St. Vincent and the Grenadines: a modern offshore financial centre

by Dr. Christopher Stange, Caribbean industry analyst

St. Vincent and the Grenadines' (SVG) offshore sector was established in 1976. In 1996, the Offshore Finance Authority (OFA) was created to oversee the financial industry, developing in 2004 to become the International Financial Services Authority (IFSA).

IFSA is one of the most sophisticated institutions in the world ensuring regulation of all commerce activity is in accordance with best international practices.

The government of SVG has been pro-active, committed to investing the necessary resources to guarantee the sector flourishes, offering a wide range of unique products and services in an ever-changing global economy.

Success and growth of offshore financial services in St. Vincent and the Grenadines stems from the following:

- Efficient, accessible and up-to-date regulatory authority (IFSA)
- Professional and knowledgeable trained staff
- Independent jurisdiction not subject to automatic informational exchange
- Low operating cost
- Zero or one per cent taxation for an international business company (IBC)
- Government legislating some of the most advanced international company laws in the offshore industry, including the recent Limited Liability Company (LLC) Act.
- Trust companies allowing foreign ownership

Types of international business companies (IBCs)

1. Limited Company by Shares
2. Limited Company by Guarantee (Mutual Company)
3. Limited Company by both Guarantee and Shares (Hybrid Company)
4. Unlimited Company

The hybrid company has unique advantages having two classes of members: shareholders and beneficiary members. If operated as a quasi trust, the control of the company resides with the shareholders but all benefits can be directed to the beneficiary members defined by the company's constitution and share structure. After payment to preference shareholders, finances can be directed to the beneficiary members as a trust, thereby strategically establishing a highly effective tax vehicle.

Taxation

An IBC is not taxable or subject to audit or duties in SVG. However, an IBC may elect to be taxed one per cent on its profits at incorporation, thus by being taxed in its home country, it would not be subject to additional tax treaties regional or abroad.

Trusts of shares

The IBC Act allows shares to be held in a unit trust, to safeguard specifically against the responsibilities placed on trustees. Under St. Vincent and the Grenadines law, trustees of unit or international trusts, who hold shares in an SVG IBC, have no obligation to enquire into the management of underlying companies, creating added value to clients looking to utilise an IBC or trust.

Segregated cell companies (SCC)

Through an SCC assets can be segregated into different share classes within a single company, so a poor performance or insolvency of another share class is not able to taint the other share classes, thus stopping any claim of creditors against the assets of the other classes. An SCC can be highly useful for the mutual fund or insurance arena.

Further information on the benefits of choosing St. Vincent and the Grenadines as an offshore jurisdiction can be obtained from the following government agencies:

International Financial Services Authority (IFSA) website:
www.stvincentoffshore.com
National Investment Promotions Incorporated (NIPI) website:
www.svg-nipi.com

Dr. Christopher Stange, Caribbean industry analyst, based in Northern Ireland, works actively promoting trade, investment, tourism and improved relations between the Windward Islands, specifically St Vincent and the Grenadines, and the UK.