



MannBenham

ADVOCATES • ADVISORY • FIDUCIARIES



BOSTON

MULTI FAMILY OFFICE

**Ethical Structured Company**  
Isle of Man Hybrid Companies

# Isle of Man Hybrid Companies

A Hybrid company is uniquely limited by both shares and by guarantee. It is a legally recognised and incorporated company which can be structured to have some of the characteristics of a trust, Foundation or a Waqf. This is particularly useful for clients whose home jurisdictions do not recognise those concepts, but which do recognise and support the formation of companies.

A Hybrid company can be formed under the Isle of Man Companies Act 2006 which provides a flexible and modern company akin to a company formed in England/Wales which has the advantage of being both established and familiar.

## Hybrid Company

- A legally incorporated company with its own legal personality.
- Limited by shares and limited by guarantee.
- There is no requirement to detail authorised share capital in the Memorandum & Articles of Association.
- Shareholders are required to acquire shares and their liability is limited to the value of the shares.
- Guarantee members undertake to pay a certain amount (say £100) on an insolvent liquidation or winding up of the Company.
- Directors are appointed by the Company to deal with the day to day management of the Company.
- As a legal entity the Company can hold bank accounts and investments and enter into contracts in the usual manner.
- The Company is governed by the Isle of Man Companies Act 2006.

## Summary

- The Shareholders' rights and the powers of the Directors combined can be likened to the powers of a Trustee, the Board of a Foundation or the administrator (nazir, mutawalli, kayyim) of a Waqf.
- The Guarantee Members may be entitled to receive distributions from the Company in a similar way to beneficiaries of a trust.
- The Directors are required to manage the assets and are required to act in good faith in what they consider to be the best interests of the Company.
- The Memorandum & Articles of Association are public documents.
- Memorandum must contain the company name, company type, first registered office address, name of first registered agent, name and address of each subscriber and their agreement to take one or more shares, the agreement of each guarantee subscriber to become a member, the amount for which every guarantee member is liable; the number of shares taken and amount agreed to be paid by each subscriber.
- A separate Members Agreement between the Shareholders, Guarantee Members and the Company may be drafted to suit different circumstances which to agree the rights, duties and powers of each party.
- The Articles of Association may include provision for a separate supervisory board which, though its members are not Directors and are not entitled to manage or control the company in any sense, provide the Company's "conscience" as policy advisers and policy compliance auditors to the Board of Directors.

## Members Agreement

- The Members Agreement is legally binding on all parties (the Shareholders, the Guarantee Members and the Company) and together with the Memorandum & Articles of Association, would be the main point of reference for the rights duties and powers of each party.
- Isle of Man law governs the documents, although the Members' Agreement would be a private agreement and not in the public domain.
- The Members Agreement can be drafted to suit your requirements but could include the following:
  - Definition of the business of the Company with any restrictions required;
  - Agreement to certain decisions which would require Guarantee Member consent;
  - Details of the conduct of the Company's affairs to include procedures in the event of disagreement between the Shareholders and the Guarantee Members;
  - Procedures for the appointment and removal of Guarantee Members;
  - Possible details of future Guarantee Members in the event of the death or incapacity of a Guarantee Member;
  - Procedures to ensure that future Shareholders and Guarantee Members agree to the terms of the Members' Agreement.

## Taxes

Boston Limited does not provide tax advice and the following is general information only. Individuals and corporate clients should always seek independent professional taxation and legal advice. Advice would be required in the jurisdiction of the management and control (if it is not the Isle of Man) Shareholders and Guarantee Members and any parties receiving distributions or dividends in their own countries of domicile and residence.

- Corporate tax is charged in the Isle of Man at 0% except for certain companies (such as banks and financial institutions, those owning Isle of Man real estate and certain resident retail businesses);
- The Isle of Man does not charge stamp duty on share transfers;
- The Isle of Man does not have capital gains tax or inheritance tax.

## Professional Advice

This fact sheet is intended to give a general overview only and does not seek to cover all situations or requirements.

Boston Limited does not accept liability for any action taken or for any omission made on the basis of any matter contained herein. Boston Limited strongly recommend that detailed advice be sought, where necessary by reference to appropriate legislation and professional specialists.

In particular, we do not provide legal or taxation advice, although we strongly recommend that this be sought, specifically in relation to your own personal circumstances and jurisdiction of residence, prior to the establishment of any entity or structure. We are able to introduce you to appropriate specialists if required.



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