



OFFSHORE TRUSTS – BENEFITS AT A GLANCE

This article gives a very brief general outline of the tax and non-tax advantages of Isle of Man trusts.

TAX ADVANTAGES

UK Inheritance Tax

A non-UK domiciled settlor can create a settlement with no UK IHT charge on the transfer into the trust providing the transfer is of non-UK assets. Depending on the type of trust created, the trust assets can be outside a charge to UK IHT for the entire lifetime of the trust. UK assets can be held via an offshore company owned by the trustees.

UK Capital Gains Tax

For a non-UK domiciled settlor, settling non-UK assets into an offshore trust still provides an opportunity to avoid UK CGT completely. This is because gains realised by offshore trustees will only be liable to UK CGT if paid out to a UK resident beneficiary.

UK Income Tax

In general, there are no significant UK income tax advantages in holding assets through an offshore trust. However offshore trusts can in some circumstances provide a means of deferring UK income tax by allowing income to remain undistributed.

Manx Income Tax

Manx tax will apply to trust income if there are Manx resident beneficiaries.

NON-TAX ADVANTAGES

A trust can provide:-

- Consolidation of family wealth and its administration.
- A succession planning solution in terms of the transfer of wealth in a tax efficient and timely manner.
- Asset protection from economic, political, family and business uncertainty including divorce, bankruptcy and seizure against the settlor or against a beneficiary.
- A solution to the difficulties in obtaining probate (or its equivalent) in multi-jurisdictions.
- Tax mitigation and wealth management.
- A solution to forced heirship rules which apply in some countries under which children or other family members have an automatic right to inheritance irrespective of the terms of the Will and whether there is a surviving spouse.
- Confidentiality and privacy for both the settlor and beneficiaries as the trust deed is not a public document.
- Management of assets for the benefit of vulnerable beneficiaries who cannot manage their own assets due to, for example, disability, profligacy, addiction or undue pressure from third parties.

In summary trusts are a useful means of safeguarding wealth in a tax efficient and protective manner.

Please ask us for advice specific to your own circumstances.

If you would like to know more then please contact
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