Cayman Finance

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Cayman Tax Neutrality Better For CIVs and MNEs FACT SHEET

CAYMAN TAX NEUTRALITY BETTER FOR CIVs

Cayman's tax neutral regime offers a much more transparent and low-cost approach for Collective Investment Vehicles (CIVs). With no corporate taxes or capital gains taxes, Cayman-resident CIVs are not subject to taxation regardless of their legal form. Cayman-resident CIVs also enjoy strong investor protections from the laws derived from English common law and legislation that specifically developed to ensure they are well governed, but not burdened by unnecessary regulatory restrictions.

- The EU has specifically recognised the harmful effects of double taxation on CIVs.
- Many EU countries have accepted the value of tax neutrality, creating regimes designed to be tax neutral for at least some types of CIVs. These attempt to treat investors for tax purposes as if they had invested in underlying assets directly—and thus aren't subject to double taxation.
    - However, the extent of tax neutrality often varies depending on the type of fund vehicle, the domicile of investors, and the means by which neutrality is achieved.
    - **Such limitations inevitably cause frictions**, which can cause some funds to simply not accept investments from some investors, creating further complications.
- The benefits of Cayman's tax neutral regime apply to **ALL Cayman-resident CIVs**.
- Given **Cayman's simple, straightforward and transparent tax neutrality**, combined with **robust investor protections** and **specialised regulatory framework**, it is no surprise that **about 80% of the world's hedge funds are resident in Cayman**.

CAYMAN TAX NEUTRALITY BETTER FOR MULTINATIONALS

Cayman offers MNEs a highly effective tax-neutral jurisdiction in which to domicile entities – particularly joint ventures, special purpose vehicles and subsidiary holding companies with investments in multiple jurisdictions.

While EU companies that own these entities will be subject to their home jurisdiction's tax on dividends, the ability to retain and reinvest profits from the Cayman-resident entity can offer significant advantages, leading to higher rates of investment, which on average will lead to more growth.

Ultimately, much of these benefits accrue to citizens in the country in which the parent company is tax resident, both through investments and taxes paid on dividends.