

# The Cayman Islands: An Extender of Value to the United Kingdom

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Optimum tax neutral jurisdiction supporting efficient free flow of trade, capital, investing, financing and services around the world

As an Efficient Neutral Hub, the Cayman Islands is an “extender of value” for the United Kingdom and other G20 countries, their businesses and their people to participate in trade, investment and financing opportunities around the world. Parties from different countries who have different laws, regulations, tax rules, and customs are able to do business with each other in a trusted and efficient neutral jurisdiction. Using a neutral jurisdiction like Cayman, no party is at a disadvantage of being subjected to another party’s laws, regulations, tax rules or customs.

*The Cayman Islands is a premier global tax neutral financial hub, efficiently connecting law-abiding users and providers of investment capital and financing around the world which benefits developed and developing countries.*

**The Cayman Islands has always demonstrated the commitment to be a transparent and compliant jurisdiction.**

**CAYMAN ISLANDS IS HELPING THE UK WITH UNPARALLELED ACCESS TO:**

- Foreign Direct Investment or “FDI” (essential to save or grow UK businesses and jobs)
- Inward infrastructure investing and financing
- Liquidity for the UK economy
- UK job growth
- Increased tax base for the UK
- Global diversified investments for UK pensioners
- Free flow of global trade, capital, investing, financing, and services

**THE CAYMAN ISLANDS IS A GLOBAL EXTENDER OF VALUE FOR THE UK, ITS BUSINESSES, AND ITS CITIZENS**

- Through the Cayman Islands, the United Kingdom, its businesses, and its people are able to participate in globally diversified investment and financing opportunities resulting in benefits such as greater returns for UK pensioners on pension fund investments.
- With the substantial investible assets pooled in Cayman funds from around the world, Cayman entities are uniquely positioned to provide substantial foreign direct investment, infrastructure financing and liquidity which can be used to save or grow UK businesses, jobs and tax base.
- As the UK will look to opportunities around the globe to secure its future at a time when the UK is negotiating and preparing for Brexit in an era of evolving global trade relations and other important changes in the global economy, the Cayman Islands is well positioned to work hand in hand with UK cities to connect the UK to the efficient flow of global trade, capital, investing, financing, and services around the world.

## INTERNATIONAL ROLE OF CAYMAN ISLANDS FINANCIAL SERVICES INDUSTRY

**US \$4.5 TRILLION  
GBP 3.6 TRILLION**

**FOREIGN INVESTMENT MEDIATED THROUGH CAYMAN ISLANDS IN 2016 WAS EST. US \$4.5 TRILLION (GBP 3.6 TRILLION)**

**5 MILLION**

**INVESTMENT MEDIATED BY THE CAYMAN ISLANDS SUPPORTS AN ESTIMATED 5 MILLION JOBS**

**US \$60 BILLION  
GBP 47 BILLION**

**TAX REVENUES GENERATED FOR THE UNITED STATES GOVERNMENT APPROXIMATES ABOUT US \$60 BILLION (GBP 47 BILLION)**

SOURCE: CAPITAL ECONOMICS (ESTIMATES IN USD AND GBP)

Cayman is a transparent, tax neutral jurisdiction and is not a tax haven. The money invested in investment funds in the Cayman Islands is not kept in an offshore bank but invested in financial markets around the world.

Investors and investees in the Cayman Islands are still subject to their home jurisdiction’s tax requirements.

The Cayman Islands is fully committed to transparency and cross border cooperation with tax authorities worldwide.

Cayman proactively shares tax information with over 100 other governments, which includes the UK and all EU Member Countries - essentially assisting them in the collection of their own taxes.

**The Cayman Islands is a transparent, cooperative jurisdiction that meets or exceeds all globally-accepted standards for transparency and cross border cooperation. It is not a tax haven.**

## TAX NEUTRAL

The Cayman Islands Tax Neutral regime is a globally responsible tax model that is simple and transparent, and efficiently supports the global free flow of investment capital and financing without posing tax harm to other countries' tax bases.

Cayman's Tax Neutral policy is supported by United Nations and OECD Model Conventions. While the OECD Model Tax Convention on Income and Capital gives guidance on the use of Double Taxation Treaties to address the burden of double taxation on cross border economic activities, it also recognises alternative tax policy models for addressing (i) double taxation, (ii) tax conflict mediation, and (iii) tax information sharing to protect against tax evasion and aggressive tax avoidance. The Cayman Islands Tax Neutral regime meets the criteria of such an alternative tax policy model.

As the Cayman Islands is tax neutral, it adds no additional tax to financial services transactions in its jurisdiction. Investee entities and investors are still subject to their home jurisdiction's tax requirements.

The importance of Cayman's tax neutral status can be illustrated by considering what would happen were Cayman to introduce direct corporate tax on profits, e.g. hedge funds. This would reduce returns to the British investors in those funds and, consequently, reduce the taxes that those investors would in turn be liable to pay at home.

Accordingly, Cayman's efficient tax neutral platform provides the optimum outcome for investors, investees, and home tax jurisdictions.

THE CAYMAN ISLANDS INVESTMENT FUND is the collective investment vehicle that is crucial to facilitating trade to, from and through the UK, bringing investments and employment to the UK.

The Cayman Islands investment fund is the global collective investment vehicle, preferred by investors in North America, China, Japan, the Middle East, Latin America, and many other countries.

It is used by international investors in those regions to aggregate international investment into countries around the world, including the UK; to facilitate co-investment by UK investors with others from around the globe; and to enable asset managers in the UK to provide services to international investors.

## The Cayman Islands: A Snapshot of Strength in Numbers

- Top jurisdiction for Alternative Investment Funds: **Two-thirds of global hedge funds with over US\$2.3 trillion in assets under management (AUM)**
- **Number 2 jurisdiction** for Insurance Captives (**Number 1 jurisdiction** for Healthcare Captives and Group Captives)
- IPOs: **Cayman companies accounted for 83% of firms** listed on the Main Board of the Hong Kong Stock Exchange and the Hong Kong Growth Enterprise Market in 2016.
- **A leading Specialised International Financial Centre** (The Banker Magazine)
- Cayman entities support the US Government by being among **the top 10 jurisdictions** investing in and holding US treasuries.
- The Cayman Islands is the **largest domicile in the world** for US healthcare captives, thereby supporting lower US healthcare costs and better access to affordable reinsurance premiums in the global marketplace.

The Cayman Islands has always demonstrated the commitment to be a transparent and compliant jurisdiction, responding positively to internationally agreed standards such as the global Base Erosion and Profit Shifting (BEPS) initiative.

for transparency and exchange of information – the same rating given to G20 countries like the UK, Germany, Canada and Australia.

This rating is the second highest of a six-category rating: Compliant, Largely Compliant, Provisionally Largely Compliant, Partially Compliant, Partially Compliant and Non-Compliant.

The OECD recently rated Cayman as largely compliant with the international standard

### International Tax Co-operation (Economic Substance) Law, 2018:

“a law to provide for an economic substance test to be satisfied by certain entities; and for incidental and connected purposes”

Introduced by Cayman to meet commitments as Inclusive Framework member under the OECD's global Base Erosion and Profit Shifting (BEPS) initiative.

Reflects Cayman's commitment to meet new European Union requirements modelled on BEPS Action 5. Cayman adopts new global standard that will also be applied across 123 other jurisdictions.