

UK Trusts

In recent years, along with the move to greater transparency, the demand has risen for tax efficient solutions utilising jurisdictions not normally considered to be 'offshore' in the traditional sense of the word. This is especially the case in trading and holding company scenarios, but is also increasingly true in the world of trusts.

Trusts are an efficient and robust tool used in many tax, estate planning and asset protection structures but the location of these trusts in zero tax offshore jurisdictions can give clients some difficulties.

New Zealand has in recent years risen to prominence in this field and many practitioners have placed clients' assets into New Zealand trust structures due to the combination of a favourable non-resident tax regime, a solid trust law and the non-appearance of New Zealand on any of the national or international blacklists of offshore jurisdictions.

There have however always been some doubts over the political will of the New Zealand authorities to develop an industry of this nature and these doubts have been intensified recently with the introduction of some (albeit rather basic) regulation and disclosure requirements designed to catch these non-resident trusts. The real worry perhaps is over how the new regulations are likely to develop and expand in the next few years.

Perhaps then, the New Zealand trust is not the ideal solution but is there an alternative white-list trust regime that gives our clients similar tax advantages?

The UK trust

English law of trusts as developed over the centuries since the middle ages has been the source of the trusts laws where the law is

based on the common law system. Most of these jurisdictions have developed their own versions on this law and trust law has been developed in many civil law countries. This has resulted in trusts now being an internationally known and valued planning vehicle. It is important to recognise the particular features and advantages of each and how their characteristics can be put to advantage in the tax environment in which each exists. English trusts have much to offer the international HNWI.

It has long been known that UK tax laws offer particular advantages to those persons resident in the UK but not domiciled. It is perhaps less well known that non-UK residents, seeking to shelter non-UK assets can also use UK trust structures to equal or even greater effect.

Properly structured, a UK trust can shelter non-UK situs assets entirely free from any UK income or capital taxes.

The very nature of the trust also gives rise to some very interesting opportunities for professional advisors in this field.

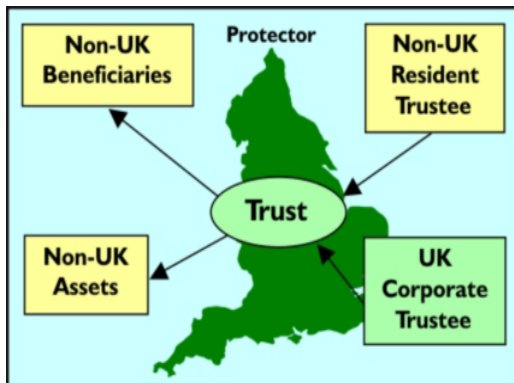
The structure

The UK Trust is effective where;

- The settlor and beneficiaries are non-UK resident
- There are no UK situs assets
- There is no UK source income
- There must be a UK resident corporate trustee
- There must be at least one non-UK resident trustee

Where all these conditions are satisfied, the trust will not be subject to any UK taxes.

There is no UK trust regulation or licensing and there are no reporting requirements whatsoever.



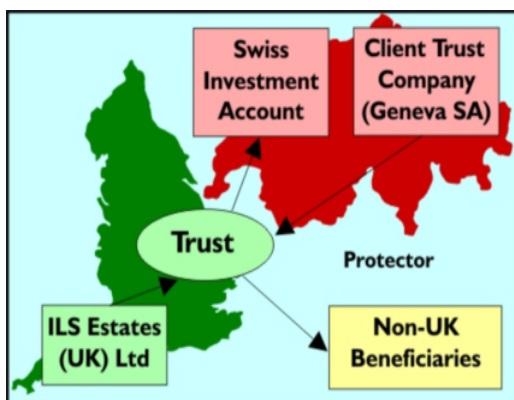
In either case, it may also be possible and desirable for ILS to form and administer a managed trust company on behalf of our professional client.

Please note that ILS Fiduciaries (IOM) Limited does not offer tax advice. If you are not professionally qualified to give tax advice, we will be happy to make an appropriate introduction.

Opportunities

The requirement that there is both a UK resident Corporate Trustee and a non UK resident trustee gives rise to some interesting commercial opportunities.

The ILS Group is in a position to provide either or both of the trustees required, through our offices in the Isle of Man, London, the BVI, or elsewhere as required.



Where a professional client, for example based in Geneva, can provide non-UK resident trustee services, ILS can supply the UK component. Similarly, a UK law firm may need to use the services of one of the ILS Group overseas trust operations to provide the Non UK resident trustee services.