



## **FOUNDATION COMPANIES: IN A NUTSHELL**

Cayman Foundation Companies were introduced into law in October 2017. These companies can be used for any commercial purpose and offer all the advantages of an exempt company combined with those of an offshore trust. They are effectively a hybrid between a company and a trust, with only the beneficiaries (named in a strictly private and confidential list) being able to receive profits or distributions from the company.

Foundation Companies do not have to have *any* registered shareholders and, as potentially “ownerless” companies, offer unique advantages:

- **Asset protection** If there are no shares or shareholders, no-one “owns” the Foundation Company. It is not deemed to be owned by the confidential beneficiaries who can include the Founder. The assets of the Foundation Company are therefore safe from beneficiaries’ creditors, who would have no right of recourse to those assets.
- **Estate planning / pre-nuptial planning** The confidential list of beneficiaries can include someone defined as a “spouse” - such as “*The Founder’s spouse*” - who would then cease to be a beneficiary in the event of a divorce. It can also include future generations – such as “*the Founder’s children and remoter issue*” - so the Foundation Company can be used to avoid any probate arrangements, and minimise any inheritance tax in on-shore jurisdictions. When a Founder or other beneficiary dies, since they are not owners of the Foundation Company, its assets are not part of their estates.
- **Confidentiality / Anonymity** The persons named on a Foundation Company’s confidential list of beneficiaries are not “reportable” as *beneficial owners* of the Foundation Company and will not be included on the register of beneficial owners kept by Cayman service providers and required to be disclosed to the Cayman Tax Authority.

Exactly like exempt companies, Foundation Companies are not subject to any kind of tax in the Cayman Islands and there are no restrictions on the property and assets they can hold. Unlike a U.S. Foundation, a Foundation Company does not have to be used for charitable or philanthropic purposes: a Foundation Company can be set up for *any* lawful purpose (including commercial and trading purposes).

An exempt company can also be “converted” into a Foundation Company to have the additional advantages summarised above.

For further information about the amazing benefits of Foundation Companies, please contact [sarah.dobbyn@sinclairsoffshore.com](mailto:sarah.dobbyn@sinclairsoffshore.com), [Cameron.thomson@sinclairsoffshore.com](mailto:Cameron.thomson@sinclairsoffshore.com)

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