



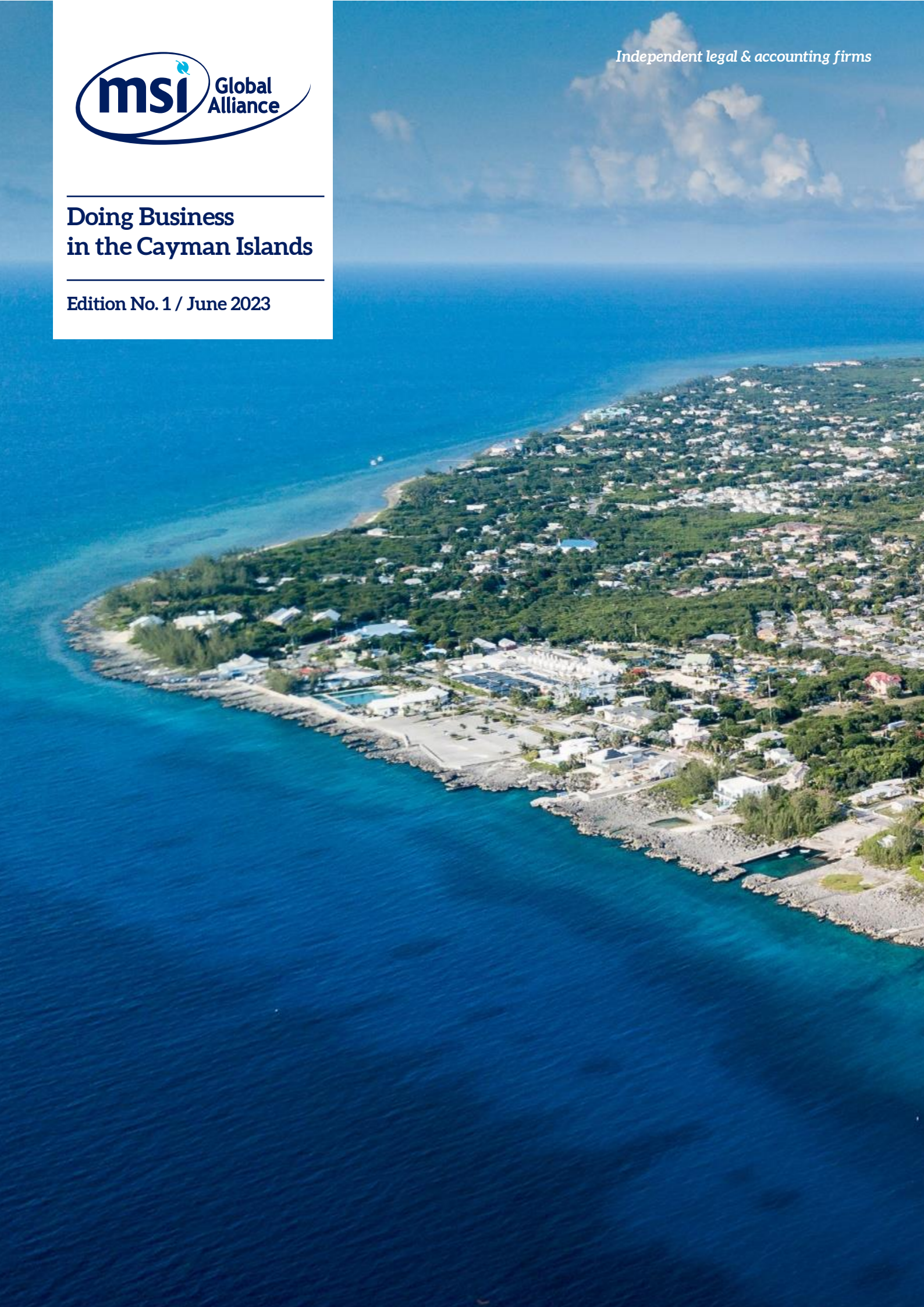
*Independent legal & accounting firms*

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## **Doing Business in the Cayman Islands**

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# Doing business in the Cayman Islands

**MSI's guide on Doing Business in the Cayman Islands provides current information about the financial, regulatory and legal considerations that could affect business dealings within the Cayman Islands. For further assistance, please contact our MSI member firm in the Cayman Islands.**

## Country overview

### Introduction

The Cayman Islands comprises of three islands:

1. Grand Cayman
2. Cayman Brac
3. Little Cayman

Of the three islands, Grand Cayman is the dominant island for commerce and commercial activities.

George Town is the capital of Grand Cayman.

### Population

The Cayman Islands has a total population of 78,554 inhabitants (2021 Census). The core population lives on Grand Cayman.

### Government

The Cayman Islands is a British Overseas Territory.

The executive authority of the Cayman Islands is vested in the King of the United Kingdom and is exercised by the Cayman Islands Government, which is comprised of the Governor and the Cabinet.

The current Governor of the Cayman Islands is Jane Owen, who was appointed in December 2022

The Cabinet, which is formed by seven out of the nineteen elected members voted into the office, is responsible for managing the affairs of the islands with the Governor.

### Languages

English is the most spoken language throughout the Cayman Islands. However, other languages such as Spanish are spoken due to the increasing presence of other nationalities in the country.

### Currency

The national currency is the Cayman Islands Dollar (KYD), but the US Dollar (USD) is widely accepted throughout the islands and has a fixed rate to the KYD.

### Economic summary

The Cayman Islands is a top-ranked international financial centre. This is enabled by the country's reputation as a transparent, trusted and tax neutral hub in the global market.

### Gross Domestic Product (GDP)

The GDP for the Cayman Islands was \$5.9 billion for 2021, an increase of 5.16% over 2021, and a 6.69% increase over the last five years.

### Gross Domestic Product Per Capita (GDP)

The GDP per Capita for the Cayman Islands was \$86,569 for 2021, an increase of 3.89% over 2021, and a 1.57% increase over the last five years.

### Unemployment Rate

The unemployment rate for 2021 was 5.7%, which is up slightly from 5.2% in 2020.

*\*Data sourced from the Cayman Islands Economics and Statistics website.*

### Main sectors of the economy

The main sectors in the Cayman Islands are tourism and financial services.

### Tourism

Well known for the beautiful beaches, dive sites and hotels, tourism has always been a vital part of the Cayman Islands economy.

Average visitors to the islands (combination of air and sea arrivals) averaged almost \$2.3 million a year before the start of the COVID-19 pandemic in 2020.

COVID-19 severely reduced the arrival numbers to the Cayman Islands in 2020 and 2021, until the country gradually commenced re-opening to commercial travel in 2022.

### Financial Services

The Cayman Islands is an international financial centre, known for investment funds, structured finance, banking, insurance and other financial services and products that regulated in accordance with global standards.

The islands are particularly well-known as the offshore jurisdiction of choice for fund managers and investment funds with over 12,000 open-ended funds and over 15,000 closed-ended funds. Therefore, there are many service providers on island to support this industry such as Big Four audit firms, law firms, fund administrators and fiduciary services providers.

## Setting up a business

A business in the Cayman Islands can be operated as a sole trader, a partnership, or a limited company. For foreign companies, they are also able to register a branch in the Cayman Islands in order to operate locally.

### Legal types of business entities

There are three key types of Cayman Islands entities: Companies, Partnerships and Trusts.

#### Companies

1. Exempted Company - If the proposed activities of a company are to be conducted mainly outside of the Cayman Islands, the registrants can apply for registration as an exempted company.
2. Resident Company - An ordinary resident company carries on business within the Cayman Islands. Resident companies must maintain at their registered office, open for public inspection, a register of their past and present members. They must also report annually to the Registrar, giving the names and addresses of members, directors, and the amounts of paid-up capital.
3. Non-Resident Company - An ordinary non-resident company is one that has been granted non-resident status through an application to the Minister of Finance via the Registrar of Companies and must state that the company does not intend to carry on business within the Cayman Islands. The company may deal in shares of exempted companies, foreign corporations and partnerships, but may only carry on such other business in the Cayman Islands as is necessary for the furtherance of its foreign business.
4. Limited Liability Company (LLC) - If the proposed activities of a company are to be carried out mainly outside of the Cayman Islands, the registrants can apply for registration as an LLC under the Limited Liability Companies Act.

5. Overseas Company - An overseas company (usually referred to as a foreign company) is a company incorporated outside the Cayman Islands. Registration pursuant to Part IX of the Companies Act is necessary to enable overseas companies to hold land or conduct business in the Cayman Islands, or to act as the general partner of a Cayman Islands Exempted Limited Partnership.
6. Unlimited Company - In the case of an unlimited company, the liability of all its shareholders or members is unlimited. Its members or shareholders have a joint, several and non-limited obligation to meet any deficiency in the assets of the company to settle outstanding debts in the event of the winding up of the company

#### Partnership

1. Exempted Limited Partnership (ELPs) - ELPs are governed by the Exempted Partnership Act (Revised). Such a partnership may not undertake business with the public in the Cayman Islands, other than as necessary for the carrying on of business outside Cayman.
2. Limited Partnership - Limited Partnerships are governed by the Partnership Act (Revised), and can be established by two or more partners, one of which must be a general partner (who must have unlimited liability).
3. Limited Liability Partnership (LLPs) - LLPs are governed by the Limited Liability Partnership Act (Revised), and is a legal entity formed by two or more partners who elect to form the LLP.
4. Foreign Limited Partnerships (FLPs) - FLPs are governed by the Partnership Act (Revised), and is a limited partnership or a limited liability partnership established in a recognised jurisdiction outside of the Cayman Islands.

#### Trust



1. Exempted Trust - Trust law provisions relating to exempted trusts require that a trust deed be delivered to the Registrar of Trusts. The filed trust documents are open to inspection by the trustee and any other person authorized by the trust, but they are not open for public inspection.
2. The Special Trusts Alternative Regime Act (STAR) - This complements the pre-existing traditional trust framework and is Cayman's response to the popular demand for non-charitable purpose trusts. STAR permits the creation of trusts for any object, whether persons, purposes or both, provided they are lawful and not contrary to public policy.

#### Process of how to set up a business

To set up a business in the Cayman Islands, you will need to engage the services of a Registered Office (RO). The RO will act as an agent on your behalf with the Registrar.

In the example of a Company, there are three important steps to incorporate your entity. You will need to:

1. Reserve your company name;
2. Complete the application for incorporation; and
3. Returning your signed consent forms.

There are two main documents required as a part of the process with standard templates provided by the RO or any law firm engaged:

1. Memorandum of Association
2. Articles of Association

#### Financial year of taxes and financial accounts

The financial year is typically equal to the calendar year. However, legal entities may choose for a different financial year if they wish.

#### Accounting and auditing

Annually, each entity is required to submit an Annual Return. However,

unless the entity is regulated by another applicable such as the Mutual Funds Act, the Private Funds Act or the Bank and Trust Companies Act, there is no requirement to have financial records audited.

### ***Economic and fiscal incentives***

#### Residency Options for High-Net-Worth Individuals

1. Certificate of Direct Investment – This option is available for applicants who plan to or have made an investment of USD1.2 million in an employment generating business where at least 30% of employees are or will be Cayman.
2. Residency Certificate (Substantial Business Presence) – This option is for applicants who own or propose to own 10% of shares in an approved category of business through which the applicant has established substantial presence or in a senior management capacity.

#### Global Citizen Concierge and Global Corporate Citizen Programme<sup>1</sup>

There are two available programmes available for individuals and entities that wish to operate within the Cayman Islands' special economic zone (called Cayman Enterprise City). Both programmes offer benefits to prospective applicants.

The Global Citizen programme:

1. No license to operate from within the Cayman Islands.
2. No Cayman Islands corporate tax advantages exist for foreign companies.
3. Corporate banking relationships are generally not available to non-Cayman Islands entities.

The Global Corporate Citizen programme:

1. A license called the Zone Trade Certificate is issued to the applicant.
2. The business will benefit from the Cayman Islands' tax neutral platform for both corporate and income tax purposes.
3. Corporate banking relationships are available to businesses.

For more information on either programme, please visit the Cayman Enterprise City website.

### **Taxation**

The tax system in any given country is invariably an extremely important criterion when it comes to companies finding a country of incorporation.

There is no direct tax imposed on residents and Cayman Islands companies. The government however has implemented a system of indirect taxation.

Indirect taxation is typically in the form of duties levied on imported goods. The duty rate ranges between 22% and 25%, but there are a few exemptions.

#### ***Tourism accommodation tax***

The government levies 13% tax on all revenue earned from tourist accommodations.

#### ***Tax on Sale of Property***

There is a 7.5% stamp duty charged on the proceeds of the sale from the property, which is payable by the purchaser.

### **HR/ Labour Law**

#### ***Employment law***

An employment agreement may be agreed for an indefinite or fixed period. If an employment agreement for a fixed period of time is continued, a

new agreement will then be deemed to have been entered into under the same conditions and for the same period of time (subject to a maximum of 1 year) as the former employment agreement.

#### ***Social security***

The Cayman Islands does not require participation in a social security programme. However, employers are required to enrol all employees in a health insurance plan.

Cost of insurance will differ depending on the health insurance provider and factors such as health, age, and number of dependents.

#### ***Pension***

All employees in the Cayman Islands are required by law to provide a pension plan for their employees. Employers and employees must contribute a minimum of 5% of their pensionable earnings to their pension plans.

The age the pension starts varies depending on various factors but will typically be 65.

#### ***Visa and work permits***

To work in the Cayman Islands as a non-citizen, a work permit is required.

The employer applies and pays for the work permit. Once approved, the expatriate worker can then move to the Cayman Islands.

<sup>1</sup><https://www.caymanenterprisecity.com/global-citizen-program>

## Contact us

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*The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in the Cayman Islands should seek professional advice from our member firms before making any business or investment decision.*

### Contact our member firm in the Cayman Islands to discuss your requirements:

Legal member: Cayman Islands

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