

Case study: Offshore tax planning to meet the circumstances of a wealthy family in the 21st Century

Background

- A wealthy, middle eastern patriarch wishes to create a family trust in Jersey to avoid succession laws in his country of residence, which would not be suitable for his family's circumstances
- His children are still young, and therefore in the event of his untimely death he would like his assets to be held in a confidential and secure offshore trust, which can shelter the assets from taxation and allow them to grow through prudent investment until the children are old enough to receive the benefits of the trust fund.

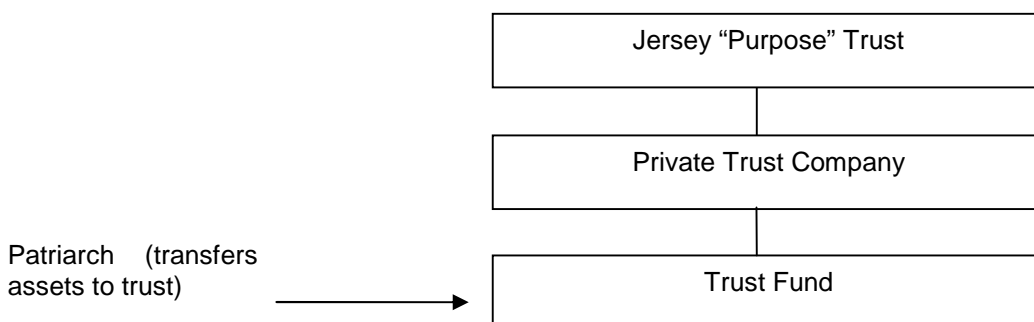
Problem

The patriarch is uncomfortable in transferring his assets to a trust over which he has no control.

Solution

A Jersey SPV is created to act as the corporate trustee of the family trust. This is a private trust company, which will not need to be licensed under the financial services legislation in Jersey, provided it does not offer professional trust services to the general public and is administered by a regulated entity.

The patriarch has indirect control of the private trust company via a Jersey "Purpose" Trust (see diagram) and may also arrange for family members and/or advisers to sit on the private trust company's board of directors.



Comment

- The private trust company is managed and controlled in Jersey on a day to day basis. If desired, the patriarch can attend quarterly board meetings in Jersey.
- The patriarch advises that for reasons of taxation in his home country, he cannot be the shareholder directly or indirectly of the private trust company. Accordingly a Jersey "purpose" trust is established. This is a trust which is established to achieve a non-charitable purpose, and not for the benefit of individual beneficiaries.
- The "purpose" of the trust is to enable the private trust company to provide trusteeship services to the specified family trusts.

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