Jersey and offshore structures
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About Jersey

• The largest of the Channel Islands

• Located 180 miles from London (50 minute flight) and 14 miles from the coast of France

• Population of approximately 100,000

• 45 square miles and only 9 miles wide

• A British Crown dependency outside of the EU, enjoying a constitutional right of self-governance and judicial independence

• Currency is linked to GBP (Sterling)
Jersey’s Finance Industry

• Tax neutrality

• One of the world leaders in global finance

• Location

• Regulation (Jersey Financial Services Commission \(\text{appendix 5}\))

• Legal system (\(\text{appendix 8}\))

• Infrastructure
Structures explained including key individuals/documents
**Jersey Discretionary Trust**

- **Beneficiaries**: Entitled to benefit from the trust in accordance with the terms of the trust deed.
- **Trustee**: Fiduciary responsibility to the beneficiaries and enhance value to trust fund whenever possible.
- **Protector**: To oversee trustee decisions, retain or obtain consent/powers.
- **Settlor** - Donates assets to the trust
- **Irrevocable**: Complete gift
- **Revocable**: Incomplete gift
- **Letter of wishes**: Provides guidance to the trustee. Settlor's wishes, but not legally binding
- **Deed or declaration**: Settlor signs one and not the other
Fiduciary duty

**Trustee**

**Beneficiaries**

**Settlor** (Reserves certain powers)

Letter from trustee to directors

No power to interfere

Settlor provides local directors

Jersey Reserve Powers Trust

Jersey Holding Company

Hong Kong Trading Co. “Special Company”

Fiduciary duty of trustees
The trustee still has a fiduciary duty and care to the beneficiaries even when special company provisions exist
Typical uses - Private wealth holding structures; Own wasting assets, i.e. aircrafts/yachts; High value philanthropic structures
Jersey PTC Structure

No beneficiaries

Key benefits/Uses
Jersey PTC

Hawksford administrators

Trusts Jersey Law - one for each family

Hawksford directors

Portfolio investments

Jersey Hold. Co.

Super Yacht

Jersey Hold. Co.

Aircraft

As trustee of the underlying trust(s)

Family board members working with Hawksford directors

Jersey Private Trust Company (PTC)

Enforcer
(Family member)

Jersey Purpose Trust

Shareholder

Jersey PTC

Trusts Jersey Law - one for each family

Portfolio investments

Super Yacht

Aircraft

Hawksford administrators

Trusts share in underlying assets

3
4
1
2
5
Reasons for establishing trusts
Reasons for establishing trusts

- Confidentiality
- Global asset holding vehicles
- Tax mitigation/deferral
- Probate (Global assets structured under a single law)
- Flexible Distribution of wealth – succession planning for those who need it most
- Help eliminate family disputes/divorce
Reasons for establishing trusts

- Philanthropy (Charitable giving)
- Avoid losing family wealth “from shirt sleeves to shirt sleeves in three generations”
- Asset Protection (Creditor Protection) “only create when skies are clear”
- Forced Heirship “Civil Law counties vs the Common Law trust – equable rights”
- Pay for Further Education
Clients and children on the move
Opportunity spotting for your clients on the move

- Next generation living in the US and parents living in Asia
- Next generation living in Canada and parents living in Asia
- Far East family relocating to the UK (UK Resident non Domicile)
- Far East clients investing in UK commercial real estate
- Far East clients using offshore funds to invest in UK real estate
Private client case studies
What is the client’s challenge?

The client is:

• 45 years old
• a resident in Asia, and
• owns a luxury goods trading business
• Looking for IPO and ultimate Hong Kong listing

The client is looking for a tax compliant financial structure for succession and estate planning for the next generation, and a solution which will also enable the diversification of trading business income by using a selection of investment portfolios.

The client also wishes to maintain control over the original trading business assets.
(ii) Wealth structuring: three-fold

**What is the client's challenge?**
The client is a Hong Kong resident and is now in their early seventies.

They are the founder of a successful company and want to see their wealth structured three-fold:

i. for their children and grandchildren;
ii. for their ongoing enjoyment in retirement; and
iii. for charitable purposes

The added challenge is that the client’s next generation is connected to the USA for US tax purposes.
How can we help?

- Two new trust structures
- A percentage of Listed Company shares are about to be sold
- Work with Hong Kong lawyers and Hong Kong’s Securities and Futures Commission (SFC) during the Listed share sale process
- Annual reporting obligations to the Internal Revenue Service (IRS)
- Work with US lawyers to ensure that trust assets are managed in the most tax efficient manner
- Manage the family trusts and charitable trusts in accordance with the provisions of the trust deeds
Corporate case studies
Corporate clients (Escrow)

- Chinese Parent Company
  - Hong Kong Listed Company
    - Share Purchase Agreement (SPA)
    - Escrow Agreement
      - Hawksford trustee as escrow agent
        - European Business
          - European sellers
            - Buys for Cash and Parent Company issues new share capital
Corporate clients
Case study

PRC Parent Company / Hong Listed buying European business required escrow services to hold new shares for the sellers

The client’s challenge
The client, an International Chinese Company (“the buyer”) via its Hong Kong subsidiary wishes to buy a business in Europe to continue to build its global portfolio. The client will be buying the European (“target company”) using cash and 10% of new share capital issued PRC Parent Company as consideration.

The buyer is concerned that the European sellers of the European target company will sell all the new shares issued by the Chinese Company, flooding the market, forcing the share price to fall.

Who we worked with
• The client’s existing advisers in London and Hong Kong
• Hong Kong Nominee to hold the new issued share capital
• Parent Company directors in Shanghai (“the buyer”) via Hong Kong
• The European Company (“the sellers”)
Corporate clients

The planning and solution

• Share Purchase Agreement

• Escrow Agreement – 5 year plan (20% share release each year)

• Getting the buyers and sellers to agree to terms of both agreements

• Engaging local Jersey Custodian to open accounts in names of sellers

• Appointing Hong Kong Nominee to safe keep the new shares

• Obtain tax, legal advice and enhance due diligence for buyers and sellers
Family governance, the beneficiary and trustee relationship
Family governance, the settlor, beneficiary, protector and trustee relationship

• Settlor

• Beneficiary’s understanding and how to behave responsibly

• Protector’s role in family governance

• The trustee role when considering distributions
Relocating to Jersey – 1(1)k – UHNW
Jersey Immigration for UHWN

- Known as 1(1)k status under Jersey Housing Rules

- Ultra High Net Worth (UHNW) Interview process with States of Jersey (Locate Jersey) to assist with the immigration process [http://www.locatejersey.com/](http://www.locatejersey.com/)

- 1(1)k has the right to buy in the open market, usual term of residency is 10 years before a resident is able to purchase Jersey property

- Jersey 1(1)k’s are taxed at 20% on any Jersey source income and property rental income

- Must have a minimum income of £625,000 per year, taxed at 20% is £125,000 income tax and 1% tax charged above £625,000 worldwide income. Example non Jersey income £2.625m (£625,000 charged at 20% “£125,000 and £2m at 1% or £20,000 in income tax)
Appendix – useful hyperlinks

1. Hawksford  www.hawksford.com

2. Hawksford Singapore  www.guidemesingapore.com


4. Locate Jersey  www.locatejersey.com


5. Trust (Jersey) Law 1984  www.jerseylaw.je/laws/revised/Pages/13.875


8. Jersey Law search  www.jerseylaw.je/laws/Pages/Search

9. Jersey Tax Information Agreements  TIEA’s and Agreed TIEA’s
Questions

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