

OFFSHORE TRUSTS – NON-TAX ISSUES

Still a useful tool for wealth management

The role of the trust and in particular the offshore trust, as a useful means of wealth management, has been under scrutiny and debate in recent years particularly after the recent UK tax changes for Inheritance Tax and Capital Gains Tax. (See the website article “Offshore Trusts for Non-UK Domiciliaries – Tax Issues”)

This article summarises the continuing significant non-tax advantages of offshore trusts. However, careful consideration should also be given to the tax and legal issues.

A trust provides:-

- **Consolidation of family wealth and its administration:**
An umbrella structure which consolidates worldwide asset ownership into a single entity in one location to aid the efficient management of a family’s wealth and streamline and centralise the administration and the financial reporting of family wealth.
- **Succession solutions:**
Assistance with succession planning in terms of the transfer of wealth in a tax efficient and timely manner during the lifetime of the settlor, avoiding significant amounts of funds passing into the hands of individuals who may be too young or too inexperienced to cope.
- **Asset protection:**
Asset protection from economic, political, family and business uncertainty including divorce, bankruptcy and seizure against the settlor or against a beneficiary.
- **Cross-border probate solutions:**
A solution to the difficulties in obtaining probate (or its equivalent) in multi-jurisdictions since the trust is an ongoing entity and the assets should not form part of an individual’s estate for probate purposes (although they may for capital tax purposes).
- **International recognition:**
A structure which is a widely recognised solution to tax mitigation, wealth management and succession planning. The trust is a common law concept which has evolved since the Middle Ages and is recognised in an ever increasing number of civil law jurisdictions. The common law of the trust can be that of the Isle of Man or of England & Wales.
- **A solution to forced heirship:**
A means of mitigating the consequences of forced heirship or shar’ia law in jurisdictions where children or others have an automatic right to inheritance irrespective of the terms of the Will and whether there is a surviving spouse.
- **Confidentiality:**
Confidentiality and privacy for both the settlor and beneficiaries as the trust deed is not a public document (unlike, for instance, a UK or Manx Will).



- **Management of assets for the benefit of vulnerable beneficiaries:**

Trustees will act in the best interests of the beneficiaries. This is of particular importance at times when beneficiaries cannot manage their own assets due to disability, profligacy, addiction or undue pressure from third parties.

In summary, trusts are a useful means of safeguarding personal and corporate wealth in a tax efficient and protective manner. For UK resident but non-domiciled individuals not only can tax benefits be obtained by settling funds into an offshore trust, but of equal or greater value are the non-tax benefits that a trust can potentially provide.

This is just a brief summary of the position. Please ask us for advice specific to your own circumstances.

If you would like to know more then please contact

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