



INTERNATIONAL EXECUTIVE SERVICES

Cayman Islands

Taxation of International Executives

TAX

Cayman Islands: Taxation of International Executives

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Overview and Introduction¹

The Cayman Islands levy no taxes on income, dividends, royalties, profits, capital gains, wealth, property, or transfers, including transfers on death, on either resident or non-resident individuals. There are no foreign exchange restrictions or levies. There are no sales or value-added taxes.

Every non-exempt person or company carrying on a business in the Cayman Islands must have a business license for each place of business. Also, employers must pay an annual license fee for each non-Caymanian working in the Cayman Islands. The annual fee varies from USD 183 for unskilled workers to USD 18,293 for partners and senior executives.

The official Caymanian currency is the Cayman Islands Dollar (KYD).

For information on practical matters that employers and employees should consider with respect to an international assignment, please refer to the companion publication titled [Planning Your International Transfer](#).

For the purposes of this publication, the host country refers to the country where the expatriate is going on assignment. The home country refers to the country where the expatriate lives when he/she is not on assignment.

¹ Cayman Island Trade and Business License Law

Income Tax

Not applicable.

Special Considerations for Short-Term Assignments²

Residency Rules

Are there special residency considerations for short-term assignments?

The Cayman Islands does not have income tax and thus there is no domestic concept of residency for tax purposes.

Payroll Considerations

Are there special payroll considerations for short-term assignments?

The Cayman Islands does not have income tax so income tax withholding does not apply.

Pension Requirements:

Under the Cayman Islands' National Pensions Law (Pensions Law) every employer must provide a pension plan for every person working for the employer, including expatriates who have been working for a continuous period of nine months, in the Cayman Islands. Partners, owners, and directors must also be covered by the pension plan. In almost all instances the pension plan is to be a registered Cayman Islands pension plan.

A person is treated as working in the Islands if:

- They report to work to an office of their employer located in the Islands
- They are normally resident in the Islands and are paid from an office which is situated in the Islands

Full and part-time employees are required to be covered, as are casual employees, probationary staff and those employees on short-term contracts.

Where an employee is employed by more than one employer, each employer shall be liable to pay contributions to a pension plan for that employee on the employee's earnings with that employer.

² For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than one year.

Contributions:

The contributions are related to total earnings. Earnings include salary, wages, leave pay, fees, commission or gratuity, as well as bonus payments that exceed 20 percent of basic pay. Earnings do not include severance payments, retirement long service recognition payments, and health insurance premiums that are paid by the employer. Persons earning more than KYD 60,000 are not required to make pension contributions on the amount above KYD 60,000.

Every self-employed person must contribute a sum equivalent to 10 percent of his or her earnings.

- Every employee must have contributions paid in respect of them by their employer
- That employee shall not be required without their consent to pay more than 5 percent of their earnings
- Their employer may not contribute less than 5 percent of that employee's earnings

Late contributions will be subject to interest. The employee's contributions must be deducted at regular intervals and together with the employer's contribution paid directly into the pension fund. Contributions must be made within 15 days of the last day of the month in which the contributions were due.

Returning to the Home Country

If the member becomes a non-resident or is an expatriate leaving the Islands, the member may elect to apply for a refund. In general, the Pensions Law states that refunds are NOT allowed from a pension plan. In the event that a member's account is under KYD 5,000 the Pensions Law gives the Trustees of the pension plan the discretion to pay out a refund and to set the conditions under which a refund MAY be paid.

In general, a Trustee MAY pay a refund if ALL OF THE FOLLOWING ARE TRUE:

- The value of the member's pension account is less than KYD 5,000.
- The member's employment is terminated.

- The member no longer resides in Cayman. A waiting period and/or proof of non-residency may be required (i.e., a work visa, a current utility bill in the member's name from their new address, sworn affidavit of non-residency, etc.)

If the value of the member's account is greater than KYD 5,000 they may transfer their account (with the Superintendent of Pensions' approval) to a retirement account in another country. Otherwise, the Pensions Law requires a two-year waiting period before the member's pension can be paid out in a lump sum.

A person is deemed to have ceased to be a resident in the Islands when they have been absent from the Islands for a period of six months or more. When calculating a period of absence, any periods of residence in the Islands for a continuous period of less than three months will not be taken into account.

In any event, the member's pension cannot be paid out or transferred until their employer makes the final contribution to their account. This may be six weeks or more after the member has stopped working. As a result a refund or transfer may take three months or more.

Copies of the National Pensions Law can be purchased from the Legislative Assembly in George Town. There are a number of supplemental documents, however, the two primary documents are The National Pensions Law (latest revision) and The National Pensions (General) Regulations (latest revision).

The Legislative Assembly can be contacted at:

- Tel: (345) 949-4236
- Fax: (345) 949-9514

Taxable Income

What income will be taxed during short-term assignments?

None.

Additional Considerations

Are there any additional considerations that should be considered before initiating a short-term assignment in the Cayman Islands?

All foreign nationals must obtain work permits in order to work in the Cayman Islands. Individuals cannot be in Cayman while their work permits are being processed. Permits are issued and are renewable for periods of one to three years. The permits are normally granted provided there is not a suitable local candidate for the position for which the permit is applied. Employers are required to pay the work permit fees in addition to repatriation fees and work permit dependent(s) fees, if applicable.

Other Taxes and Levies

Social Security Tax

Are there social security/social insurance taxes in the Cayman Islands? If so, what are the rates for employers and employees?

None.

Gift, Wealth, Estate, and/or Inheritance Tax

Are there any gift, wealth, estate, and/or inheritance taxes in the Cayman Islands?

None.

Real Estate Tax

Are there real estate taxes in the Cayman Islands?

There is no direct form of real estate tax levied annually within the Cayman Islands. There is only a one-time "stamp duty" on all transactions involving land at time of purchase.

The stamp duty concession granted by the government to stimulate the real estate and construction industries has been extended.

The standard Stamp Duty along the Seven Mile Beach corridor is 9 percent (due to high infrastructure) while the rest of the island is generally 7.5 percent. In essence, it is a government assessment on actual real estate at the time ownership transfers.

When calculating the Stamp Duty, furnishings are deducted from the sale price.

There is 1 percent stamp duty payable on mortgages up to KYD 300,000 and 1.5 percent on mortgages above this.

Transfers in consideration of "natural love and affection" that is, transfers between for example husband to wife, or father to child, may be approved by the Financial Secretary for payment of minimal stamp duty.

Additionally, when an individual desires to transfer title to a company of which he is the sole beneficial owner, the Financial Secretary may approve a deduction of the full amount of all stamp duty on such transfer.

Sales/VAT Tax

Are there sales and/or value-added taxes in the Cayman Islands?

None.

Unemployment Tax

Are there unemployment taxes in the Cayman Islands?

No unemployment tax in the Cayman Islands.

Other Taxes

Are there additional taxes in the Cayman Islands that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, etc.

Import duty, which averages 20 percent, is waived on personal effects taken into the Cayman Islands subject to the provision that the personal effects must be in the Cayman Islands within six months of an individual taking up residence in the Islands. This waiver does not apply to motor vehicles for which customs duty of between 27.5 percent and 40 percent is payable, based on the book value of the vehicle, plus shipping and insurance charges.

Double Taxation Treaties

The Cayman Islands has not entered into any double taxation treaties.

Totalization Agreements/ Social Security Agreements

The Cayman Islands has not entered into any totalization/social security agreements.

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