

# The Cayman Islands: An Extender of Value to the USA

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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 Tax Neutral Hub, the Cayman Islands is an “extender of value” for the US 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 neutral jurisdiction. Using a neutral jurisdiction like Cayman, no party is at a disadvantage of being subject to another party’s laws, regulations, tax rules or customs.

**The Cayman Islands is a premier global tax neutral financial hub that efficiently connects law abiding users and providers of investment capital and financing around the world.**

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

THE CAYMAN ISLANDS IS HELPING THE USA WITH UNPARALLELED ACCESS TO:

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

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

- Through the Cayman Islands, the USA, its businesses, and its people are able to participate in globally diversified investment and financing opportunities resulting in benefits such as greater returns for US 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 US businesses, jobs and tax base.
- At a time when inward investment and global trade supporting a stronger economy are important cornerstones of the US economic policy, the Cayman Islands is the world’s most utilized global tax neutral financial hub for international investment, providing a proven, trusted, stable, tax neutral, and well-regulated environment designed to support global investment and trade.

## INTERNATIONAL ROLE OF CAYMAN ISLANDS FINANCIAL SERVICES INDUSTRY

<b>US \$4.5 TRILLION</b>	<b>5 MILLION</b>	<b>US \$60 BILLION</b>
<b>FOREIGN INVESTMENT MEDIATED THROUGH CAYMAN ISLANDS IN 2016 WAS EST. US\$4.5 TRILLION</b>	<b>INVESTMENT MEDIATED BY THE CAYMAN ISLANDS SUPPORTS AN ESTIMATED 5 MILLION JOBS</b>	<b>TAX REVENUES FOR THE UNITED STATES GOVERNMENT APPROXIMATES ABOUT US\$60 BILLION</b>
	<small>SOURCE: CAPITAL ECONOMICS (ESTIMATES IN USD)</small>	

**In 2019, the OECD completed a review of the Cayman Islands’ domestic legal framework that includes economic substance and found that the Cayman Islands Tax Neutral regime is not harmful and meets all economic substance requirements.**

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 has adopted automatic exchange of tax information with relevant authorities in other countries. The OECD’s Common Reporting Standard (CRS) has been implemented in over 100 countries including the Cayman Islands.

As is the case with all countries that have implemented CRS, Cayman proactively shares tax information with over 100 other governments, a level of transparency which essentially assists them in the collection of their own taxes, regardless of what their unique tax laws are.

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.

## HISTORY OF PARTNERING WITH THE USA TO FIGHT FINANCIAL CRIME:

1986

Agreed the Mutual Legal Assistance Treaty (MLAT) with the USA, one of the first in the world and has been proven highly effective in the restraint and forfeiture of the proceeds of crime as well as the repatriation of assets to the USA for restitution to victims of crime.

2001

The first UK Overseas Territory to sign a Tax Information Exchange Agreement with the United States.

2013

The first UK Overseas Territory to sign the FATCA Model 1 Intergovernmental Agreement with the USA, complementing 36 bilateral tax information exchange agreements with other jurisdictions with a view to tax transparency and cooperation.

US FATCA regime implemented so that Cayman financial institutions are obliged to report through the Cayman Tax Information Authority details of financial accounts held by US citizens and residents.

## TAX NEUTRAL

The Cayman Islands Tax Neutral regime for financial services transactions 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.

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 recognizes 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 policy for Cayman's Tax Neutral regime for financial services transactions meets the criteria of an alternative tax policy model considered acceptable by United Nations and OECD Model Conventions.

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 reporting and paying their relevant taxes in their home jurisdictions.

The importance of maintaining Cayman's tax neutral status can be illustrated by considering what would happen were Cayman to introduce direct corporate tax on profits of e.g. Cayman Islands alternative funds. This would reduce returns to investors (including US investors) in those funds and, consequently, reduce the taxes that those investors (including US investors) would in turn be liable to pay in their home jurisdiction (including in the USA). It would also unfairly disadvantage the many investors in Cayman Islands alternative funds who are private and government pension funds, charities and not-for-profit organizations that are not subject to tax in their home jurisdiction (including in the USA).

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

### US Government Accountability Office Report to the Chairman and Ranking Member, Committee on Finance, US Senate (July 2008):

- "The IRS official also told us that the Cayman Islands government has provided the requested information in a timely manner for all TIEA requests."
- Officials from Treasury and the Securities and Exchange Commission (SEC) reported that the Cayman Islands has been cooperative in sharing information and SEC reported that several of the SARs have led to US investigations.
- A senior official from Department of Justice's Office of International Affairs indicated that the Cayman Islands is the busiest United Kingdom overseas territory with regard to requests for information, but also the most cooperative. She also said that the Cayman Islands is one of DOJ's "best partners" among offshore jurisdictions.
- A DOJ official reported that the Cayman Islands has an agreement to share proceeds of criminal-asset forfeitures with the US government, and has been a very cooperative partner.

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

- **Top jurisdiction for Alternative Investment Funds:** 70% of non-US domiciled alternative investment funds managed by US Securities & Exchange Commission-registered advisors are domiciled in the Cayman Islands
- **A leading Specialised International Financial Centre** (The Banker Magazine)
- **No. 2 jurisdiction** for Insurance Captives (**No. 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

Because of its global recognition and pro-business approach, the Cayman Islands is a leading domicile for alternative investment funds. The Cayman Islands Monetary Authority (CIMA) regulated approximately 11,000 open-ended alternative investment funds in 2018. Also domiciled on the Islands are closely held, open and closed-ended alternative investment funds. In fact, 70 percent of non-US domiciled alternative investment funds managed by US Securities and Exchange Commission-registered advisors are domiciled in the Cayman Islands. At the end of 2017, the value of total assets managed by Cayman Islands funds regulated by CIMA reached \$6.94trn and net assets were \$4.03trn.