

# Key Benefits of British Virgin Islands Structures

Companies incorporated in the BVI are, by most measures, the most popular offshore holding structure in the world. Whilst offshore vehicles are used for a wide variety of different purposes globally, there are a number of common factors which feed into the success of the BVI product. Whilst the most popular BVI vehicles are companies, BVI trusts and partnerships are also increasing in popularity.

Many of the BVI's advantages are common to numerous other jurisdictions (English language, absence of currency exchange controls, US dollar as a currency, stable democracy, common law legal system with final appeal to the Privy Council in London), a number of other advantages are not.

- **Taxation.** BVI has no income tax, corporation tax, capital gains tax, wealth tax or similar fiscal laws. Whilst trading companies will normally pay taxation in the usual way in countries where they engage in business, using a BVI company as intermediary holding companies can create tax neutral layers in the corporate holding structure.
- **Speed.** Subject to satisfying relevant KYC requirements, companies can be incorporated quickly by licensed registered agents via the BVI's online electronic interface, usually within 24 hours.
- **Names.** BVI companies may be incorporated with foreign character names (eg a Chinese name) in addition to their English name.
- **Cost.** BVI companies are still comparatively inexpensive compared to other premium jurisdictions such as Cayman and Bermuda, and most mid-shores such as Hong Kong or Singapore. A vanilla BVI company can normally be incorporated for around US\$1,400 inclusive of disbursements.
- **Confidentiality.** Neither the register of directors nor the share register of a company is required to be publicly filed in the BVI. Although safeguards exist to prevent abuse of corporate confidentiality in relation to money-laundering and international crime, law abiding companies can exist with the confidence of privacy.
- **Corporate flexibility.** Company law in the BVI is designed to provide the maximum flexibility consistent with common law legal systems. Companies are permitted to undertake any lawful act or activity, and there are no strictures relating to corporate benefit.
- **Capitalisation requirements.** BVI does not impose "thin capitalisation" rules or impose any general maintenance of capital requirements. Provided a company maintains cash-flow and balance sheet solvency, there are no limitations relating to its ability to distribute assets to its shareholders by way of dividend. A BVI company is expressly empowered to provide financial assistance to a third party for the acquisition of its own shares.
- **Joint ventures.** BVI companies may adopt specific provisions in their corporate constitutions to abrogate the common law duties on directors to act in the best of interests of all of the shareholders in a joint venture, and instead free them to act for the benefit of the party appointing them. This flexibility has led to a number of high profile international joint ventures being structured through BVI holding companies.
- **IPO ready.** For successful businesses, BVI companies are widely used in international capital markets as listing vehicles. Shares in BVI companies are listed in stock exchanges in London.

(LSE and AIM), New York (NASDAQ and the Big Board), Toronto, Hong Kong and Singapore, amongst others.



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- **Debt financing.** BVI has a quick and simple system relating to secured creditor registration which facilitates leveraging assets where a BVI company needs to do so in order to raise capital. The BVI also has the most developed insolvency system in the offshore world which, whilst not usually a great consideration for entrepreneurs, is a normally key factor for banks who are being asked to fund them.
- **“Light touch” regulation.** Outside of certain very specific industries (mainly: investment funds, banking and insurance - but certain other areas as well) BVI companies do not need regulatory approval to conduct their affairs. BVI aims to provide “light but effective” regulation to minimise unnecessary regulatory burdens. The most common type of regulated business is investment funds, for which specific carve-outs exist to minimise the regulatory burden for low risk investment funds.
- **Innovative trust structures.** Trust law has been heavily modified in the BVI to remove uncommercial common law provisions. New and innovative products, such as VISTA trusts and private trust companies have driven the popularity of trusts, combined with rules refining restrictions to applicable non-charitable purpose trusts and rules against remoteness of vesting.
- **Commercial court.** Commercial ventures can, and sometimes will, go wrong and result in disputes. The BVI Commercial Court enjoys a sterling reputation in the offshore world both for delivering judgments which are consistent with commercial good sense, but also maintaining swift access to justice, and thereby avoiding the lengthy delays and sometimes arbitrary decisions which have characterised the judicial process in other jurisdictions.

Offshore structuring will always be driven by relevant considerations of the underlying transaction or structure. No one offshore structure can be all things to all people. But the dominance of the BVI product in the market suggests that BVI structures can seemingly be most things to most people..

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