

**Memorandum for Executive Council**

**SUBJECT**

**Company Registry Policy**

**Memorandum by Chairman of the Economic Development  
Committee**

**ADVICE SOUGHT**

- 1. Executive Council is requested to consider and advise whether the Company Registry Policy (Annex A and Annex B as attached) should be endorsed.**

**BACKGROUND &  
CONSIDERATIONS**

2. The Sustainable Economic Development Plan (SEDP), as endorsed by the Economic Development Committee (EDC), supports growth of exports in order to attract more money to St Helena, and become '*Altogether Wealthier*'.
3. Many jurisdictions work to provide competitive Company Registry services for globally operating companies to attract international revenues. St Helena regularly reviews revenue generating opportunities and this paper has been put together to move forward development of St Helena's Company Registry to provide a better, more transparent and more attractive service to customers whilst ensuring that we keep abreast of international requirements.
4. Development of St Helena's Company Registry is timely, as the EU's new Economic Substance Requirements legislation will require tax on St Helena to be transparent and fair and St Helena will be reviewed on its ability to tax global profit and provide a transparent registry.
5. Currently, St Helena charges 0% tax on global profit, and this is a significant risk to the reputation of St Helena if globally active companies start to register their company on St Helena.
6. In April 2019, EDC gave approval for Officers to put together a proposal for Company Registry on St Helena. Since this was a technical area which required input from a specialist, after a budget was approved, SHG went out to tender for a Financial Services Policy Advisor consultancy. The consultancy, Orgueil Limited, was appointed in November 2019. The draft Policy was developed in May 2020, and consulted on in June-July 2020. The Consultation was sent to all of the companies on the Company Register, to the Chamber of Commerce and to international

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organisations which provide Company Formation and Administration services.

7. EDC endorsed the policy on 22 October 2020 for Executive Council agreement.
8. The Policy Objectives are:
  - a. St Helena's legislation should ensure that taxation of companies operating globally should be transparent and there should be compliance with anti-base erosion and profit shifting measures
  - b. St Helena should market its Company Registry and ensure that the registry of bona fide companies is facilitated where appropriate to encourage revenue generation on St Helena for the benefit of its people.
9. Please see:
  - a. Annex A - Company Registry Policy
  - b. Annex B - Company Registry Policy - Contents of new Anti Money Laundering Handbook
  - c. Annex C - Legislative Changes required
  - d. Annex D - Business Case
  - e. Annex E - SWOT analysis of Company Registry Policy.
10. If endorsed, the Company Registry Policy will be submitted to Executive Council for endorsement.
11. On endorsement of the Policy, there will be a number of legislative updates which will be progressed to enact the policy. These follow the list in Annex C (Legislative Changes required). The Ordinances are as follows:
  - a. Changes to Income Tax Ordinance
  - b. Amendments to Financial Services Ordinance
  - c. Changes to Companies Ordinance
  - d. Amendment to anti-money laundering law in respect of financial services businesses registered under the Financial Services Ordinance
  - e. New St Helena anti-terrorism financing Ordinance
  - f. Data Protection Law for St Helena
  - g. Revisions to the Cooperative Societies Ordinance
  - h. Trusts
  - i. Permitting
12. Before changes to the Ordinances are agreed, the relevant

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committee will be consulted as per the normal process.

13. The aim is for the changes to the Income Tax Ordinance to be in place by 1 April 2021 i.e. the start of the new tax year. And all other changes as soon as resources allow. Therefore the next step would be to progress legislative drafts and progress these through the committees, Executive Council and Legislative Council.
14. The financial benefits of becoming a better regulated fair tax jurisdiction would be as follows:
  - a. Fees and charges paid by each company registered
  - b. Tax paid by registered companies.
15. Currently private companies pay £741 for incorporation, £21.60 to submit their annual return and £80.50 to submit their Financial Statement. The current Company Registry does not yield much in terms of revenue to SHG. In 2018-19 the Registry yielded £2,440 and in 2019-20 it yielded £3,353.
16. The net gains will depend on how we intend to market the registry, whether we get on board with a company/ies who provide Company Formation and Administration services, who add St Helena to their portfolio, and how we choose to tax profit from global commercial activities.
17. There will be costs related to enactment and implementation.
18. The immediate costs will be in terms of human resource.
  - a. Given the extent of the legislative change needed, from preliminary conversations with the Attorney General, it is possible that external legislative drafting support may be required. This could be at a cost of around £45,000 (assuming that a drafter may be engaged to support the entire changes needed).
  - b. It is likely that SHG will need to recruit a new Company Registrar and an assistant; costs assumed to be around £80,000 per annum, with the aim that after two years the fees would cover the cost of the administration.
  - c. Worldcheck (financial crime and anti-money laundering screening software) - \$5,000 pa.
19. It is estimated that the set up charges could be around £50,000, with annual costs of around £80,000.
20. Registering over 110 new companies per annum should make the service break even on registration fees alone. Considering Company Registry services across the world, it

### **FINANCIAL IMPLICATIONS**

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is considered that registry of over 200 companies per annum could be achievable.

### **ECONOMIC IMPLICATIONS**

21. Company Registry essentially is an export business as it raises funds from companies operating globally. Attracting those funds is a significant benefit to St Helena Government's revenues, as these revenues can be used to pay for other Government projects and programmes.
22. It is imperative that St Helena does not provide an environment for tax avoidance, aggressive tax planning, and base erosion and profit-shifting. Currently, St Helena does not tax profits derived globally, so it is pertinent to bring in legislation as soon as possible to introduce taxation on globally derived profits. Tax changes come in at the start of a financial year, so the aim is for changes to come into force from 1 April 2021. Currently St Helena is a largely unknown jurisdiction and therefore we are not at risk of being seen to allow profit-shifting because we do not have any companies with significant global profits incorporated as St Helenian companies. However as awareness of St Helena increases, there is a greater risk that unless we modernise our Company Registry, we could gain a negative reputation.
23. St Helena aims to market itself as a clean, responsible and transparent place to do business. The draft Policy has been therefore drafted in a way to ensure St Helena does not join the EU's list of third-country non-cooperative tax jurisdictions ("tax haven list" or "blacklisted").

### **CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES**

24. This paper is linked to the following Investment Policy Principle:
  5. Encourage growth through import substitution, export promotion and domestic production.

### **PUBLIC/ SOCIAL IMPACT**

25. There is expected to be no impact to the public. There is expected to be no impact to existing Companies registered as St Helenian Companies as a result of the changes being applicable to globally operating companies. There is expected to be an impact to one company with a branch in St Helena as a result of introducing a Branch Tax, however this can be avoided by them if they were to register their branch as a local company.

### **ENVIRONMENTAL IMPACT**

26. There is expected to be no environmental impact.

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### PREVIOUS CONSULTATION/ COMMITTEE INPUT

27. Company Registry was on the agenda at the April 2019 Economic Development Committee. EDC was asked to agree that the Company Register should be published online to ensure transparency, agree a preferred option about how to approach Company Registry within a Policy, and agree that Companies, Income Tax and legislation should be drafted in accordance with the preferred option, to come back to EDC for endorsement.
28. An extract of minutes are below:
29. “The Government Economist briefed members on the Company Registry and asked whether it should be promoted going forward. EDC felt affordability was an issue and that companies should be consulted and given sufficient notice that the Registry would be published. The FS advised there had been no objections from FCO. It was noted UK has required the company’s registry be published by 2023 thus there would be sufficient time to factor in this work.”
30. “EDC was asked to give approval to pull together a proposal, to include the above information, which would be reported back to EDC. Members agreed, noting that no agreement was given on policy changes.”
31. The draft Company Registry Policy was brought to EDC to endorse for consultation in May 2020. Extract from the minutes as follows:
32. “The Chief Economist gave a presentation on the draft Company Registry Policy. St Helena Government, with support from Orgueil Consulting, was developing its existing Company Registry and followed the principles of openness and transparency, sound business practice, non-discriminatory taxation and anti-tax avoidance. Following discussion it was agreed for a six week consultation on the draft Policy to go ahead, with EDC Members in attendance for public meetings. It was suggested the questions would need to be restructured from appearing open or closed.”
33. The Company Registry Policy was brought to EDC to endorse in October 2020.
34. This was agreed subject to the removal of some of the background ‘for information’ wording, for example the referencing to what other countries do (which is useful for decision making but not required within a policy). There were small updates needed to page number and a typo with regards to ‘medium’ size businesses needing to be ‘large’ size businesses.

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- PUBLIC REACTION** 35. This change is unlikely to be controversial for the St Helena public, as Company Registry is largely an administrative task, without significant direct impacts on people, employment or land.
- PUBLICITY** 36. Executive Council's decision will be covered in the media briefing following the meeting.  
37. If endorsed, a press release will be issued.  
38. The Registry page on the SHG website will be updated to link to the Policy.
- SUPPORT TO STRATEGIC OBJECTIVES** 39. This paper supports the following National Priority:  
• Sustainable and ethical economic development
- LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS** 40. This paper is linked to the following SEDP Goals:  
1. Increase Exports
- IMPLEMENTATION OF POLICY/ LEGISLATION** 41. The Company Registrar, has been notified.
- OPEN/CLOSED AGENDA ITEM** 42. Recommended for the Open Session.

LAH

Corporate Support  
Corporate Services

26<sup>th</sup> October 2020

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