

Key Facts

Societies with Restricted Liability

The SRL (Society with Restricted Liability) Act enacted in 1995 enables the formation of two types of entity known as an ISRL (International “exempt society”) and the SRL (Domestic “non-exempt society”). Domestic SRLs are subject to normal Barbados tax rates. International SRLs are designed to be used mainly for international transactions and are taxed at reduced tax rates.

Key Features of the SRL Act

- Full judicial personality
- Unlimited duration
- Limited liability
- Required to maintain a registered office and registered agent in Barbados
- May be recognised as a partnership or a corporation depending on the nature of its organisational documents
- May elect a minimum of one member
- Contributions to capital may be made in cash or other property but not services
- Not dissolvable on the death of a member except where the articles specify such
- May not issue bearer quotas

Benefits of an International SRL (ISRL)

- ISRLs benefit from significantly reduced tax rates which can be as low as a quarter of 1% (0.25%) on profits in excess of US\$15 million. (SRLs can negotiate for higher tax rates with the Ministry of Finance, in circumstances where that would be advantageous for the Society).
- ISRLs may also take credit for foreign taxes paid, provided the credit does not reduce the Barbados tax rate to less than 0.25%.

- Dividends paid by an ISRL are exempt from tax if paid to another ISRL or an International Business Company (IBC) or to a person not resident in Barbados.
- Interest, rent, management fees or royalties paid by an ISRL to another ISRL or IBC or person not resident in Barbados, are also exempt from withholding tax.
- No tax or stamp duty is levied upon the sale of foreign real estate or investments or the transfer of equity in an ISRL by a non-resident person, ISRL or IBC to another non-resident person, ISRL or IBC.
- Duty-free importation of plant and equipment for business purposes is also allowed for ISRLs.
- ISRLs can also provide services and transact business with other ISRLs or IBCs or companies operating under similar “incentive” legislation.
- The Act provides for inward and outward re-domiciliation.
- There are no minimum capital requirements or “thin-capitalisation” rules.

Establishing an ISRL

To operate as an ISRL, an application must be made for a business licence to the Ministry of Industry, International Business, Commerce and Small Business Development. This application should

Key Facts

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be made as soon as possible after the organisation of the ISRL. (A Domestic SRL does not require a business licence)

To apply for a business licence the following information must be provided to the Ministry.

- Name of Society, date of organisation and copy of the Articles of Organisation
- Address of the registered office
- Name and address of the member(s) and ultimate beneficial owner(s)
- Profile/resume and passport copy of each manager, member and ultimate beneficial owner(s) in English. (Please note, this information is treated as confidential by the Ministry and is not for public inspection.)
- Detailed description of the business to be carried on by the ISRL and the jurisdictions involved
- Declaration to the Ministry that the Society qualifies to be recognised as an ISRL
- Application for a business licence must be accompanied by the licence fee of US\$500 and a non-refundable application fee of US\$125

Restrictions Applicable to an ISRL

- An ISRL may not acquire or hold land in Barbados, other than land required for its business held by way of lease or tenancy agreement for a term not exceeding the period fixed in the articles for the duration of the Society or for such shorter period as circumstances require.
- An ISRL may not transact business with any person resident in Barbados.
- Manufactured products must be exclusively for export outside of Barbados.

- An ISRL may not take deposits from any person in contravention of the Financial Institutions Act 1996.

Benefits of a Domestic SRL

Whilst the ISRL is most commonly used for international transactions and business due to the above-mentioned benefits, the use of a Domestic SRL can be an effective vehicle for international planning as it has no business restrictions.

- A Domestic SRL is eligible for tax treaty benefits and can apply all provisions of a Double Tax Agreement.
- It is taxed at 25% on profits and gains worldwide but is eligible for a tax credit in respect of foreign taxes paid abroad which has the effect of potentially reducing the tax payable to zero.
- It can conduct business with residents of Barbados.
- It can apply to Central Bank of Barbados to conduct international business if required.
- The approval of the Central Bank of Barbados is required for the issue or transfer of shares to a non-resident shareholder.
- Payment for shares issued to a non-resident shareholder must be received in Barbados and registered with the Central Bank of Barbados.

Our Services

- Supervising the organisation of the SRL
- Serving as the registered agent in Barbados
- Application for and renewal of the business licence for an ISRL
- Holding of members' and managers' meetings
- Maintaining the stock register
- Maintenance of corporate records

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- Filing all required Barbados elections, reports and returns
- Additional services which go beyond the normal administration and maintenance of an ISRL can be provided on request. Such services can be provided on a continuing or ad-hoc basis.
- To ensure the Society remains in compliance with local regulations, we recommend the appointment of Trident Corporate Services (Barbados) Limited as Secretary or Assistant Secretary

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