

OPEN AGENDA

No: 19/2020

Memorandum for Economic Development Committee

SUBJECT

Company Registry Policy

Memorandum by Chief Economist

ADVICE SOUGHT Economic Development Committee (EDC) are requested to endorse the Company Registry Policy.

BACKGROUND & CONSIDERATIONS

1. The Sustainable Economic Development Plan (SEDP), as endorsed by EDC, supports growth of exports in order to attract more money to St Helena, and become Altogether Wealthier.
2. 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.
3. Development of St Helena's Company Registry is timely, as the EU's new Economic Substance Requirements legislation will require tax in 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.
4. 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 in St Helena.
5. In April 2019, EDC gave approval for Officers to pull 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.
6. The Policy Objectives are:
 - 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
 - St Helena should market its Company Registry and ensure

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that the registry of bona fide companies is facilitated where appropriate to encourage revenue generation on St Helena for the benefit of its people.

7. The Draft Policy has been created, and reviewed by Officers to be appropriate. The EDC endorsed this for consultation in May. The consultation as undertaken during the period 2 June 2020 – 14 July 2020.
8. Feedback was provided:
 - By email
 - By online ‘survey monkey’ questionnaire, administered by the Statistics Office.
 - At a public meeting on 18 June in Jamestown.
 - By the Financial Services Regulatory Authority directly
 - By UK Government Directly
9. The Consultation as sent to all of the companies on the Company Register, to the Chamber of Commerce and to international organisations which provide Company Formation and Administration services.
10. The detailed consultation responses have been provided within a Consultation Response Log, along with SHG’s comments, and recommendations for changes to the draft Policy. The draft Policy has been updated through the use of tracked changes to demonstrate where consultation responses have led to changes in the document.
11. Please see:
 - Doc A - Company Registry Policy (**with tracked changes**)
 - Doc B - Company Registry Policy Annex A - Legislative Changes required (**with tracked changes**)
 - Doc C - Company Registry Policy Annex B - Business Case
 - Doc D - Company Registry Policy Annex C - Contents of new Anti Money Laundering Handbook (**with tracked changes**)
 - **Doc E- Consultation Response Log**
 - Doc F - SWOT analysis of Company Registry Policy
12. If endorsed, the Company Registry Policy will be submitted to Executive Council for endorsement.
13. 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 Doc B (Company Registry Policy Annex A - Legislative Changes required). The

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Ordinances are as follows:

- Changes to Income Tax Ordinance
- Amendments to Financial Services Ordinance
- Changes to Companies Ordinance
- Amendment to anti-money laundering law in respect of financial services businesses registered under the FS Ordinance
- New St Helena anti-terrorism financing ordinance
- Data Protection Law for St Helena
- Revisions to the Cooperative Societies Ordinance
- Trusts
- Permitting

14. The aim is for the changes to the Income Tax Ordinance to be all in place by April 1 2021 i.e. the start of the new tax year. And all other changes as soon as resources allow.

FINANCIAL IMPLICATIONS

15. The financial benefits of becoming a better regulated fair tax jurisdiction would be as follows:

- Fees and charges paid by each company registered
- Tax paid by registered companies.

16. 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.

17. 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.

18. There will be costs related to enactment and implementation.

19. The immediate costs will be in terms of human resource.

- 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).
- 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

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OPEN AGENDA

the aim that after two years the fees would cover the cost of the administration .

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

20. It is estimated that the set up charges could be around £50,000, with annual costs of around £80,000.

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

ECONOMIC IMPLICATIONS

22. 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.

23. 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.

24. 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 EU's list of third-country non-cooperative tax jurisdictions ("tax haven list" or "blacklisted").

CONSISTENCY WITH INVESTMENT POLICY PRINCIPLES PUBLIC / SOCIAL IMPACT

25. This paper is linked to the following Investment Policy Principle:

5. Encourage growth through import substitution, export promotion and domestic production.

26. 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

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avoided by them if they were to register their branch as a local company.

ENVIRONMENTAL IMPACT PREVIOUS CONSULTATION / COMMITTEE INPUT

27. There is expected to be no environmental impact.
28. Company Registry was on the agenda at the April 2019 Economic Development Committee. EDC were 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.
29. An extract of minutes are below:
30. “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.”
31. “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.”
32. The draft Company Registry Policy was brought to EDC to endorse for consultation in May 2020. Extract from the minutes as follows:
33. “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.”
34. 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.

PUBLIC REACTION

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PUBLICITY

35. The results will be mentioned in the EDC update.
36. Those who provided consultation responses (with contact details) will be contacted individually.
37. A press release will be undertaken after endorsement by EXCO.
38. The Registry page on the SHG website will be updated to link to the policy.

SUPPORT TO STRATEGIC OBJECTIVES LINK TO SUSTAINABLE ECONOMIC DEVELOPMENT PLAN GOALS

39. This paper supports the following National Priority:
 - Sustainable and ethical economic development
40. This paper is linked to the following SEDP Goals:
 1. Increase Exports

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OPEN /CLOSED
AGENDA ITEM
Corporate Support
Corporate Services
DATE OF MEMO

Open

11 September 2020

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