

# The Cayman Islands: An Extender of Value to Brazil

November 2019

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 Brazil 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, 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 BRAZIL WITH UNPARALLELED ACCESS TO:**

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

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.

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

- Through the Cayman Islands, Brazil, its businesses, and its people are able to participate in globally diversified investment and financing opportunities resulting in benefits such as greater returns for Brazilian 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 Brazilian businesses, jobs and tax base.
- At a time when inward investment and global trade supporting a stronger economy are important cornerstones of Brazil’s economic policy, the Cayman Islands is the world’s most utilised 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

**US \$4.5 TRILLION**

FOREIGN INVESTMENT MEDIATED THROUGH CAYMAN ISLANDS IN 2016 WAS EST. US\$4.5 TRILLION

**5 MILLION**

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

SOURCE: CAPITAL ECONOMICS

**US \$60 BILLION**

TAX REVENUES GENERATED FOR THE UNITED STATES GOVERNMENT APPROXIMATES US\$60 BILLION

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 BRAZIL TO FIGHT FINANCIAL CRIME:

2006

Cayman's financial services regulator, the Cayman Islands Monetary Authority (CIMA), entered into a Memorandum of Understanding (MoU) with Brazil's central bank, Banco Central de Brazil.

2009

CIMA signed a MoU with Brazil's securities and exchange commission, the Comissão de Valores Mobiliários.

2013

The Cayman Islands Government signed its 31st Tax Information Exchange Agreement (TIEA) with the Republic of Brazil on 19 March.

## 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 Brazilian 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 industry provides solutions and vehicles to facilitate trade to and from Brazil that in turn create employment, expertise and tax revenues to Brazil. The Cayman Islands investment fund industry also provides an integral solution for Brazilian asset managers and family offices to efficiently access international markets.

**DATA FROM THE INTERNATIONAL MONETARY FUND INDICATES THAT THE CAYMAN ISLANDS ALREADY RANKS IN THE TOP FIVE FOR PORTFOLIO INVESTMENT ASSETS IN** and out of Brazil. In 2011, capital flows from global investors channelled through Cayman investment funds into Brazil totalled some US\$17 billion. These flows are used for projects like major infrastructure and asset financing. Furthermore, in 2017, the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes estimated that in just one recent year, Cayman attracted at least US\$4.1 trillion in banking assets, direct investment and portfolio investment.

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.

## 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.