

ANDREAS M.SOFOCLEOUS & CO. LLC

ADVOCATES - LEGAL CONSULTANTS

Practical Guide to Marshall Islands Company Formation





PRACTICAL GUIDE TO MARSHALL ISLANDS COMPANY FORMATION

Country General Information

For companies not requiring a high profile, a Marshall Islands company provides a very cost-effective, flexible alternative. This type of company can be used as a holding company or an investment company, but is not particularly recommended for high profile trading companies seeking new clients due to the lack of public registers.

The main advantages of Marshall Islands offshore companies are:

- Anonymity;
- Nominee services through lawyers;
- Highest level of privacy protection;
- Limited liability without any paid-up capital requirement;
- Legal tax exemption;
- No taxation on any kind of income;
- No accounting requirements;
- No reporting requirements;
- No auditing.

Company Information

Incorporation Process

- A Registered Agent in the Marshall Islands shall undertake the registration/ incorporation of the company through our office.
- It is necessary to have a registered office address in Marshall Islands.
- A name must be approved by the relevant Authorities in the Marshall Islands which includes suffixes such as Limited, Ltd, Corp., Corporation, Incorporation, S.A.
- Memorandum and Articles must be submitted to the relevant Authorities.
- Requirement of at least one Director and one shareholder and a secretary.

- The shareholder/director /secretary may be the same person.
- An authorised capital of a maximum \$50,000 (USD).

Formation Period

A limited liability company (LLC) in the Marshall Islands may be incorporated within 1-2 business days and within 5-6 business days we can have the original apostilled documents at our office in Limassol.

Incorporation Costs

Variable legal fees for the incorporation of a standard Marshall Islands company are available upon request.

Duration of Existence

An LLC is a separate legal entity and may have perpetual existence until dissolution or strike off.

Business License

- A company cannot trade within the Marshall Islands;
- The Marshall Islands permit a company to raise capital from the public, carry out limited third party trading of securities, act as an investment advisor and invest funds for other people and companies, all without the need of specific licences;
- However a company may not embark in areas of banking, trust, insurance, assurance, reinsurance and gaming.

Maintenance

Annual Costs

- A corporation and a Limited Liability Company shall pay an annual Government fee of \$450 (USD);
- A partnership and a Limited Partnership shall pay an annual Government fee of \$900(USD);
- All fees are due on the anniversary of incorporation/formation of the company.



Annual Reporting/Filing Requirements

There are no annual reporting obligations and no annual filings, approvals, declarations or returns need to be made. If decreed, such reports may be kept at any location.

Annual Shareholders Meetings

There are no statutory requirements to hold annual shareholder meetings. If such meetings are called, the members may congregate at any location of their choosing.

Annual Director Meetings

There are no statutory requirements to hold annual director meetings. If such meetings are called, the members may congregate at any location of their choosing.

Requirements of Locality

A company is required to situate a registered office and a registered agent in the Marshall Islands.

Taxation

In the Marshall Islands, non-resident companies are exempt from all income, estate, inheritance, succession, gift and stamp taxes and duties.

Financial Records and Accounts

Financial Record Keeping

A company must prepare and maintain financial records at the Registered Office of the Company or the Agent.

There is no requirement to file or otherwise publish any accounts or financial records of a company in the Marshall Islands.

Audit Requirements

No audited accounts need to be filed with respective authoritative bodies.

Constitutional Documents

Governance

- The Associations Law of the Republic of the Marshall Islands 1990, which incorporates the Business Corporations Act;
- **A company's Memorandum and Articles also provide governance**

Amendments

A company's Memorandum and Articles may be amended by shareholder resolution. Furthermore, a company's Memorandum and Articles may be amended by a resolution of the directors. This may be administratively beneficial if the company has a widely spread shareholder base.

Authorized Share Capital

- The standard share capital is \$50,000 (USD) divided into 50,000 shares of par value \$1.00 (USD).
- Share capital can be without par value.
- Shares may be issued in any currency.

Shareholders

Minimum Number of Shareholders

A company must have at least one shareholder. Shareholder(s) may be a corporate body or a natural person.

It is also possible for shares to be held through a nominee.

Resident Requirements for Shareholders

There are no residency requirements for shareholders. Accordingly, the company may be fully owned by foreign nationals.

Capital Requirements

There are no minimum or maximum capital requirements, provided at least one share is issued. Consequently, a company may be formed with a purely nominal equity investment.

Multiple classes of shares with differing rights and restrictions are permitted such as registered shares or bearer shares.

Government Approval Required for Allotments/Transfers of Shares

No government approvals are required for allotments and/or transfers of shares.



Preferred Shares

Different classes of shares may be created bestowing distinct rights and restrictions or indeed no rights at all on such shares, in regards to voting and other matters.

This may be used in relation to economic entitlements and priority rankings pertaining to payments of dividends, distributions and returns of capital.

Bearer Shares

Under Marshall Islands Law a bearer share corporation may be formed and the name of the share owner shall not be registered on the share certificate. Marshall Islands are one of the last few jurisdictions left where true bearer shares are available meaning that the shares do not need to be deposited with a licensed custodian. In other jurisdictions such shares must be held by a registered custodian but in Marshall Island there are no such requirements as the shares are issued to the "bearer".

One disadvantage of bearer shares is that not all banks will open accounts for companies with bearer shares. This is the reason that clients usually have registered shares and nominee shareholders are widely used.

Directors

Minimum Number of Directors

- A company must have at least one director. Director(s) may be a corporation or a natural person;
- There are no residency requirements for directors, therefore, a company may be controlled solely by foreign nationals.

Appointment/Removal of Directors

The power to appoint and remove directors will be regulated by the provisions of a company's Memorandum and Articles.

Typically, the responsibility would ultimately be in the hands of the shareholders or in some cases, select shareholders.

Confidentiality

- No information pertaining to the identity of directors and shareholders is filed in any public register in the Marshall Islands. The identification of the company's director(s) and shareholder(s) may remain private and confidential. However, the company's Memorandum and Articles are publicly filed and therefore no sensitive or confidential information should be documented therein;
- Identities of Ultimate Beneficial Owners remain private and confidential;
- The true bearer system enhances confidentiality.

Distributions

- By a resolution of its directors, a LLC may declare and pay dividends in money, shares or other property;
- Such dividends can only be declared and paid out of surplus and cannot be declared unless the said company can pass a solvency test immediately after the dividend payment;
- In the absence of fraud, the decision of the directors as to the realisable value of the assets of the company is conclusive, unless a question of law is involved.

Statutory Re-domiciliation

Companies are permitted to transfer their domicile into and out of the Marshall Islands.

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Andreas M. Sofocleous & Co. LLC

Advocates & Legal Consultants

Andreas Sofocleous & Co was founded by Mr. Andreas Sofocleous in 1995. Over the years the firm grew considerably and expanded with new offices in Russia and Ukraine . In 2012 the partnership was succeeded by the law firm Andreas M. Sofocleous & Co LLC .

The firm is one of the most successful corporate and commercial law firms in Cyprus. Headquartered in Limassol and with offices in Eastern Europe and the UK, the firm provides legal services for individuals and companies at a national and international level across a wide range of industries, dealing with mergers and acquisitions, cross border transactions, joint ventures, intellectual property licensing, as well as company formation and management and other business arrangements.

Our main areas of practice are: Corporate and Commercial law; International and Domestic Arbitration; Commercial and Civil Litigation; Banking and Finance Law; Admiralty and Marine Law; Aviation Law; Property Law; Immigration Law.

The Firm's specialization

We specialize in global corporate structuring, helping businesses and individuals who wish to protect their assets to invest and expand their operations in new international markets.

We work with a range of clients worldwide, including multinational corporations, public companies, small to medium enterprises and individuals. Each and every client, regardless of size and status, has specific needs, particular goals and individual plans for the future. Our aim is to assist them all to achieve their objectives and fulfil their plans successfully. To that end we focus on their needs and concerns by developing the appropriate business strategy to suit each client, and then work together to implement it.

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