



Isle of Man 2006 Company

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The introduction of the Companies Act 2006 in the Isle of Man on 1st November 2006 marked the biggest change in Isle of Man company law for seventy five years.

This modern, cost effective and flexible vehicle for business incorporation has been developed for today's fast moving and sophisticated global market place. Its introduction, alongside the Companies Acts 1931-2004, which also remain in place, is a testament to the excellent working relationship which our Government and private sector enjoys on the Island and through which the new legislation has been developed in close cooperation.

When coupled with the Island's strong professional infrastructure, and its zero rate tax strategy on company profits introduced in April 2006, the introduction of the Companies Act 2006 places the Island at the forefront of domiciles within a European time zone for the establishment and servicing of companies. Key features of the Companies Act 2006 include:

- One Director, individual or corporate
- A Registered Agent, instead of company secretary
- More flexible annual returns
- Unlimited corporate capacity, but restricted objects are permissible
- No preclusion of financial assistance
- Pre-incorporation contracts can be adopted
- Simple merger and consolidation procedures
- Simple transfer of domicile procedures
- Protected Cell Companies are permissible

The Companies Act 2006

Isle of Man company legislation has traditionally been based on the English law company statutes, subject to certain amendments unique to the Isle of Man.

The Companies Act 2006 updates and modernises Isle of Man company law by introducing a new simplified corporate vehicle into Isle of Man law. The 2006 Act is based on familiar concepts and, whilst it does not contain any novelties as such, it sweeps away a number of the traditional company law formalities, including the concept of authorised share capital, the requirement to hold an Annual General Meeting, the requirement to maintain capital (subject to solvency), the requirement to have a company secretary, the prohibition on financial assistance and the number of compulsory registry filings. The result is a modern, flexible and simplified corporate vehicle that will be attractive to business.

Every company incorporated under the Companies Act 2006 must have a registered agent in the Isle of Man.

Only persons holding an appropriate licence issued by the Isle of Man Financial Supervision Commission can act as a registered agent. This requirement ensures that there is a licensed professional on the Isle of Man overseeing the administration of the company.

The Companies Act 2006 is a stand-alone piece of legislation. Companies incorporated under the 2006 Act are governed solely by its provisions and (save in relation to liquidation and receivership) are not subject to the provisions of the existing Isle of Man Companies Acts 1931-2004. Equally, present and future companies incorporated under the Isle of Man Companies Acts 1931-2004 are not subject to or affected by the terms of the Companies Act 2006. However, the Companies Act 2006 does contain relatively simple procedures to enable a company incorporated under the Companies Acts 1931-2004 to re-register as a company under the Companies Act 2006.

Types of Company Available

A company can be incorporated or continued under the Companies Act 2006 as:

- a company limited by shares;
- a company limited by guarantee;
- a company limited by shares and by guarantee;
- an unlimited company with shares; or
- an unlimited company without shares.

Every company incorporated under the Companies Act 2006 is a legal entity in its own right separate from its members and continues in existence until it is dissolved. In addition, every type of company must at all times have at least one member.

Distinction Between Public and Private Companies

The Companies Act 2006 does not distinguish between public and private companies. Under the Companies Acts 1931-2004 private companies are prohibited from offering their shares or debentures to the public. If such a company does offer its shares or debentures to the public it will be deemed to be a public company and it is obliged to comply with prescriptive prospectus requirements and file a copy of its prospectus or statement in lieu of prospectus with the Isle of Man Companies Registry within a prescribed time period. In addition, the name of a public company must end with the words "plc" or "public limited company".

No such restrictions apply under the Companies Act 2006. All types of company can offer their shares or securities to the public, whether the names of such companies end with the words "Limited" or "public limited company" or otherwise.



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