

Annex B – Business Case

1. Costs

The expected costs of the exercise will be mostly in terms of Human Resource implications.

Costs of 2 new SHG employees - one senior and one junior (assuming TC salaries including tax free supplements) - £100,000 pa.

Other costs will include the cost of office premises, computers and software licences. It is noted that in order to satisfy the economic substance requirements of the EU (see below) there will need to be a facility for the Company Registry to hold physical board meetings of the entities under administration. There will need to be consideration given therefore to premises suitable for this purpose.

Business development budget; it will be necessary for St Helena to develop its new financial services industry by attendance at international financial services conferences abroad, so some travel and expenses budgets will also be required.

Worldcheck (financial crime and anti-money laundering screening software) - \$5,000 pa.

Legal drafting costs - potentially up to £45,000 (see below).

2. Benefits

Revenues realisable will depend on the tax percentages adopted and the volume and number of companies that will use St Helena as base for their administration. Fees can also be charged on a time spent basis for administration of entities but it is suggested that these be low in order to encourage business to St Helena and for income to accrue to the island based on tax charges rather than company administration fees. However, a simply charging structure for professional services on behalf of entities might be along the following lines:

Companies Registry Director: £60 per hour

Administrator/book keeper: £30 per hour

These time charges are significantly cheaper than other offshore jurisdictions. Depending on the company involved, fixed fees payable annually can also be offered, depending on the agreed scope of works and the likely administration time involved.

A business development programme for company registration and administration will need to be adopted. Given the preliminary commercial enquiries already undertaken, significant revenues could be possible.

3. Risks

In beginning to offer international company incorporation and administration in St Helena, the principal risks will be in St Helena being seen as another 'tax haven'. This policy is therefore designed to mitigate all of these risks. If SHG is able to offer its services in an internationally compliant and transparent way, and by taxing companies at a fair value of their worldwide profits, these risks can be mitigated.

A more fulsome assessment of the Strengths, Weaknesses, Opportunities and Threats (SWOT) is contained in the separate note and further to this policy.

4. Recommendation

Although there is admittedly a large amount of legislation for St Helena to enact in order to undertake this new initiative, if it can be done correctly, then there are revenue opportunities and an ability for St Helena to diversify its economy by expanding its company registration and administration capabilities.

5. Financial Impacts

As stated above, it is likely that the immediate costs will be in terms of human resource. It is likely that SHG will need to recruit a new Company Registrar and Head of Financial Services. However, given the extent of the legislative change needed, consideration must also be given to the cost of legal drafting. From preliminary conversations with the Attorney General, it is possible that external 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).

It is estimated that the set up charges could be around £150,000, with annual costs of around £100,000.

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