

## Isle of Man Companies

Since November 2006 the Isle of Man has had two parallel mechanisms for establishing new companies. A traditional Isle of Man company can be established under legislation dating from 1931 to 2004. At the same time, a more modern version can be set up under the 2006 Companies Act. For those who are contemplating establishing an Isle of Man company it is important to select the right one for the purpose. The main points to consider in the decision making process are listed below.

1931 - 2004	2006
<ul style="list-style-type: none"> <li>Often referred to as '1931 companies', which encompasses companies established under the 1931 Act and all subsequent amendments to it up to 2004. Note that the 1931 Act itself consolidated the Companies Acts of 1910 to 1926 and followed the 1929 English Companies Act virtually word for word. Subsequent amending legislation has modified the original Act considerably.</li> </ul>	<ul style="list-style-type: none"> <li>A stand alone piece of legislation.</li> <li>Sometimes referred to as a New Manx Vehicle or NMV.</li> <li>The legislation is based on the British Virgin Islands model.</li> </ul>
<ul style="list-style-type: none"> <li>A traditional vehicle designed for trading purposes. There are checks and balances between directors and shareholders.</li> </ul>	<ul style="list-style-type: none"> <li>A vehicle more attuned to 21<sup>st</sup> century needs. Good for trading, holding and investment. More discretion given to directors. Lower administrative burden reduces costs.</li> </ul>
<p><b>Types of Company</b></p> <ul style="list-style-type: none"> <li>Companies limited by shares</li> <li>Companies limited by guarantee</li> <li>Companies limited by share and by guarantee</li> <li>Unlimited companies authorised to issue shares</li> </ul> <p>A company limited by shares may be formed as or converted into a protected cell company.</p>	<p><b>Types of Company</b></p> <ul style="list-style-type: none"> <li>Companies limited by shares</li> <li>Companies limited by guarantee</li> <li>Companies limited by share and by guarantee</li> <li>Unlimited companies authorised to issue shares</li> <li>Unlimited companies without shares</li> </ul> <p>A company limited by shares may be formed as or converted into a protected cell company.</p>
<i>This information sheet concentrates on companies limited by shares</i>	
<ul style="list-style-type: none"> <li>Clear distinction between private/public companies. Due process for converting private to public company.</li> </ul>	<ul style="list-style-type: none"> <li>No distinction between private/public companies.</li> </ul>
<p>Authorised share capital is a requirement for companies limited by shares:</p> <ul style="list-style-type: none"> <li>Up to £2000 of authorised share capital – capital duty of £125 is payable.</li> <li>For authorised share capital above £2000 – capital duty is payable at £15 per £1000 up to a maximum duty payment of £5000.</li> <li>The standard authorised capital on formation is £2,000 divided into 2,000 shares of £1 each.</li> </ul>	<ul style="list-style-type: none"> <li>The concept of authorised share capital has been eliminated. However, a level of share capital is required in the memorandum and articles of association: as a guide, ILS generally sets this at 10,000 shares of £1 each, but we are prepared to discuss different amounts if required.</li> </ul>

<ul style="list-style-type: none"> <li>The traditional concept of capital maintenance is used.</li> </ul>	<ul style="list-style-type: none"> <li>A company may make a distribution by any method provided that it will pass a simple solvency test following the distribution.</li> </ul>
<ul style="list-style-type: none"> <li>Minimum number of directors = 2</li> <li>Corporate directors not permitted.</li> </ul>	<ul style="list-style-type: none"> <li>Minimum number of directors = 1</li> <li>Corporate directors allowed but must be a licensed Corporate Service Provider (CSP) or permitted to act as a director by regulations made pursuant to the Act. ILS is a licensed Class 1 CSP.</li> </ul>
<ul style="list-style-type: none"> <li>Registered agent. No requirement.</li> </ul>	<ul style="list-style-type: none"> <li>Registered agent. Mandatory. Must be held by a CSP.</li> </ul>
<ul style="list-style-type: none"> <li>Company Secretary: Mandatory</li> </ul>	<ul style="list-style-type: none"> <li>Company Secretary: Not mandatory</li> </ul>
<ul style="list-style-type: none"> <li>Unlimited corporate capacity.</li> </ul>	<ul style="list-style-type: none"> <li>Unlimited corporate capacity (but objects clause possible).</li> </ul>
<ul style="list-style-type: none"> <li>Accounts required as detailed in the Companies Act 1992.</li> </ul>	<ul style="list-style-type: none"> <li>Accounts are not mandatory, but 'a company must keep reliable accounting records which explain the transactions of the company, enable the financial position of the company to be established at any time and allow financial statements to be prepared from them'.</li> </ul>
<ul style="list-style-type: none"> <li>Detailed annual return required.</li> </ul>	<ul style="list-style-type: none"> <li>Less onerous annual return required.</li> </ul>
<ul style="list-style-type: none"> <li>Audit required if 2 out of 3 conditions met.</li> </ul>	<ul style="list-style-type: none"> <li>No audit required.</li> </ul>
<ul style="list-style-type: none"> <li>Meetings. General meeting once a year IOM or UK.</li> </ul>	<ul style="list-style-type: none"> <li>No requirement for an AGM. Meetings may be held anywhere and may be conducted using any electronic means provided that all participants can communicate with each other.</li> </ul>
<ul style="list-style-type: none"> <li>Decision making processes need to be followed.</li> </ul>	<ul style="list-style-type: none"> <li>Greater flexibility in decision making generally.</li> </ul>
<ul style="list-style-type: none"> <li>Company Documents kept at Registered Office.</li> </ul>	<ul style="list-style-type: none"> <li>Company Documents kept at Registered Agent.</li> </ul>
<ul style="list-style-type: none"> <li>Changes of directors, secretary and shareholders must be notified to the Companies Registry within one month.</li> </ul>	<ul style="list-style-type: none"> <li>Changes of directors and shareholders must be notified to the Companies Registry in the annual return.</li> </ul>
<ul style="list-style-type: none"> <li>Strict regime for the registration of charges</li> </ul>	<ul style="list-style-type: none"> <li>More flexibility in the registration of charges</li> </ul>
<ul style="list-style-type: none"> <li>Highly prescriptive, and potentially expensive requirements for a prospectus if intending to float on a stock market.</li> </ul>	<ul style="list-style-type: none"> <li>Simplified requirements for a prospectus if intending to float on a stock market.</li> </ul>
<ul style="list-style-type: none"> <li>No merger and consolidation procedures.</li> </ul>	<ul style="list-style-type: none"> <li>Merger and consolidation procedures enacted.</li> </ul>

**Note:**

In the absence of specific client instructions to the contrary ILS will normally recommend a 2006 Act company.

**What ILS can provide**

- Structuring/establishment of the vehicle
- Officers of the company, subject to restrictions
- Assistance with VAT registration

- Establishment of bank accounts
- Administration
- Accounting

*Please note that The ILS Group Limited does not offer tax advice and nothing in this information sheet should be construed as such. If you are not professionally qualified to give tax advice, we will be happy to make an appropriate introduction.*