

Isle of Man foundations.

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1.

A foundation is a flexible and robust tool for private wealth management, charitable endeavours, and commercial transactions.

It is an incorporated, self-owning, legal entity which, although having many similarities with limited companies and trusts, possesses its own unique features.

It can exist in perpetuity, hold assets, transact in its own name but has no 'owner', so the person who establishes the foundation, known as the founder, cannot be liable for its debts.

A founder can retain greater control over the objects and administration of the foundation compared with the settlor of a trust.

Potential uses of a foundation

- Charitable and philanthropic purposes
- Estate and succession planning
- Potentially avoiding forced heirship rules
- Wealth preservation
- Asset protection
- Consolidation of assets
- Centralised reporting
- Inheritance tax planning.

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Definitions

- **Founder** – The person who initially instructed the establishment and agreed the objects of the foundation
- **Dedicators** – Anyone other than the Founder that dedicates assets to the foundation
- **Objects** – Specified in the Foundation Instrument, these detail the specific purpose and objectives of the foundation
- **Council** – Comprises of one or more members, the Council carries out the administration of the foundation in accordance with the official documents
- **Registered Agent** – An application to establish a foundation must be made by a Registered Agent that holds a Class 4 license issued by the Isle of Man Financial Services Authority, such as Abacus
- **Enforcer** – If an object of a foundation is to carry out a non-charitable purpose, the foundation must have an Enforcer. This person ensures the Council operate in line with the official documents and in the best interests of the foundation
- **Beneficiary** – A party that can benefit from the foundation.

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Documentation

- **The Foundation Instrument** – is a public document setting out the name of the foundation, its objects and members.
- **The Foundation Rules** – is a private document containing the substantive provisions concerning the management and running of the foundation.

Advantages of an Isle of Man foundation

- Can exist in perpetuity
- Favourable tax regime
- Can engage in trading and commercial activities
- A council member does not need to be resident or regulated in the Isle of Man and a company may be a member of the council
- Limited liability
- No shareholders
- Can sue in its own right
- Privacy.

No action should be taken on the basis of this brochure, nor should it be construed as amounting to tax, legal or VAT advice. Suitable, specific and professional advice should always be obtained in respect on any particular issue.

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