

# International Business Companies

An International Business Company, or IBC, is a corporation that is licensed under the International Business Companies Act, Cap. 77. IBCs can: buy or sell goods and services that exist outside of, and do not originate in, Barbados; sell services to non-Barbados residents; and manufacture products exclusively for export outside of Barbados.

## Key benefits

- Tax on income on a sliding scale, from a maximum of 2.5% to a minimum of 0.25%.
- A tax credit in respect of taxes paid outside of Barbados, but only insofar as it reduces the tax payable in Barbados to a minimum of 0.25%.
- Exemption from all withholding taxes on payments to persons not resident in Barbados or other IBCs.
- No capital gains tax or estate duty.
- Freedom from most exchange control regulations.
- Books and records may be kept in a foreign currency.
- Guarantee of benefits and exemptions for a period of 15 years upon agreement with the Minister.
- No minimum capital or "thin capitalization" requirements.
- Provisions for inward and outward re-domiciliation.
- Access to the country's tax treaty network.
- Modern and flexible corporate legal framework.
- Branch operations may benefit from IBC status.
- Income tax concessions for specially qualified expatriate employees.
- Exemption from local transfer taxes and stamp duty on the sale of foreign real estate or investments, and the transfer of equity in an IBC.
- Exemption from all customs duties on importation of machinery, equipment or materials for use in its business.
- A zero tax rate applies to IBCs that are wholly owned by a trust established and managed in accordance with the International Financial Services Act, Cap. 325.

## Key legal requirements

IBCs should incorporate in Barbados under the Companies Act, Cap. 308, which is modeled on the Canada Business Corporations Act. Alternatively, registration of an external company is permitted. Incorporation is achieved by filing Articles of Incorporation and paying a fixed fee of US\$390. A license to carry out international business must then be obtained from the Ministry of International Business for a fee of US\$625. A company may undertake any business, unless its Articles circumscribe its activities. Certain activities are restricted by the International Business Companies Act, or by other local statutes, such as banking or insurance legislation. By virtue of the Companies Act, companies are empowered to adopt pre-incorporation contracts. Corporate mobility in and out of Barbados is allowed.

### Capital

A company need only have one shareholder. There is no legal minimum capital requirement and no stamp duty on capital. Shares have no nominal or par value, and may not be issued until fully paid. A company may purchase and cancel its own shares provided it is solvent. Companies may amalgamate and mutual companies are allowed. Bearer shares are not permitted.

### Management

A company need only have one director, who need not be a Barbados resident. Director's duties and liabilities are expressly stated in the Companies Act. A unanimous shareholders' agreement and by-laws may restrict the power of directors. Alternate directors are permitted.



### Meetings and votes

A company licenced as an IBC must have a registered office in Barbados. Subject to tax residency requirements, directors may conduct their business by physical meetings within or outside of Barbados, by unanimous written resolution, or via teleconference. An annual meeting of shareholders is required, at which shareholders may be represented by proxies. Fundamental changes to the company's Articles require two-thirds majority approval of the shareholders. Minutes and resolutions of the directors and shareholders must be maintained at the registered office in Barbados.

### Accounting and auditing

Adequate accounting books and records must be maintained in Barbados, and a qualified local auditor must be appointed if the gross assets or revenue of the IBC exceed US\$2,000,000. Accounting and auditing standards are prescribed by the Institute of Chartered Accountants of Barbados. Audited financial statements must be filed with the Ministry of International Business.

### Tax returns

IBCs must file annual corporate tax returns in the same manner as local companies. IBCs with year-ends prior to September 30 must file by the following March 15, all others by the following June 15. Corporation taxes must be prepaid on prescribed dates.

### Annual fee and filing

An IBC licence is subject to an annual filing. An annual form together with a fee of US\$500 must be submitted to the Ministry of International Business on or before December 31 of the year preceding the year for which renewal is sought. Failure to do so will result in monetary penalties. Failure to apply before February 1 of the relevant year will result in cancellation of the licence and application for a new licence will be necessary.

### Estimated start-up costs of an IBC

US\$

#### Government fees

Incorporation	390
Licence application fee	125
Licence	500
<b>Professional fees (minimum)</b>	
Incorporation (inclusive of legal fees)	2,850
Corporate retainer (first year)	1,800
Disbursements (estimate)	260
<b>Total</b>	
	<b>5,925</b>

#### Estimated recurring annual costs

Preparing and filing licence renewal	600
Government fee for licence renewal	500
Corporation retainer fee	1,800
Audit fees	7,000 – 20,000
Tax compliance fee	1,500 – 4,500
Independent local resident director – if required (minimum start up and recurring)	2,500 – 3,000

*Note: extended corporate secretarial services are billed on a time-spent basis.*