

Key Financial Secrecy Indicators

11: Company Redomiciliation

What is being assessed?

This indicator shows whether a jurisdiction allows companies to change their jurisdiction of incorporation by redomiciling.

The main sources for this indicator were internet websites such as Odra.com and Offshoresimple.com. These sources display the availability of company redomiciliation either in a tabular or textual format. Other sources used were the local regulators' websites for relevant jurisdictions.

Redomiciliation is an unfamiliar concept to most people, including many who work in finance. It describes a procedure which allows a company incorporated in one jurisdiction (A) to move its place of incorporation to another jurisdiction (B) after which it is then registered under the laws of that second location (B) whereas it was previously registered in and subject to the regulation of the first jurisdiction (A).

This process is a little like a person, who is a citizen of one country, foregoing their right to that citizenship and acquiring instead the citizenship of another place. They were previously a citizen and subject to the international protection of one place; after the change they are a citizen of another place.

Just as the number of people changing their citizenship is small, it is likely that the number of companies redomiciling is also small – but data on this is hard to secure and therefore difficult to confirm.

Redomiciliation was rare, and rarely legal a decade ago: now, as our survey shows, it is relatively widely allowed. This is in large measure because of the prevalence of the notion that free flows of capital should be permitted. Redomiciliation supposedly assists this process.

Before redomiciliation became commonly available, moving location required the property of a company in one place to be sold or transferred to a new company in the new country of location. The company in the old location was then dissolved. The new company in the new location took over the trade. Redomiciliation avoids the need for this transfer of property. The company that redomiciles is the same legal entity before and after redomiciliation, and is simply incorporated in a different place after the process takes place. It is, however, able to continue ownership of its property and trade throughout the process of redomiciliation without interruption to its activities. In effect it simply ceases to be in the place it leaves and emerges, newly registered but with an established history, in the place where it arrives.

One important point should be noted about the conclusions we report from this study. We suggest the UK does not allow redomiciliation. This is because redomiciliation is only allowed following specific regulatory consents and by Act of Parliament. This makes the UK arrangement so fundamentally different from the redomiciliation arrangements common elsewhere that we have given the UK credit for blocking the commonplace form of redomiciliation.

Why is it important?

Redomiciliation, along with protected cell companies (see separate report), is one of the major innovations in the secrecy world of secrecy jurisdictions. It has, we believe, seriously degraded opportunities for effective regulation over the last decade, and has provided opportunity for abuse that did not previously exist. This is for a number of reasons.

Firstly, redomiciliation allows a company to flee a jurisdiction at the first hint of enquiry about its affairs. These enquiries usually emanate from outside the secrecy jurisdiction where a company is incorporated, cost a considerable amount to pursue, are specific to a jurisdiction to which they are addressed, and are time consuming. If a company can flee before the enquiry is complete, then such an enquiry is rendered almost entirely futile by the fact of redomiciliation. This undermines prospects of effective information exchange.

Second, the process of redomiciliation considerably increases secrecy. It is often difficult or nigh-on impossible to prove whether a company is incorporated in a particular location, a fact not helped by many secrecy jurisdictions allowing corporations established in their domains to mimic those created in mainstream economies, e.g. by using entity descriptions such as Ltd, Inc, SA, etc that imply location in those mainstream jurisdictions. If it is possible for companies to flit from location to location at modest cost (redomiciliation services are offered on the internet at around US\$1,000) then opacity is increased, especially if names are changed in the process, which is easily done. Corporations thus become effectively untraceable which can only benefit those wishing to perpetrate illicit activities and avoid the scrutiny of proper regulators and authorities.

Third, property rights can be avoided or evaded using this procedure. Unfortunately, few countries offer any effective cooperation to other countries pursuing tax due to them. If a company proven to have a tax liability to the state in which it is incorporated redomiciles to another location that offers no assistance to the state pursuing a debt for tax, then it is likely that the tax obligation will be successfully evaded.

For all these reasons we consider redomiciliation a significant contribution to opacity.

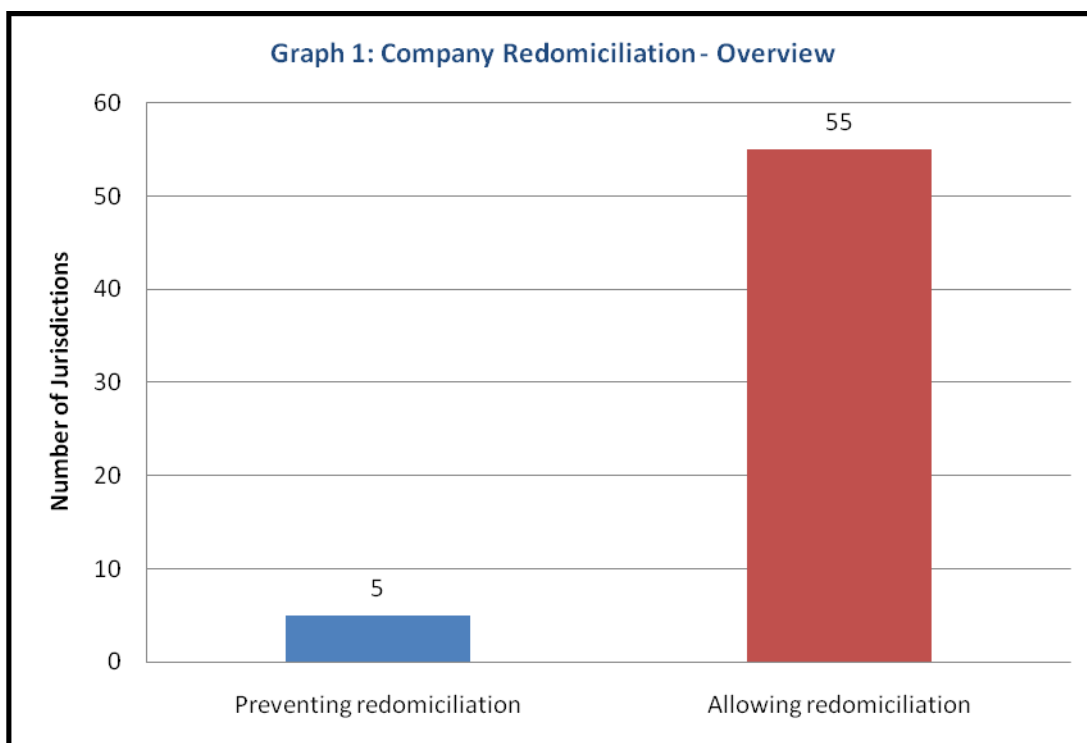
What are the crimes that might hide behind the availability of redomiciliation clauses?

By helping to obfuscate identity, income, transactions, risk etc., redomiciliation clauses can be used for tax evasion, aggressive tax avoidance, transfer pricing manipulation, bankruptcy fraud, infringement of competition rules, non-payment of alimonies, hiding the proceeds of corruption, organised crime (especially drug trafficking), illegal arms trade, trafficking in human beings, money laundering, the covering of illicit intelligence activity and more besides.

Results Overview

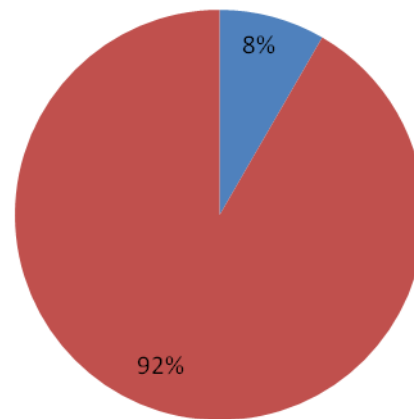
Table 1: Company Redomiciliation – Overview

Number of jurisdictions preventing redomiciliation:	5
Number of jurisdictions allowing redomiciliation:	55



Results Detail

Graph 2: Company Redomiciliation - Details



■ Jurisdictions preventing redomiciliation: GB HK MC NL SG

■ Jurisdictions allowing redomiciliation: AD AI AG AW AT BS BH BB BE BZ BM VG BN KY
CK CR CY DM GI GD GG HU IE IM IL JE LV LB LR LI LU MO MY MV MT MH MU MS NR AN
PA PH PT WS SC KN LC VC CH TC AE UY US USVI VU

Table 2: Company Redomiciliation – Details: Prevention of Company Redomiciliation							
ID	Jurisdiction	ISO		ID	Jurisdiction	ISO	
1	Andorra	AD	No	31	Liechtenstein	LI	No
2	Anguilla	AI	No	32	Luxembourg	LU	No
3	Antigua & Barbuda	AG	No	33	Macao	MO	No
4	Aruba	AW	No	34	Malaysia (Labuan)	MY	No
5	Austria	AT	No	35	Maldives	MV	No
6	Bahamas	BS	No	36	Malta	MT	No
7	Bahrain	BH	No	37	Marshall Islands	MH	No
8	Barbados	BB	No	38	Mauritius	MU	No
9	Belgium	BE	No	39	Monaco	MC	Yes
10	Belize	BZ	No	40	Montserrat	MS	No
11	Bermuda	BM	No	41	Nauru	NR	No
12	British Virgin Islands	VG	No	42	Netherlands	NL	Yes
13	Brunei	BN	No	43	Netherlands Antilles	AN	No
14	Cayman Islands	KY	No	44	Panama	PA	No
15	Cook Islands	CK	No	45	Philippines	PH	No
16	Costa Rica	CR	No	46	Portugal (Madeira)	PT	No
17	Cyprus	CY	No	47	Samoa	WS	No
18	Dominica	DM	No	48	Seychelles	SC	No
19	Gibraltar	GI	No	49	Singapore	SG	Yes
20	Grenada	GD	No	50	St Kitts & Nevis	KN	No
21	Guernsey	GG	No	51	St Lucia	LC	No
22	Hong Kong	HK	Yes	52	St Vincent & Grenadines	VC	No
23	Hungary	HU	No	53	Switzerland	CH	No
24	Ireland	IE	No	54	Turks & Caicos Islands	TC	No
25	Isle of Man	IM	No	55	United Arab Emirates (Dubai)	AE	No
26	Israel	IL	No	56	United Kingdom (City of London)	GB	Yes
27	Jersey	JE	No	57	Uruguay	UY	No
28	Latvia	LV	No	58	US Virgin Islands	USVI	No
29	Lebanon	LB	No	59	USA (Delaware)	US	No
30	Liberia	LR	No	60	Vanuatu	VU	No