensure that ownership and identity information is available for all entities. Also, it should ensure that accounting records are maintained, that they include the underlying documentation and they are kept for a minimum of five years. At the same time, legal provisions regarding the express power of the competent authorities to access information should be enforced. The rest of the elements are considered to be in place [14].

In the case of Montserrat, the Peer Review Report identified at Phase 1 that the legislation in place did not ensure the availability of full ownership information on Montserratian companies, on foreign companies and the beneficiaries of trusts. Similar to Anguilla, Montserrat does not have binding requirements on the maintenance of the underlying accounting documentation and neither on the minimum term of five years for which the accounting records are to be kept. In addition provisions must be introduced in order for the accounting records to be sufficient to record and explain the transactions and to enable the financial position of the entity at any time [15].

Therefore, in the case of both Anguilla and Montserrat, the legislative amendments that are to be introduced relates to the availability of ownership and identity information as well as to the need for accounting records to be kept for all entities.

The practical implementation of the international standard had been tested through the Peer Review Report Phase 2, where Bermuda, British Virgin Islands, Cayman Islands and Turks and Caicos Islands had to prove their compliance.

Table 1. Degree of implementation of the internationally agreed tax standard

	Bermuda	British Virgin Islands	Cayman Islands	Turks and Caicos Islands
Objective	Jurisdictions should ensure that ownership and identity information for all relevant entities and arrangements is available to their competent authorities.			
	largely compliant	partially compliant	largely compliant	compliant
Objective	Jurisdictions should ensure that reliable accounting records are kept for all relevant entities and arrangements.			
	largely compliant	non- compliant	largely compliant	largely compliant
Objective	Banking information should be available for all account-holders.			
	compliant	compliant	compliant	compliant
Objective	Competent authorities should have the power to obtain and provide information that is the subject of a request under an exchange of information arrangement from any person within their territorial jurisdiction who is in possession or control of such information.			
	compliant	non-compliant	compliant	compliant
Objective	The rights and safeguards that apply to persons in the requested jurisdiction should be compatible with effective exchange of information.			
	compliant	compliant	compliant	compliant
Objective	Exchange of information mechanisms should allow for effective exchange of information.			
	compliant	compliant	compliant	compliant
Objective	The jurisdictions` network of information exchange mechanisms should cover all relevant partners.			
	compliant	compliant	compliant	compliant
Objective	The jurisdictions` mechanisms for exchange of information should have adequate provisions to ensure the confidentiality of information received.			
	Largely compliant	compliant	compliant	compliant
Objective	The exchange of information mechanisms should respect the rights and safeguards of taxpayers and third parties.			
	compliant	compliant	compliant	compliant
Objective	The jurisdiction should provide information under its network of agreements in a timely manner.			
	compliant	non-compliant	compliant	largely compliant

Source: [16], [17], [18], [19]

It can be observed that Cayman Islands and Turks & Caicos Islands meet the highest number of objectives, as compared to the other two territories under analysis.

4 OFFSHORE TAX SYSTEMS AND CORPORATE STRUCTURES

The six OCTs under analysis: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Montserrat and Turks and Caicos Islands are all self-governed overseas territories of the United Kingdom. The Queen of England is the Head of State and she is represented by a Governor who retains responsibility for internal security, civil service, defense, external affairs and international financial services. Their legal system is based on English Common law.

In terms of the sectors seen as the primary drivers of their economies, Anguilla and Turks and Caicos Islands are mainly dependent on tourism and financial services [14], [19]. On the other hand, the financial services sectors sustain the economies of Bermuda, Cayman Islands and British Virgin Islands [16], [17], [18]. Montserrat's Government services represent the largest contributor to the island`s GDP [15].

From a taxation point of view these territories are free to construct their tax systems in order to respond to their internal necessities but with the condition to be in line with the international tax standards: The internationally agreed tax standard developed by the OECD and the EU`s Code of Conduct for Business Taxation.

4.1 TAX SYSTEMS

The fiscal systems presented by the six OCTs under analysis can be classified as indirect and mixed (direct as well as indirect) tax systems, the latter being characteristic to Montserrat.

Anguilla, Bermuda, British Virgin Islands, Cayman Islands and Turks and Caicos Islands have in place a fiscal system based on indirect taxation. There is no income tax, corporate tax, capital gains or estate tax as well as other forms of direct taxation neither for residents or non-residents. The state collects revenues through a system of indirect taxes and fees which are levied in the tourism sector as well as on business licenses, stamp duties on the transfer of properties and custom duties.

Montserrat adopted a tax system based on both direct and indirect taxation. Even if the majority of the islands` tax revenue is generated by indirect taxes, direct taxes are levied on corporate and personal income of residents and non-residents as well. The corporate tax for companies conducting activities within the island is 30%, while the Montserratian exempt company that doesn`t generate revenue from activities carried within the island is tax exempt.

Therefore, five out of the six OCTs have in place a consumption based tax system and they do not impose direct taxes on the profits generated by the companies. Yet, given the state of its economy and the fact that its budget is subsidized by substantial contributions made by the United Kingdom and the EU, Montserrat opted for a mixed tax system which put a tax burden on both companies and individuals, yet, leaving an option with the exempt type of company.

4.2 TYPES OF COMPANIES

The territories under analysis present commercial legislation that allow for a differentiation between the companies that can conduct commercial activity within their territory and those that are allowed only to trade outside it. Although the tax systems of Anguilla, Bermuda, British Virgin Islands, Cayman Islands, and Turks and Caicos Islands allow for the tax exempt status for all the legal entities found under their commercial legislation, the difference resides in their ability to trade within the jurisdiction of incorporation or not. A differentiation is made between the local/domestic companies and the offshore companies: the international business companies (IBCs) respectively, the exempt companies.

A company in Anguilla can be either a domestic company or a non-domestic company. Non-domestic companies do not maintain a physical presence, office or staff in Anguilla and do not engage in any revenue generating activities in Anguilla. These companies are also known as the international business companies (IBCs). They are formed under the Anguilla`s International Business Companies Act and they need to respect certain conditions of functioning. Therefore, an IBC shall not:

- carry on business with persons resident in Anguilla;
- carry on banking or trust business;
- carry on business as insurance or a reinsurance company, insurance agent, insurance broker, or insurance manager;
- carry on company management business; or
- own or hold an interest, whether legal or beneficial, in real property situated in Anguilla [20].

An IBC is not subject to any corporate tax, income tax, withholding tax or capital gains tax. Also, any dividend distributions by an IBC to another such company, or to individuals or entities which are not citizens or residents of Anguilla are exempt from any tax [20].

Bermuda provides legislation that distinguishes between the status of a local company and that of an exempt company. A local company is one in which the percentage of shares beneficially owned by Bermudians is not less than 80% of the total issued share capital of that company. On the other hand the exempt company shall not: acquire or hold land in Bermuda; acquire any bonds, or debentures secured on any land in Bermuda; or carry on business in Bermuda [21].

In order to become compliant to the EU`s Code of Conduct for business taxation, British Virgin Islands had to amend both its commercial and tax legislation and therefore, it abolished its International Business Company Act which conferred tax exempt status on revenues generated outside the island. In 2005, it was introduced a uniform 0% tax regime applicable to all the entities and individuals. Under the new legislation the IBC became known as the BVI Business Company.

The new BVI Business Companies Act provides a distinction between the BVI business company which is incorporated under this Act and the foreign company which is a body corporate incorporated, registered or formed outside the British Virgin Islands. Yet, both of them may conduct business within and outside the territory upon licensing [22].

Although benefiting from tax neutrality, the Cayman Islands present on one hand the resident type of company which is allowed to conduct business activity within the islands and the exempt company whose business activities are carried out mainly outside the Islands [23].

Despite having in place a corporate tax rate of 30% applicable to the revenue generated by the companies conducting business within Montserrat, the existence of the offshore sector characterized by the existence of the International Business Companies Act brings the level of taxation to 0% for the entities incorporated under this Act. Following the same legislation pattern, the IBC does not:

- carry on business with persons resident in Montserrat;
- own an interest in real property situated in Montserrat;
- accept banking deposits from persons resident in Montserrat; or
- accept contracts of insurance from persons resident in Montserrat [24].

A Montserratian IBC is exempted from tax, for a time period of no less than 25 years, on: all dividends, interest, rents, royalties, compensations and other amounts paid by the company to non-residents; capital gains realized with respect to any shares, debt obligations or other securities of a company incorporated under this Act by non-residents [24].

The introduction of the exempt company within the Turks and Caicos Companies Ordinance provide for the 0% taxation on the profits generated by the companies incorporated under this Act on the profits generated outside the island. An exempted company is exempted from any tax or duty to be levied on profits, income, capital assets, gains or appreciation, for a period of 20 years from its date of incorporation [25].

Therefore, the commercial legislations of the six OCTs present in addition to the local company that trades within the territory of incorporation, two other corporate structures that define the offshore sectors of these islands: the international business company (IBC) and the exempt company. Therefore, Anguilla and Montserrat maintained their IBC legislation, while Bermuda, Cayman Islands and Turks and Caicos Islands eliminated it, while inserting into their commercial laws the exempt company, which in many respects meet the characteristics of the IBC structure. Despite the changes brought to both their commercial and tax legislation, the new BVI Business Company maintains the fundamental characteristics of the IBC.

5 COMPARATIVE ANALYSIS BETWEEN THE IBC AND THE EXEMPT COMPANY

As presented, the IBC legislation can be found in Anguilla and Montserrat, while the British Virgin Islands moved to the BVI Business Company which resembles in many respects the IBC; on the other hand Bermuda, Cayman Islands and Turks and Caicos Islands have in place the exempt type of company. The main advantage presented by these corporate structures is the lack of taxation of the profits realized by the companies outside the jurisdictions where they are incorporated.

5.1 FUNCTIONING CONDITIONS

Both the IBC and the exempt company are not allowed to carry business activities with persons that are resident on the islands where they are incorporated and they should not hold land or own any interest in real property.

Also, the IBC`s legislation poses specific restrictions in carrying on banking, insurance or reinsurance business as well as company management business. On the other hand, the exempt company has as general condition that it should not carry on business of any kind or type in the islands.

As opposed to the two types of companies under analysis, the BVI Business Company Act allow for the companies to trade both within and outside the island [22].

5.2 SETTING UP REQUIREMENTS

An IBC is set up under the International Business Companies Act based on the Memorandum of Association and the Articles of Incorporation. In the case of the exempt company, it is registered under the Companies Act, yet with the condition of being stated in the Memorandum of Association that it is an exempted company.

According to the IBC legislation, the shareholders` liability is limited by memorandum to the amount, if any, unpaid on the shares held by them. Therefore, an IBC is always a limited liability company.

The last part of the name of every IBC may be: Limited or Ltd.; Corporation or Corp.; Incorporated or Inc., etc. or any other words or abbreviations that denote the existence of a body corporate with limited liability in a jurisdiction other than that with the IBC legislation.

On the other hand, an exempted company may be with or without limited liability. Hence, an exempted company may be:

- a company limited by shares, where the liability of its members is limited by the memorandum to the amount, if any, unpaid on the shares held by them;
- a company limited by guarantee, where the liability of its members is limited by the memorandum to such an amount as the members may undertake to contribute to the assets of the company in the event of it being wound up; or
- an unlimited liability company where there is no limit on the liability of its members [21].

Therefore, in the case of the limited liability company and the company limited by guarantee, the last part of the name may be Limited, whereas in the case of the unlimited liability company the last name will be Unlimited. By exception, the Turks and Caicos Islands` Company legislation stipulates that the name of an exempt company may end with the words International Business Company or IBC in order to identify the status of the company [25]. Yet, the Turks and Caicos Islands do not have IBC legislation.

The BVI Business Company Act also provides for the three types of companies: the limited liability company, the company limited by guarantee and the unlimited company. The name of a limited company shall end with the word: Limited, Corporation, Incorporated, etc. On the other hand the name of an unlimited company shall end with the word Unlimited.

5.3 Management and administration

Every IBC must have a registered office and a registered agent in the island where it is incorporated. On the registration of the IBC, its registered office, respectively its registered agent is specified in the articles. Both the registered office and the registered agent of an IBC must be provided by persons who hold a relevant license. A BVI Business company is also required to have a registered agent in the British Virgin Islands who can also provide a registered office for the company.

The exempt company is also required to have a registered office in the island where it is incorporated, to which all communications and notices may be addressed. The address of the registered office must be the same as the address of the person licensed by the Authority to provide company management services for the exempted company. Therefore, every exempt company is required to have a resident representative on the island.

The IBC is managed by a board of directors that consists of one or more persons who may be either individuals or companies. The meetings of the directors of an IBC may be held within or outside the jurisdiction of incorporation. Also, the affairs of an exempt company are required to be managed by at least one director.

Bermuda`s Companies Act offers some alternatives to the exempt company which should have either:

- a minimum of one director, who is ordinarily resident in Bermuda; or
- a secretary that is an individual or a company having the status of an ordinarily resident in Bermuda; or
- a resident representative that is an individual or a company having the status of an ordinarily resident in Bermuda [21].

In respect of the secretary requirement, the IBC is not imposed to have a secretary since it has a registered agent. On the other hand the exempt companies of the Cayman Islands and Turks and Caicos Islands must have a secretary. The BVI Business Companies Act does not contain any requirement for the company to have a secretary.

An IBC must keep accounting records that:

- are sufficient to record and explain the transactions of the company; and
- will, at any time, enable the financial position of the company to be determined with reasonable accuracy [20].

The accounting records must be kept at the registered office of the IBC or at any other place outside the island of incorporation. Yet, in the case of Montserrat, if the accounting records of the IBC are kept outside Montserrat, the company must have a written record at its registered office in which it is mentioned the place outside Montserrat where its accounting records are kept [24].

The BVI Business Companies Act provides the same set of rules in respect of the accounting records. Yet, there is no clause specifying whether the accounting records can be kept at a location different from the registered office.

The exempt companies of Bermuda, Cayman Islands and Turks and Caicos Islands must keep proper records of account with respect to:

- all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- all sales and purchases of goods by the company;
- the assets and liabilities of the company [21].

The records of account may be kept at the registered office of the company or at any other place within or outside the islands.

In the case of Bermuda, if the records of account are kept at some place outside Bermuda, at the company's registered office in Bermuda there should be kept records based on which it can be determined with reasonable accuracy the financial position of the company at the end of each three month period [21].

The Cayman Islands` legislation states that no matter where a company keeps its books of account, upon a request of the Tax Information Authority, it must make available in electronic form or any other medium, at its registered office copies of its books of account [23].

Yet, the Turks and Caicos Islands` Companies Ordinance does not specify whether the accounting records can be kept at a location different from the registered office.

In terms of the OECD's internationally agreed tax standard that requires companies to keep reliable accounting records for at least five years, the IBC`s legislation does not include any clause in this respect, while the legislation of the exempt companies does.

The requirement for preparation of the financial statements can be found only in Bermuda`s Companies Act. Therefore, every Bermudian exempt company must prepare financial statements which include:

- a statement of the results of operations for the period;
- a statement of retained earnings or deficit;
- a balance sheet at the end of such period;
- a statement of changes in financial position or cash flows for the period;
- notes to the financial statements [21].

The notes should include a description of the generally accepted accounting principles used in the preparation of the financial statements. These principles may me: those of Bermuda or a country other than Bermuda. Where the generally accepted accounting principles used are other than those of Bermuda, the notes should specify the generally accepted accounting principles used [21].

5.4 INCORPORATION FEES AND ANNUAL FEES

Upon incorporation and each year thereafter, an IBC is due to pay to the local Government a fixed fee established according to the authorized share capital of the company, as presented in Table 2. Therefore, depending on whether the company decides to have a share capital below or above 50,000 USD, it will pay the corresponding fee.

Anguilla`s IBC is charged the lowest incorporation fee when the company has a share capital below 50,000 USD but when the company has a share capital above 50,000 USD, Montserrat`s IBC pays less. In terms of annual fees to be paid to the local Government, Anguilla's IBC pays the least amount.

On the other hand the BVI Business Company presents the highest fees among the three. This can be explained by the fact that once the British Virgin Islands introduced the uniform 0% tax rate on the income of both residents and non-residents, the local budget had to be sustained by the increased Government fees.

Table 2. IBC`s incorporation fees and annual fees

Authorized share capital of an IBC (USD)	Anguilla		Montserrat		British Virgin Islands	
	Fee for incorporation (USD)	Annual fee (USD)	Fee for incorporation (USD)	Annual fee (USD)	Fee for incorporation (USD)	Annual fee (USD)
50,000 or less	265	215	300	300	350	350
Exceeds 50,000	1,015	715	1,000	1,000	1,100	1,100

Source: [22], [26], [27]

The incorporation fees as well as the annual fees established by Bermuda, Cayman Islands and Turks and Caicos Islands for an exempt company are also set according to the authorized share capital of the company. As it can be seen in Table 3, Table 4 and Table 5, unlike the criteria set for determining the fees for an IBC, the fees set for an exempt company differ according to a wider range of share capital values.

It can be observed that in the case of the Bermudian exempt company both the incorporation fee and annual fee are of a same amount. On the other hand, the two fees differ for a Cayman Islands' exempt company, while the Turks and Caicos Islands' exempt company has the annual fee fixed to 350 USD, regardless of the share capital that the company has.

Table 3. Incorporation fee and annual fee for a Bermudian exempt company

Authorized share capital of an exempt company (USD)	Bermuda	
	Fee for incorporation (USD)	Annual fee (USD)
0-12,000	1,995	1,995
12,001- 120,000	4,070	4,070
120,001-1,200,000	6,275	6,275
1,200,001-12,000,000	8,360	8,360
12,000,001-100,000,000	10,455	10,455
100,000,001-500,000,000	18,670	18,670
500,000,001 or more	31,120	31,120

Source: [21]

Table 4. Incorporation fee and annual fee for a Cayman Islands` exempt company

Authorized share capital of an exempt company (USD)	Cayman Islands	
	Fee for incorporation (USD)	Annual fee (USD)
Less than 50,400	720	840
50,401-984,000	1080	1,200
984,001-1,968,000	2,261	2,381
1,968,001 or more	2,962	3,082

Source: [23]

Table 5. Incorporation fee and annual fee for a Turks and Caicos Islands` exempt company

Authorized share capital of an exempt company (USD)	Turks and Caicos Islands	
	Fee for incorporation (USD)	Annual fee (USD)
Less than 5,000	150 USD	350 USD
5,001 - 50,000	150 USD + 1% of the amount by which the share capital exceeds 5,000 USD	350 USD
50,001- 100,000	600 USD + 0.5% of the amount by which the share capital exceeds 50,000 USD	350 USD
100,001-1,000,000	850 USD + 0.1% of the amount by which the share capital exceeds 100,000 USD	350 USD
1,000,001 or more	2,000 USD	350 USD

Source: [25]

Given the fact that the IBCs and the BVI Business Company present two fixed incorporation fees set according to a share capital above or below 50,000 USD, they can be considered the most cost effective structures, as compared to the incorporation fees of the exempt companies which grow progressively according to the value of their share capital.

In terms of the annual fees payable to the local Government, both the IBCs and the Turks and Caicos Islands` exempt company pay the lowest amounts for a share capital below 50,000 USD, as for a share capital above 50,000 USD, the Turks and Caicos Islands` exempt company pays the lowest amount.

6 CONCLUSION

The IBC and the exempt company remain the most well-known and frequently used offshore structures of the six OCTs. Following the comparative analysis performed, it can be observed that the main competitive advantage of these structures is the 0% level of taxation on the various sources of revenue generated from outside the island of incorporation. Also, the characteristics of the two juridical entities as well as the rules for administration are in many respects the same. The area that presents certain differences is in terms of the Governmental fees that both an IBC and an exempt company must pay and which at a certain point may represent a decisional criterion.

Despite many of the similarities between the two structures, the IBC legislation continues to be seen as the emblem of the `tax haven` jurisdictions and this was the main reasons why Bermuda, British Virgin Islands, Cayman Islands and Turks and Caicos Islands eliminated this legislative act and introduced within their Companies Act a revised form of the IBC, known as the exempt company.

Following the six OCTs` adherence to both the OECD`s internationally agreed tax standard and to the EU`s Code of Conduct for Business taxation, their Companies` Laws have seen numerous amendments and this is the reason why today both the IBC and the exempt company present many similar characteristics.

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