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Worldwide Tax Summaries

Cayman Islands

Last Reviewed - 01 July 2019



Overview

The Cayman Islands, located in the western Caribbean Sea, were colonised from Jamaica by the British during the 18th and 19th centuries and were administered by Jamaica after 1863. In 1959, the islands became a territory within the Federation of the West Indies. When the Federation dissolved in 1962, the Cayman Islands chose to remain a British dependency. The Cayman Islands are an overseas territory of the United Kingdom. They are divided into six districts, with Georgetown as the capital. The official language of the Cayman Islands is English. The currency in the Cayman Islands is the Cayman Islands dollar (KYD).

With no direct taxation, the islands are a thriving offshore financial centre. More than 99,000 active companies were registered in the Cayman Islands as of 2016, including almost 300 banks, 750 insurers, and 10,500 mutual funds. A stock exchange was opened in 1997. The tourism and financial services industries create a significant majority of gross domestic product (GDP). The tourism industry is aimed at the luxury market and caters mainly to visitors from North America. The Caymanians enjoy one of the highest outputs per capita and one of the highest standards of living in the world.

PwC has been established in the Cayman Islands for over 30 years and has significant local experience with the financial services sector, utility providers, and other institutions. The PwC practice in the Cayman Islands provides a range of assurance, tax, and advisory services.

Corporate - Significant developments

Last Reviewed - 01 July 2019

There have been no significant corporate tax developments in the Cayman Islands during the past year.

Corporate - Taxes on corporate income

Last Reviewed - 01 July 2019

Corporate income, capital gains, payroll, or other direct taxes are not imposed on corporations in the Cayman Islands.

Corporate - Corporate residence

Last Reviewed - 01 July 2019

Since no corporate income, capital gains, payroll, or other direct taxes are currently imposed on corporations in the Cayman Islands, corporate residency is not relevant in the context of Cayman Islands taxation.

Entities engaged in 'scheduled' trade and business in the Cayman Islands (as defined in the Trade & Business Licensing Law) are required to have a trade and business licence. Effecting and concluding contracts in the Cayman Islands and exercising, in the Cayman Islands, powers necessary for the carrying on of a business outside the Cayman Islands is generally not considered to be engaging in trade and business in the Cayman Islands.

Corporate - Other taxes

Last Reviewed - 01 July 2019

Value-added tax (VAT)

There is no VAT imposed in the Cayman Islands.

Import duties

Import duty is paid, generally at a rate of 22% to 27%, on importation of most goods. Please refer to the Cayman Islands Customs' website (www.customs.gov.ky) for the latest list of tariff rates.

Excise taxes

There are no excise taxes in the Cayman Islands.

Property taxes

There are no property taxes in the Cayman Islands.

Stamp duties

Stamp duty is paid, generally at a rate of 7.5%, on transfers of Cayman Islands immovable property. Stamp duty, in the form of a transfer tax equal to the applicable stamp duty, also applies to transfers of shares in land holding companies.

Cayman Islands stamp duty may also be payable if any documents are executed in, after execution brought to, or produced before a court of the Cayman Islands. Such stamp duty will be nominal in most instances and is capped at 500 Cayman Islands dollars (KYD).

Stamp duties also apply on legal or equitable mortgages or charges of immovable property or debentures. The stamp duty ranges from 1% to 1.5%, depending on the sum secured.

Corporate - Branch income

Last Reviewed - 01 July 2019

Branches are treated the same as other corporations doing business in the Cayman Islands.

Corporate - Income determination

Last Reviewed - 01 July 2019

Since no corporate income, capital gains, or other taxes are imposed on corporations in the Cayman Islands, income determination is not relevant in the context of Cayman Islands taxation.

Corporate - Deductions

Last Reviewed - 01 July 2019

Since no corporate income, capital gains, or other taxes are imposed on corporations in the Cayman Islands, deductions from income are not relevant in the context of Cayman Islands taxation.

Corporate - Group taxation

Last Reviewed - 01 July 2019

Since no corporate income, capital gains, or other taxes are imposed on corporations in the Cayman Islands, group taxation is not relevant in the context of Cayman Islands taxation.

Corporate - Tax credits and incentives

Last Reviewed - 01 July 2019

Since no corporate income, capital gains, or other taxes are imposed on corporations in the Cayman Islands, tax incentives are not relevant in the context of Cayman Islands taxation. However, Cayman entities carrying on business outside the Cayman Islands can register as 'exempted companies' (i.e. a company formed primarily to do business outside of the Cayman Islands and subject to certain requirements) and can apply under the Tax Concessions Law for an undertaking to be issued by the Governor-in-Council (i.e. the Cayman Islands government) exempting such company from any tax on profits, income, gains, or appreciation that might be introduced in the period of 20 years following the grant of such concessions. The concession is extendable for a further ten years after expiry. 'Exempted limited liability partnerships' (i.e. certain partnerships formed primarily to do business outside of the Cayman Islands) can apply under the Exempted Limited Partnership Law for a similar concession that is for 50 years (rather than 20 years).

Corporate - Withholding taxes

Last Reviewed - 01 July 2019

Currently, no withholding taxes (WHTs) are imposed on dividends or payments of principal or interest.

Corporate - Tax administration

Last Reviewed - 01 July 2019

No tax returns, forms, or procedures are required to be completed for tax compliance purposes in the Cayman Islands.

The Tax Information Authority serves as the competent authority in the Cayman Islands.

Corporate - Other issues

Last Reviewed - 01 July 2019

Tax information reporting

The Cayman Islands currently has 36 signed Bilateral Agreements, of which 29 are in force. Please refer to the Tax Information Authority's website (http://tia.gov.ky/pdf/International_Exchange_of_Information_Instruments.pdf) for the latest list of Bilateral Agreements.

The Cayman Islands agreed with the United Kingdom (UK) government to implement the Savings Directive, and so the Reporting of Savings Income Information (European Union or EU) Law (2007 Revision) came into force, setting out a reporting regime whereby Cayman paying agents making interest payments to individuals who are tax resident in an EU member state may have to report interest paid. The Cayman Tax Information Authority receives or facilitates submission of such information reporting.

The Cayman Islands will comply with the regulations set forth under the Common Reporting Standard (CRS). The country recognises that the regulations are a key component of the Cayman Islands' implementation of automatic exchange of financial account information in accordance with the internationally agreed standard. The Cayman Islands Tax Information Authority updated guidance on CRS in Q1 of 2017, including updated Cayman Islands entity and individual self-certification forms and other information, which took effect as of 1 January 2016. The Cayman Islands took a similar approach to CRS as with the UK and United States (US) Foreign Account Tax Compliance Act (FATCA) (*see below*), including certain due diligence and reporting obligations.

Intergovernmental agreements (IGAs)

The Cayman Islands and the United States signed their Agreement to Improve International Tax Compliance and to Implement the Foreign Account Tax Compliance Act based on the Model 1 IGA in 2013. To accommodate the non-direct tax system of the Cayman Islands, the IGA is a model 1B (non-reciprocal) IGA. The Cayman Islands and the United Kingdom also signed their Agreement to Improve International Tax Compliance, which is based on the US Model 1 IGA in 2013. Under these Agreements, Cayman Islands financial institutions must provide the Cayman Islands competent authority with the required information. The Cayman Islands competent authority forwards that information to the competent authority in the relevant jurisdiction. Please refer to the Tax Information Authority's website for access to the Agreements and related Guidance Notes (www.tia.gov.ky/pdf/FATCA_Legislation.pdf).

Country-by-country reporting (CbCR)

The Cayman Islands has entered into CbCR as part of the Base Erosion and Profit Shifting (BEPS) Action Plan set forth by the Organisation for Economic Co-operation and Development (OECD). With the goal of promoting transparency and accuracy in reporting, CbCR requires multinational enterprises to include detailed financial and tax information relating to the global allocation of their income and taxes, among other indicators of economic activity.

The Cayman Islands' competent authority will annually exchange, on an automatic basis, the CbC report received from each reporting entity that is resident for tax purposes in the Cayman Islands with all such other competent authorities of jurisdictions with respect to which the Cayman Islands has an agreement in effect and in which, on the basis of the information in the CbC report, one or more constituent entities of the multinational group of the reporting entity are either resident for tax purposes or are subject to tax with respect to the business carried out through a Cayman Islands permanent establishment (PE).

CbCR is in effect for fiscal years beginning on or after 1 January 2016. The due date for reporting is 12 months after the fiscal year-end and notification is required no later than the last day of the reporting fiscal year. For reporting fiscal years ending before 1 January 2017, the reporting due date is 31 May 2018.

Individual - Significant developments

Last Reviewed - 01 July 2019

There have been no recent significant developments in the taxation of individuals in the Cayman Islands.

Individual - Taxes on personal income

Last Reviewed - 01 July 2019

There are no income or withholding taxes imposed on individuals in the Cayman Islands.

Individual - Residence

Last Reviewed - 01 July 2019

The Cayman Tax Information Authority can grant tax residency certificates to individuals ordinarily resident in the Cayman Islands. This may be relevant or desirable for citizens of European Union (EU) member states for the purposes of compliance with Reporting of Savings Income Information Law.

Individual - Other taxes

Last Reviewed - 01 July 2019

Consumption taxes

Value-added tax (VAT)

There is no VAT imposed in the Cayman Islands.

Net wealth/worth taxes

There are no net wealth/worth taxes in the Cayman Islands.

Inheritance, estate, and gift taxes

There are no inheritance, estate, and gift taxes in the Cayman Islands.

Property taxes

There are no property taxes in the Cayman Islands.

Stamp taxes

Stamp duty is paid, at various rates, on transfers of land/property and execution of certain documents.

Import duties

Import duty is paid, at various rates, on importation of most goods.

Individual - Income determination

Last Reviewed - 01 July 2019

Since no income taxes are imposed on individuals in the Cayman Islands, income determination is not relevant in the context of Cayman Islands taxation.

Individual - Deductions

Last Reviewed - 01 July 2019

Since no income taxes are imposed on individuals in the Cayman Islands, deductions from income are not relevant in the context of Cayman Islands taxation.

Note that Cayman paying agents making interest payments to individuals who are tax resident in an EU member state may have to report interest paid under the terms of the Reporting of Savings Income Information Law.

Individual - Foreign tax relief and tax treaties

Last Reviewed - 01 July 2019

Foreign tax relief

Since no income taxes are imposed on individuals in the Cayman Islands, foreign tax relief is not relevant in the context of Cayman Islands taxation.

Tax treaties

See the [Other issues](#) section in the Corporate summary for a description of Bilateral Agreements that the Cayman Islands has entered into.

Individual - Other tax credits and incentives

Last Reviewed - 01 July 2019

Since no income, inheritance, wealth, capital gains, withholding, or other taxes are imposed on individuals in the Cayman Islands, tax credits and incentives are not relevant in the context of Cayman Islands taxation.

Individual - Tax administration

Last Reviewed - 01 July 2019

No tax returns, forms, or procedures are required to be completed for tax compliance purposes in the Cayman Islands.

Note that Cayman paying agents making interest payments to individuals who are tax resident in an EU member state may have to report interest paid under the terms of the Reporting of Savings Income Information Law. The Cayman Tax Information Authority facilitates receipt/submission of such reports of information.

Individual - Sample personal income tax calculation

Content Not Available

Individual - Other issues

Last Reviewed - 01 July 2019

Though not a direct or indirect tax, the following requirements may impact individuals working in the Cayman Islands:

- Work permits are required for non-Caymanian individuals seeking to work (temporarily or long term) in the Cayman Islands. The cost of work permits varies by occupation/position and is revised periodically. The most recent revision occurred in 2014.

- Participation in approved private pension and private health insurance plans is mandatory. This is paid by the employer, who is entitled to reimbursement from the employee up to a certain amount.

Cayman Islands contacts



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