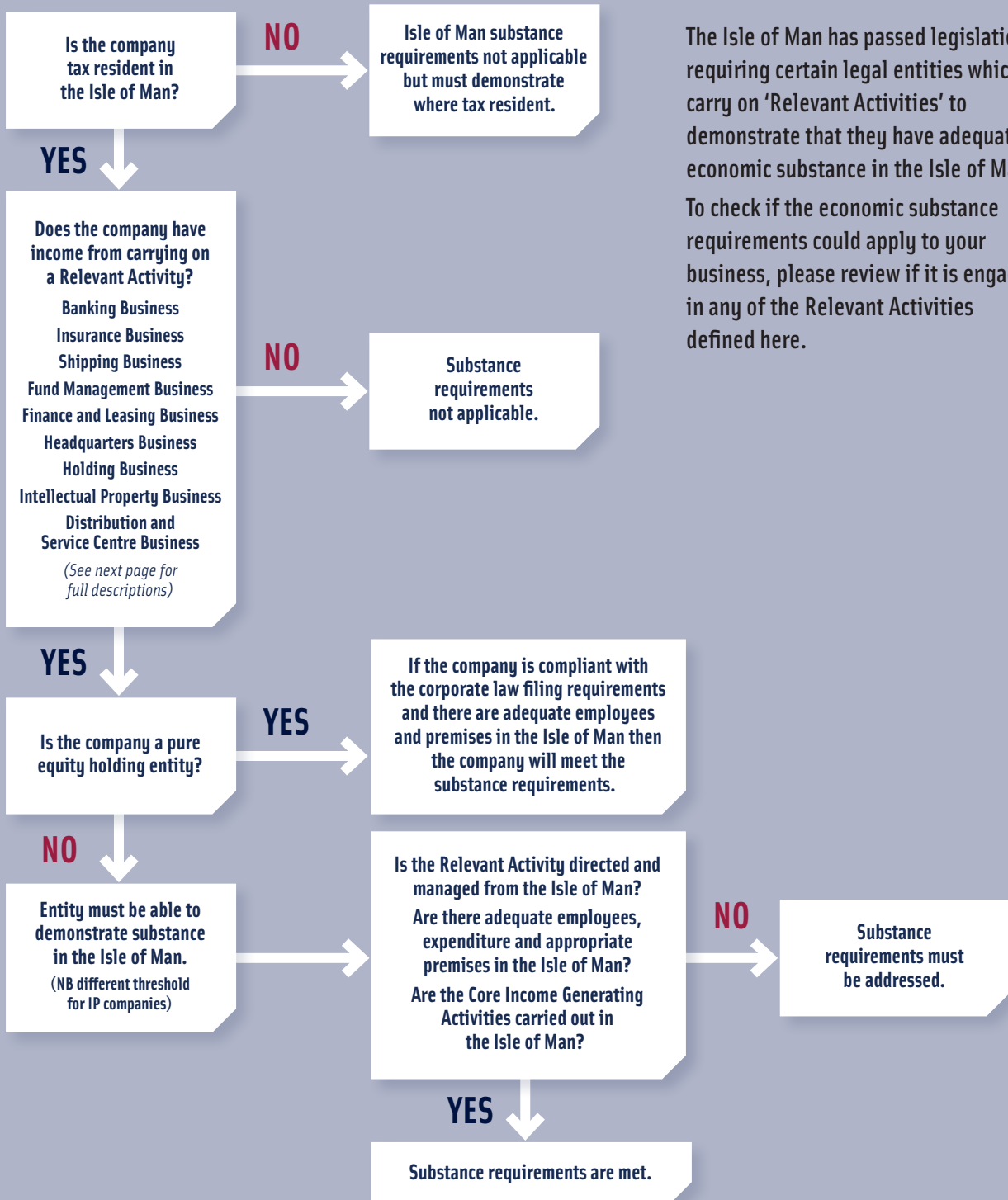


# Isle of Man Economic Substance

## Relevant Activities



The Isle of Man has passed legislation requiring certain legal entities which carry on 'Relevant Activities' to demonstrate that they have adequate economic substance in the Isle of Man. To check if the economic substance requirements could apply to your business, please review if it is engaging in any of the Relevant Activities defined here.

**Banking Business** - Companies that are deposit taking business and are subject to Isle of Man banking regulations. All such companies should be easily identifiable as they are required in the Isle of Man to hold a licence issued by the financial regulator.

**Insurance Business** - Companies which undertake an insurance business that is subject to regulations in the Isle of Man. These should also be easily identifiable as they are required in the Isle of Man to be authorised and hold a relevant licence.

**Shipping** - Companies that operate ships in international traffic for income from the transportation of passengers or cargo. It also includes activities directly connected with, or ancillary to this business such as the rental on a charter basis of ships, the sale of tickets, the use of containers for the transportation of goods and the management of the crew of ships.

**Fund Management** - Fund management is also a regulated business in the Isle of Man and operated under licence.

It includes companies that provide management services in relation to funds (i.e. Collective Investment Vehicles), but not the fund itself. Activities include the provision of fund management services to a fund, in relation to its investment decisions, and its risk decisions.

**Finance and Leasing** - Any company which offers credit or financing of any kind for consideration, such as loans, hire purchase agreements, long term credit plans, and finance leases in relation to assets other than land. This includes intra-group financing.

**Head quartering** - Companies which provide headquarters services to non-resident members of the same group/connected persons. A headquarters will take responsibility for the overall success of the group, or an important aspect of the group's performance, and ensure corporate governance. Such headquarters services include:

- ✦ The provision of senior management
- ✦ Taking responsibility or control of material risk for activities carried out by, or assets owned by, any of those persons
- ✦ The provision of substantive advice in relation to such risks

**Holding Business** - A company will be regarded as a Pure Equity Holding company if its primary function is to acquire and hold equities, and the equities in question are controlling stakes in other companies. It will be subject to the substance requirements if it receives income on its own behalf from those holdings (i.e. if it is the beneficial owner of the shares).

If a company also undertakes other commercial activities, then it is outside of this narrow definition and will instead need to meet the higher substance requirements, if applicable for any Relevant Activity it carries on.

**Intellectual Property Business** - Holding Intellectual property assets - any intellectual property right in intangible assets, including but not limited to copyright, patents, trademarks, brands, and technical know-how from which identifiable income accrues to the business (such income being separately identifiable from any income generated from any tangible assets in which the right subsists)

**Distribution and Service Centre** - Companies which purchase raw materials and finished products from other non-resident members of the same group /connected persons and re-sell them for a profit.

The definition also encompasses companies which provide services, consulting or other administrative services, to other non-resident members of the same group/connected persons.

The scope does not extend to cases where activities are not the main activity of a company, nor to activities where a company purchases raw materials and finished products from, or provides services to third parties.

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