

# New European Economy

Autumn 2012

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## Montserrat

# Uniquely Positioned – Ideal for Investment

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**M**ontserrat is one of five British Overseas Territories in the Caribbean. The island which was named after a monastery in Spain, is located 43 kilometers south-west of Antigua and 64 kilometers north-west of Guadeloupe. Montserrat is the only Overseas Territory which is a full member of both the Caribbean Community (CARICOM) and the Organization of Eastern Caribbean States (OECS).

In 1989 disaster struck Montserrat in the form of Hurricane Hugo which destroyed 90% of the island's structures. Montserratians remained resilient, but this resilience was tested six years later in 1995 when the Soufriere Hills Volcano erupted, resulting in severe social and economic hardships.

The challenges of starting over were daunting and many Montserratians left for the United Kingdom and elsewhere. Others remained and took part in the rebuilding process.

Nowhere else is the island's infrastructure re-development more evident than the on-going creation of a new town from scratch at Little Bay in the north of the island. What hitherto was described as daunting is now viewed as unique. The question is now asked; where else in the world is a new town being built against such a tranquil, evergreen and warm background? Indeed, Montserrat is uniquely positioned. History has shown that such development is impossible without bringing in the knowledge of foreigners. On what terms will investors be involved in the redevelopment? The government's investment policy is focused on granting incentives to investment geared towards stimulating economic growth, and investors are being offered very liberal investment terms.

Manufacturing based enterprises are offered

incentives under the Fiscal Incentives Act. However, incentives are not limited to manufacturing industries and consideration is given to other enterprises wishing to invest. Additionally, government's fiscal policy is consolidated into the wider economic policy of creating an environment that will encourage private sector investment.

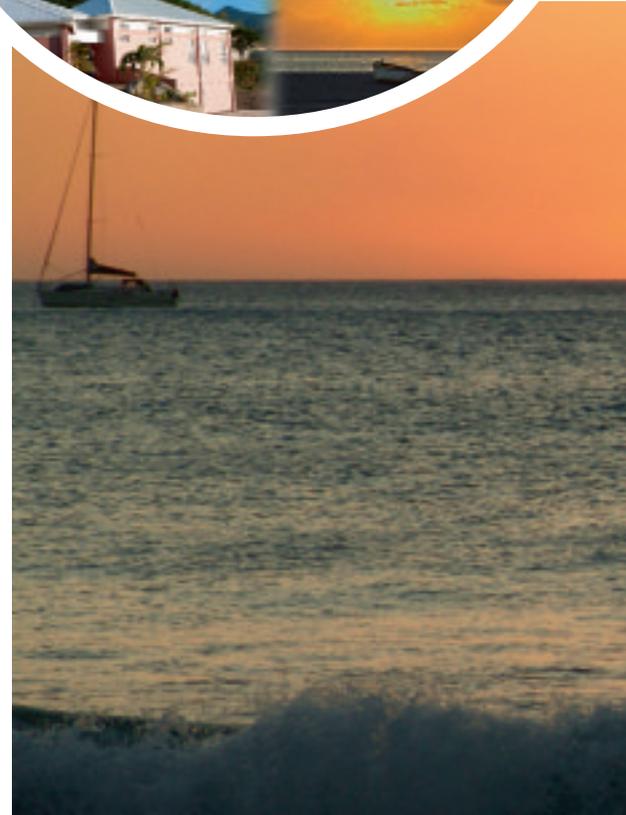
### **The Legal Framework**

A sound legal framework with respected systems of laws is an integral part of the economic and social freedoms vital to a progressive society. This framework is vital to commercial predictability and certainty.

The laws of Montserrat are contained in Acts of Parliament passed by the local legislature and subordinate legislation made under such Acts. The local laws are to some extent supplemented by certain Acts of the United Kingdom Parliament and Orders in Council (including the constitution) that have been extended to Montserrat. United Kingdom legislation not formally extended to Montserrat may be incorporated by local Acts. The English common law and rules of equity in force in England form part of the law of Montserrat from time to time.

### **The Economy**

The island has its own revenue raising powers and rules governing public expenditure, but the economy was devastated by the volcanic activity of the 1990's. Montserrat depends heavily on financial assistance from the United Kingdom. The inactivity from the Soufriere Hills Volcano in recent years introduced new confidence and the cautious consensus is that the island is once again open for business.



### Doing Business

The post volcanic activity business environment is still in its infancy, but the legal and economic framework in place is very attractive for investment from outside. The framework is built on sound investment policy which shows little if any distinction between local and foreign investment. Incentives offered include tax holidays, duty-free imports and the right to repatriate investment and profits.

Investors wishing to own land in Montserrat are required to obtain the requisite landholding license. The process and cost involved rank among the most favourable in the Eastern Caribbean. Persons wishing to invest in real estate would find that land prices are low compared to elsewhere. Prices will inevitably increase. The main business activities at present include commercial, corporate, real estate conveyancing, banking, finance, insurance, employment and construction ventures. There are stakeholders in the private sector working diligently on growth in the international banking, trust and international business companies sectors.

### Establishing the Business

Preference is shown for incorporating businesses through the use of private limited companies. The details concerning private limited companies are outlined in the Companies Act

Cap. 11.12 of the Laws of Montserrat. The Companies Act mirrors other company statutes in the Commonwealth Caribbean. The reform in company law in the Caribbean is due to the Report of the Working Party on Harmonization of Company Law in the Caribbean Community (1979).

Companies may be established in a period of 2-3 days. The Companies Act also makes provision for registering existing business entities as external companies.

The main responsibilities for management of these companies surround the filing of Annual Returns by the first of April each year – a task easily undertaken by local representatives.

Investment incentives for corporations include corporate and individual tax holidays, import duties and freedom in exchange control. A tax holiday of 5 to 10 years and periods up to 15 years maximum under certain circumstances are available. Export oriented businesses are eligible for tax rebates.

### Immigration

Foreign Investors engaged in any occupation in Montserrat for profit, reward or other remuneration require valid work permits. Investors who qualify for the grant of a permit of economic residence do not require work permits.

An applicant for a permit of economic residence must show that he (a) maintains a property

investment of at least EC\$400,000.00 (b) maintains a deposit of at least EC\$400,000.00 at a local bank (c) holds Montserrat government securities valued at least EC\$400,000.00.

The spouse, child, stepchild or adopted child of the person granted a permit of economic residence is eligible for the grant of a permit of permanent residence.

### Real Estate

The island has traditionally set aside upscale residential subdivisions for foreigners wishing to purchase real property, but there is a license requirement. Investment in land outside the established subdivisions by foreign investors requires the added consent of the executive council. While such consent will not be unreasonably withheld, this is one area in which joint ventures with local partners are encouraged.

### International Business Companies (IBC'S)

Montserrat enjoyed a booming offshore industry in the 1980's. Significant steps have been taken over the years to regain confidence and foster growth in the offshore industry through comparable regulatory schemes.

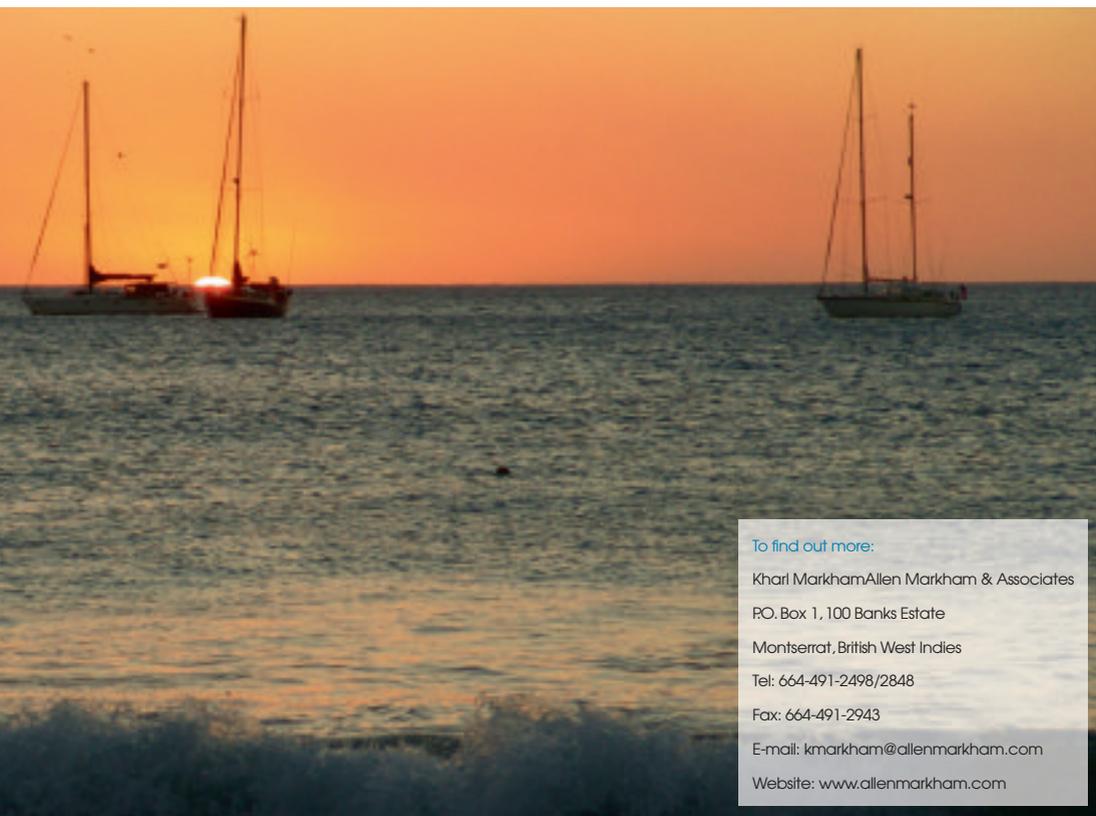
Recent partnerships between experienced entities in the offshore industry have introduced an unprecedented approach to encouraging indirect investment through proliferation in the registration of IBC's. As part of a two year limited incentive package IBC's are incorporated, and administered at rates as low as US\$350.00. This rate is inclusive of providing nominal directors and registered agents. The package does not however include the statutory registration fees and annual fees payable.

International Business Companies carry on business outside Montserrat without liability for corporate taxes. Although IBC's are regulated by the Financial Services Commission they remain untouched by the tax and financial regulations in place for private limited companies.

### Current Events

A recent MOU between the Government and the UK Department for International Development (DFID) highlights the reforms necessary to attract private sector investment. Under the MOU the UK will provide justifiable increased capital and technical assistance once these policy reforms are expedited to establish an ideal business environment.

The private and public sectors have joined hands; Montserrat is uniquely positioned and ideal for investment. ★



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