

## MARSHALL ISLANDS

### 1. **ADVANTAGES:**

- The RMI Associations Law is modeled on the corporate law of the US state of Delaware.
- Zero tax jurisdiction.
- Redomiciliation is permitted both into and out of the jurisdiction.
- Low cost and inexpensive to administer.
- Same day formation and filing of corporate documents.
- Confidentiality of shareholders, members, limited partners, directors, managers, and officers; disclosure of names is voluntary.
- Standard Articles of Incorporation available in Spanish and Chinese.
- Capital can be expressed in any currency.
- Apostilles.
- Political stability.

### 2. **BUSINESS ENTITIES:**

Regardless of the circumstances surrounding the creation of a business entity, the usual goal is to maximize its profitability while minimizing the risk of exposing its beneficial owners to personal liability. For this reason, the corporate law of a jurisdiction takes on paramount importance. First enacted in 1990, the RMI Associations Law is one of the most modern set of statutes in the world. The RMI Associations Law contains the Business Corporations Act (BCA), Revised Partnership Act, Limited Partnership (LP) Act, and Limited Liability Company (LLC) Act.

#### *Utilization of Business Entities:*

- Real estate investment
- Holding securities and bank accounts
- Trust and estate planning
- Asset protection
- Joint ventures
- Public offerings for raising capital in world markets
- International trade
- Holding patents and trademarks
- Holding vessels

## 2.1. International Business Corporations (IBCs)

IBCs are one of the most widely used business vehicles. IBCs are considered distinct legal entities and are utilized for a variety of purposes, such as holding securities and bank accounts, entering joint ventures, trust and estate planning, asset protection, public offerings for raising capital in world markets, international trade, and holding vessels.

IBCs give owners the ability to maximize profitability while minimizing personal liability. In the event of a business loss or lawsuit, shareholder liability is limited to his/her direct capital investment in the corporation.

### *Entity Formation:*

Entity formation is simple; a company may be formed in one business day. The following information needs to be provided in order to proceed with the incorporation of an RMI IBC: corporate name, share structure, and organizational activity.

### *Corporate Name:*

Corporate names may be in any language as long as Roman characters are used. Any standard, internationally accepted, corporate suffix is permitted. Name clearance may be achieved through any IRI office (Quijano & Associates may assist with this). Names may be reserved at no cost for up to six months in advance of formation. Two alternative names should be provided in the event that the first selection is not available.

### *Share Structure:*

IBCs may issue shares in registered and/or bearer form with par or no par value. Par value of shares may be denominated in any currency. A standard formation is 500 registered and/or bearer shares without par value, or up to 50,000 USD worth of par value stock. Authorized share capital above these amounts will incur a one time capitalization tax.

## 2.2. Partnerships:

*General Partnerships:* In contrast to an IBC, a partnership offers flexible management control and assignment of responsibilities, and gains and losses may be freely allocated among the partners. However, unlike an IBC, a general partnership does not protect its partners from business losses in excess of their capital investment. Partners are jointly and severally liable for the obligations of the partnership, and their personal assets may be at risk.

A partnership is registered pursuant to the RMI Revised Partnership Act through the filing of a Certificate of Partnership Existence with the Registrar of Corporations.

The Certificate may be very general in nature, but must include the name of the partnership, the contact information of the registered agent, and a statement that the partnership will file a Certificate of Dissolution following the dissolution of the partnership.

*Limited Partnerships (LPs):* Similar to a general partnership, an LP allows for flexible allocation of profits and losses and other distributions. However, an LP consists of passive investors, or limited partners, and at least one general partner who exercises management control. The LP offers protection to its passive investors, limiting liability to the extent of their capital contributions, while general partners remain personally liable for all business obligations.

LPs are registered pursuant to the RMI Limited Partnership Act by filing a Certificate of Limited Partnership, executed by each general partner, with the Registrar of Corporations. The only information which must be included in the Certificate is the name of the LP, the contact details of the registered agent, a statement that the partnership will file a Certificate of Dissolution following the dissolution of the partnership, and the name and business residence or mailing address of each general partner.

## **2.3. Limited Liability Companies (LLCs)**

An LLC combines the best traits of an IBC and a partnership. Like shareholders in a corporation, the members are protected from personal liability in excess of their capital investment. Like the partners in a partnership, members can flexibly allocate gains and losses. Flexible management makes the LLC an excellent vehicle for transactions requiring a considerable degree of passive investment, such as venture capital projects, investment in real estate, oil, or technology, as well as research and development of business. In addition, the LLC may be conveniently employed in the types of parent-subsidary arrangements inherent to large corporations because either an individual or an entity may be a member.

Members are not required to participate in the management of the entity; instead, they may designate “managers” to manage the affairs of the LLC. However, even if members elect to be actively involved in managing the LLC, they still retain their limited liability.

LLCs are registered and governed pursuant to the RMI Limited Liability Company Act.

## **2.4. Foreign Maritime Entities (FMEs)**

An FME is a legal entity created under the laws of a jurisdiction other than the RMI that is eligible to own vessels when registered in the RMI pursuant to Section 119 of the BCA.

The following information needs to be provided to any IRI office in order to proceed with the registration of an RMI FME:

- Certified copy of the Articles of Incorporation, Corporate Charter, or other formation document of the entity, and
- Evidence of the foreign entity’s current existence under the laws of the state of its formation (such as a Certificate of Goodstanding).

## **3. ECONOMIC SUBSTANCE:**

In accordance with the Republic of the Marshall Islands (RMI) Economic Substance Regulations, 2018, which came into force on 1 January 2019, all non-resident domestic entities (NRDEs) and foreign maritime entities (FMEs) are required to file an annual report on economic substance.

All reports will be filed through the RMI’s secure online portal and must be submitted within 12 months of the anniversary date of the NRDE or FME. Any NRDE or FME that does not meet the filing deadline may be subject to penalties or annulment.