

Isle of Man trusts.

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Isle of Man trusts.

1.

With a trust arrangement the legal ownership and control of an asset passes from an individual, referred to as a settlor, to a trustee.

The trustee will hold the asset upon trust for the beneficiaries and in accordance with the terms of a documented trust deed.

The versatility of a trust means it can be used to achieve many wide-ranging objectives including:

- The management and preservation of wealth
- Facilitating seamless succession planning
- Providing for minors
- Providing vital support and provision for vulnerable individuals
- Optimising tax planning
- Philanthropic and charitable endeavours.

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2.

Assets suitable for a trust might include:

- Investments such as pensions, quoted and unquoted stocks and shares, bonds and funds
- Cash and other liquid assets
- Real estate
- Business interests
- Intellectual property rights
- Personal belongings.

Trusts are a useful tool for managing complex, high-value luxury assets such as yachts and aircrafts and in recent years their sphere has extended to include other collectibles known as passion assets such as cars, precious gems, timepieces, coins, rare stamps and fine wines.

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3.

Isle of Man

The Isle of Man is an award-winning international finance centre situated in the Irish Sea between England and Ireland. It is a self-governing British Crown Dependency determining its own laws and setting its own taxes.

Known for its Celtic and Viking heritage it is home to the oldest continuous parliament in the world, the High Court of Tynwald – dating back more than 1000 years it is the foundation of the Island's political and economic stability.

Today the Island boasts a mature financial services and fiduciary sector that has diligently curated a robust regulatory and supervisory regime. The government and industry have worked together to cultivate a professional and skilled workforce to ensure it continues to prosper.

As a common law jurisdiction, the Isle of Man attracts an international clientele. Its progressive legal and regulatory framework, rooted in English law, offers reassurance and gives the peace of mind essential for clients navigating the complexities of global wealth management.

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Advantages of an Isle of Man trust

- No capital gains
- No inheritance, gift or estate taxes
- No income tax for non-resident beneficiaries except in limited circumstances
- There is no restriction on the accumulation of income
- Privacy
- The ability to appoint a Protector to provide an additional layer of oversight for the Settlor
- Robust tool for asset protection
- Flexibility in managing and distributing assets
- Effective tax planning opportunities
- Recognised in all common law jurisdictions
- Smooth setup process
- No government fees.

The combination of a strong legal and regulatory framework, stability, flexibility and confidentiality make the Isle of Man a prominent jurisdiction for establishing and managing trusts.

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5.

Elements of a trust

Settlor

Once a trust is created the settlor must divest themselves of the legal ownership of the assets settled. The settlor may be a beneficiary and may also retain a degree of control and oversight over the trustee by reserving the power to approve distributions, appoint and remove trustees.

Trustee

Legal title to the trust assets is vested in the trustee who is responsible for the management and administration of the trust. A professional trustee has a fiduciary responsibility to act with due diligence and professional skill. A trustee must exercise its powers solely for the benefit of the beneficiaries. The trust assets do not form any part of the trustee's own estate.

Beneficiaries

The beneficiaries are the persons entitled to or who may benefit from the assets held on trust. In order for a trust to be valid there must be sufficient certainty as to the identity of the beneficiaries. The power to add or exclude beneficiaries is usually included in the trust instrument.

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Trust fund

The assets held in the trust may be of any type of movable or immovable property. Further assets may be added at any time after the initial settlement. A common arrangement is to establish a trust with a nominal amount and subsequently add more substantial assets over time. These would not need to be specified in the main trust deed.

Protector

In order to counterbalance the wide discretionary and fiduciary powers conferred on a trustee it is often found useful for the settlor to appoint a trusted friend or professional adviser, or even themselves, to act as a protector. In such cases the consent of the protector will generally be required before the trustee may exercise certain strategic powers. On the protector's death, incapacity or resignation, their powers can be passed on to another person, usually specified by the retiring protector.

No action should be taken on the basis of this note, 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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