



10705 Wren Ridge Road
Suite 2B
Alpharetta, GA 30022
(770) 752-7022
<http://www.gapent.com>

GAP Enterprises, Ltd.

International Business Company (IBC)

By George Matyjewicz, Chief Global Strategist, GAP Enterprises, Ltd.

*Creating an IBC in the British Virgin
Islands*





International Business Company (IBC)

Creating an IBC in the British Virgin Islands

What is it?

Since 1984, the "IBC" has been a Caribbean-flavored legal entity similar to the U.S.-based corporation or limited liability company. Like any corporation, the IBC has shareholders, officers, and directors.

International Business Companies are generally created in a "tax haven" jurisdiction, and must be owned or controlled by **non-residents**. IBCs are authorized and readily accepted to do business world-wide, excluding the country of incorporation. In exchange, IBCs pay NO taxes, whatsoever, in the jurisdiction of incorporation.

History and the BVI

In order to attract new financial business to their islands, many Caribbean countries re-invented themselves by enacting "exempt" legislation laws. The British Virgin Islands (BVI) was the first to implement the [International Companies Act \("the ACT"\) of 1984](#). Because of its spectacular success others followed. Today there are approximately 2.5 million International Business Companies registered globally, of which 37% are to be found in the Caribbean and Latin America, 25% in Europe, 30% in Asia and the Pacific, 8% in Africa and the Middle East.¹

BVI remains the most sought after IBC registration jurisdiction. The desirability of the BVI jurisdiction is related to the pro-business environment, flexibility as a corporate vehicle, minimal information and disclosure requirements, global identity, widespread recognition, and exemption from local taxation. The British Virgin Islands (BVI) has the most registered IBCs, estimated at 480,000 more than three times the next highest jurisdiction.

And, here you will find the U.S. Big Six accounting firms, major banks and large law firms who maintain fully staffed offices.

To quote the International Monetary Fund (IMF):

"OFCs (Offshore Financial Centres) can be used for *legitimate reasons*, taking advantage of: **(1)** lower explicit taxation and consequentially increased after tax profit; **(2)** simpler prudential regulatory frameworks that reduce implicit taxation; **(3)** minimum formalities for incorporation; **(4)** the existence of adequate legal frameworks that safeguard the integrity of principal-agent relations; **(5)** the proximity to major economies, or to countries attracting capital inflows; **(6)** the reputation of specific OFCs, and the specialist services provided; **(7)** freedom from exchange controls; and **(8)** a means for safeguarding assets from the impact of litigation etc.

¹ -source: Working Paper of the United Nations Office for D.C.C.P.

They can also be used for *dubious purposes*, such as tax evasion and money-laundering, by taking advantage of a higher potential for less transparent operating environments, including a higher level of anonymity, to escape the notice of the law enforcement agencies in the "home" country of the beneficial owner of the funds."²

Benefits of an IBC

Typically an IBC only requires one (1) shareholder and director, and another legal entity may serve as a director. Shareholders meetings can be held anywhere in the world.

Assets placed within the IBC are protected from creditor suits, court judgments, or government seizure. IBC's are exempt from all corporate taxes, income tax, capital gains tax, any tax on the transfer of assets or securities to any person, all withholding taxes on dividends, interest or other returns to shareholders from local jurisdiction.

There are no minimum share capital requirements, and the IBC is able to issue bearer shares (undisclosed owners in the IBC). There are no statutory audit restrictions or requirements and no annual returns or accounts requirements.. Company books can be kept anywhere in the world.

What can an IBC do?

In general, an IBC "Legal Entity" may engage in any lawful activity(ies) not restricted by the country of incorporation or the jurisdiction in which it may want to operate, including shipping, manufacturing, consulting, transportation, communication, licensing, sub-licensing, etc.

An IBC may act as a holding company with ownership in other legal entities, hold title to real and intangible property such as real estate or a patent and enter into leasing arrangements for real or personal property such as equipment, motor vehicles, or other machinery.

An IBC may provide loans, collection services, act as a finder, collect finder's fees and commissions. However an IBC may not engage in banking without a proper license, may not engage in trust services, insurance, re-insurance, or captive insurance without a proper license, may not engage in a stock broker or commodity trading company without proper licensing.

An IBC can license intellectual property.

If You Are a U.S. Person

When a "U.S. Person" forms a foreign corporation in a favorable "no-tax" international jurisdiction, the United States laws will recognize that corporation, for "**LEGAL**" purposes, as a corporation. However, for "**TAX**" purposes (not legal purposes), the IRS may classify that legal corporation for TAX purposes as something else, such as a "disregarded entity" (one owner) or a partnership (two owners). A "disregarded entity" for TAX purposes means the Internal Revenue Service (IRS) will assign whichever entity produces the greatest tax liability for the disregarded entity.

We are not tax advisors, and caution you to discuss any tax issues with your tax advisor. In particular discuss the issues relative to a Controlled Foreign Corporation (CFC) classification is complex (IRC §951 thru §960), consult with a competent professional.

"U.S. Persons" are taxable on their world-wide income, no matter what/where/when/how the source of such income, unless there's an exception or exemption i.e. Tax Treaty.

² <http://www.imf.org/external/np/mae/osshore/2000/eng/back.htm>

•
•
•
•
•
•
•

IBC Package

International Business Company Incorporation Package includes:

Regulatory:

- One Registry stamped copy of the Memorandum of Association and Articles of Association.
- Certificate of Incorporation
- Subscriber's Appointment of the first directors
- Consent to act by the first directors
- Director's Initial Resolutions; addressing matters such as issue of shares, appointment of directors, approval of corporate seal and location of company's books and records.
- Application for Shares
- Share certificates
- Register of Directors
- Register of Shareholders
- Corporate Seal
- Act as registered agent and provide the registered office, both of which are statutory requirements in the British Virgin Islands
- Opening of bank account at a local bank in the name of the IBC with required opening balance of \$500

Contact

LWB Company Limited, a company wholly owned by members of the law firm Barker's Law, possesses a company management licence and handles incorporation and administration of the BVI companies. Barker's is one of the oldest law firms in the British Virgin Islands.

Contact:

Mr. Stephen Adams
LWB Company Limited
The Mill Mall
PO Box 92
Wickhams Cay 1
Road Town, Tortola
British Virgin Islands

Telephone: 284 494 2204
Telecopier: 284 494 5535
E-mail: spa@barkerslaw.com

Tell them George Matyjewicz referred you.

###

About the author.

George Matyjewicz is the Chief Global Strategist for GAP Enterprises, Ltd. responsible for defining strategy for global expansion for the firm's clients. He is a multi-faceted Senior Executive with expertise in business development, management, marketing, sales, operations, finance/accounting, and information systems. His major strength is the ability to analyze a situation and develop a simple, cost-effective solution. Mr. Matyjewicz will be completing his doctoral dissertation this year in Global Marketing. He is a columnist for Gifts & Dec magazine, moderates E-Tailer's Digest and is called on by the media worldwide for expert opinions. You may reach him at georgem@gapent.com