

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 an intermediary holding company 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 2 days.

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\$1,750 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. The economic substance regime requires entities undertaking relevant activity, which are not tax resident outside the BVI in a suitable jurisdiction, to have adequate substance in the BVI.

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.

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 normally a 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, go wrong. The BVI Commercial Court is a specialist body created to deal efficiently with company and high value commercial disputes. It enjoys a sterling reputation for delivering high quality judgments within an accelerated timeframe. Avoiding lengthy delays and inconsistent decisions that affect other jurisdictions without a bespoke dispute resolution centre is pivotal. The final level of appeal is to the Privy Council in London, made up of UK Supreme Court Judges.

FinTech and cryptocurrency

For all the reasons set out above, BVI has become an attractive jurisdiction for initial coin offerings, crypto funds and FinTech transactions. BVI has launched a regulatory sandbox designed to encourage BVI companies and other undertakings to develop and utilise innovate FinTech within a light touch regulatory environment.

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 in the market suggests that BVI structures can seemingly be most things to most people.

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