

Isle of Man poised to be Europe's corporate capital of choice

By Andrew Ashworth of Abacus Trust, Isle of Man

When President Bill Clinton stated the blindingly obvious 'It's the economy, stupid!' during his first election campaign, his words still had a riveting effect. Sometimes – amidst all the politicking and pontificating - we need to have our focus wrenched back to the real matter in hand.

The Isle of Man is currently in the throes of its own lively general election – and while, here, too, there are many serious and contentious issues being aired, the state of the Island's economy is not one of them. The Isle of Man has enjoyed an enviable combination of high growth, stable prices and virtual full employment for the last decade – in fact, the Island has continuously grown the economy for over 21 years, which is a remarkable record by any standard.

The period since the mid-nineties has seen a particularly impressive performance with real growth averaging around eight per cent per annum between 1997 and 2004. This rate of growth has now stabilised, but it is estimated that the Manx economy is still expanding at around six per cent per annum. Per capita income is now six per cent higher than that of the UK and 15 per cent higher than the EU15 average.

In this year's Budget, a standard zero rate of income tax for business (10 per cent for banking and property development) was introduced and a maximum tax liability of £100,000 on personal incomes to further encourage entrepreneurship. A key element of the Island's fiscal success is the sine qua nom that Government must budget for a surplus in respect of annual public spending. And it's success in achieving this has been critical in the Island retaining top 'triple A' credit ratings from both Standard & Poor's and Moody's, as well as leading the way with its carefully planned zero tax strategy.

But even in the hullabaloo of an election, the Treasury would not claim to have brought about this highly enviable state of affairs all by itself. When the Government talks about 'working in partnership with business,' it is not falling back on the usual political clichés – it is ascribing due credit to an industry which has exercised both responsibility and common sense in its role of helping build an international centre of business excellence.

The most important word in the international business lexicon is 'certainty' – the ability, as far as is possible, to be confident in our forward planning. The excellent working relationship between public and private sectors in the Isle of Man is what underpins the Island's success as a genuine domicile of choice for global business.

The key sectors producing this impressive performance have been the Island's blue chip financial and professional services – the former doubling in the past six years alone. The offshore markets continue to thrive and clear opportunities exist in the areas of personal asset and wealth management, corporate finance, offshore financial planning for expatriates, funds administration and fiduciary services.

I've witnessed at first hand how the joint Treasury and Fund Managers' initiative has benefited the wider industry and positioned the Island within sight of achieving its target of securing US\$50 billion assets under administration. The goal of reaching

this threshold within three to five years was set in 2002 following the introduction of significant reforms which swept away obstacles to growth, such as VAT on fund administration charges. Since then the industry has seen outstanding growth with funds under administration trebling to stand at in excess of US\$36 billion by the end of September this year. Significant opportunities for further growth and development has led leaders of the industry to now speculate in achieving US\$100 billion under management by 2009. The success of the funds industry is a practical demonstration of what can be achieved by proactive partnership between the public and private sectors.

The latest demonstration of this has been the launch of a bespoke corporate law package geared to the fast moving 21st century global market. The new company structure has been specifically designed for offshore use, while at the same time meeting key OECD expectations in terms of disclosure and corporate governance. In effect, it streamlines the whole process of how businesses are set up and run and complements the Island's new zero tax regime.

The Isle of Man already hosts more licensed Corporate Service and Trust Service Providers than any other jurisdiction. Provisions in the new Companies Act 2006 are expected to have broad appeal in the specialist offshore market. Key elements include greater flexibility of use, much reduced and simplified reporting, use of regulated corporate directors, increased focus on registered agents, use in protected cell form and as a vehicle for operations to easily re-domicile to or from the Island.

But it's not just banking and financial services in their purest form that are benefiting from the Island's booming economy. Filmmaking, satellite commerce and other new technology industries are thriving alongside the more traditional insurance, shipping, aviation and niche manufacturing companies. But here, too, innovation remains the watchword with both Government and the industry continuously seeking out new markets.

The Isle of Man remains a leading world player in the international life industry. Annual premium income last year rose by 60 per cent, from £4 billion to £6.5 billion, and indications from the market are that 2006 is likely to be another buoyant year in terms of volume of business. While such healthy figures reflect to a certain extent the rising investment market, they also indicate the level of skills now available on the Island enabling companies to administer more sophisticated and innovative investment products – and companies' ability to identify the needs of the market.

There has been a steady increase in the number of international pension schemes based in the Isle of Man. A total of 110 schemes have been registered since the Government launched a new initiative to attract the pension provision of multi-nationals and wealthy expatriate workers. The scheme provides for the setting up of tax neutral international pension arrangements for non-resident corporations and individuals, and has created many new opportunities for the Island's legal and accountancy firms and other specialist service providers.

The sheer diversity of business now being generated is reflected in niche growth areas, like ship and now aircraft registration. The number of multi-million pound super-yachts sailing under the Isle of Man flag is also on the rise. There are now 46 commercial yachts registered in the Island and 28 more in the process of transferring

to the register. Providing services to wealthy owners of these luxury craft is another key growth area for the Island.

It is clear that quality jurisdictions like the Isle of Man are playing an increasingly important role in the highly competitive international business industry. This business is not attracted by any one single factor – but the overall ‘package’ of benefits, including the calibre and depth of professional services on offer coupled with the Island’s cost-effectiveness, fiscal and, in some cases, quality of life considerations. – As well as its natural attributes, the Isle of Man also boasts superior telecommunications, infrastructure and public services, which makes it a very attractive location in which to both work and live, especially for young families.

This year the Isle of Man again brought home the trophy for ‘Best International Financial Services Centre’ at the International Investment annual Fund and Product Awards in London and Isle of Man companies won eight of the key categories. As Bill might have said, ‘It’s *always* about the economy, stupid!

- Andrew Ashworth is Chairman of the Isle of Man Chamber of Commerce Finance Committee.