

The Cayman Islands, US Corporations and Taxation Fiction vs. Fact

Fiction	Fact
<p><i>The Cayman Islands serve as a “tax haven” where US companies and individuals can launder money and hide their assets.</i></p>	<p>FACT: The Cayman Islands is not a bank secrecy jurisdiction; it is fully transparent. The Cayman Islands has a comprehensive All Crimes Anti Money Laundering Treaty (1990) and a Tax Information Exchange Agreement (2001) with the United States and the EU that provide full transparency and prevent tax evasion. These treaties are more stringent than domestic US law. Cayman has worked with the IMF, OECD, FATF and others to create a stable and well regulated legal financial system.</p>
<p><i>US policies regarding “tax havens” and tax deferral for US multinationals are linked.</i></p>	<p>FACT: The issues of offshore financial centers and tax deferral for US multinational corporations are separate. The future of tax deferral laws in the United States is an internal US tax matter.</p>
<p><i>The Cayman Islands’ low tax rate is an anomaly among international jurisdictions.</i></p>	<p>FACT: There are numerous other low tax jurisdictions around the world, including Ireland, Switzerland, the Eastern European EU countries, Hong Kong, Singapore, the UAE and Dubai. Most jurisdictions have a lower corporate tax rate than the US. All of these jurisdictions offer less tax transparency and less international all crimes cooperation than the Cayman Islands does.</p>
<p><i>“Tax havens” such as the Cayman Islands were involved in financial wrongdoing that led to the current economic crisis.</i></p>	<p>FACT: There has been no bank, financial institution or regulatory failure in the Cayman Islands. Cayman financial institutions have over the past decade provided trillions of dollars of essential liquidity from the international capital markets to US financial institutions through the mechanism of securitization and direct hedge fund investment thereby helping to avoid system wide US bank failures in recent years.</p>
<p><i>Offshore accounts such as those in the Caymans are used by multinational corporations to avoid paying any taxes or to commit tax fraud.</i></p>	<p>FACT: US corporations already pay taxes in the jurisdictions where they operate. Additionally all profits of subsidiaries of US parents - regardless of where they are incorporated - are consolidated and accounted for and taxable in the US as profits of the parent, except to the extent that legitimate tax deferral applies under current IRS code. Offshore financial centers, like Cayman, enable American companies to compete internationally and reinvest their profits; treaties with the US ensure they do not evade taxes.</p>