

## The UK as a trust jurisdiction – a technical overview

It is perhaps not widely appreciated that UK trusts can function tax-efficiently as an “offshore” shelter for non-UK settlors. The use of UK professional trustees and UK trusts is becoming increasingly widespread and, in response to demand from our clients, Jordans has established its own UK professional corporate trustee – Jordan Trustees (UK) Limited.

### Jordan Trustees (UK) Limited

The Board of our UK corporate trustee comprises senior, UK-based management of Jordans Limited as well as two non-executive trust and tax lawyers, who are also resident in the UK.

Although the UK is, as yet, unregulated as a trust jurisdiction (in contrast to Jersey) our UK parent company has insisted that the stringent Regulatory standards governing our Jersey trustee, equally apply to the governance and operations of Jordan Trustees (UK) Limited. Advisors and their clients can therefore take comfort in the fact that the affairs of our UK corporate trustee are subject to the same level of competence and regulation as our Jersey corporate trustee.

### Taxation of UK trusts

Although the UK is ostensibly a high-tax jurisdiction, and not perceived as “offshore”, the territorial limits of UK taxation and certain statutory provisions designed to encourage international trust business to the UK means that a UK trust can function as an “offshore” trust for non-UK resident and domiciled settlors. In other words, the affairs and assets of a UK-based trust can be managed with complete exemption from UK taxation in appropriate circumstances.

### Non-UK resident and non-UK domiciled settlors: UK tax issues

**Capital Gains Tax:** provided that the settlor of a UK trust is non-UK resident and non-UK domiciled, then capital gains arising to a UK discretionary trust whose trustee has professional status – such as Jordan Trustees (UK) Limited – will be exempt from UK taxation.

**Income tax:** in relation to income arising to a UK discretionary trust, non-UK source income will likewise be exempt from UK taxation, provided that the UK trust has, in addition to a UK trustee, at least one other non-UK-resident co-trustee.

For this reason, where a UK trustee is required to hold title to assets which are income-producing, such a trust may well consist of our UK and Jersey professional corporate trustees acting together as co-trustees. By this simple arrangement, UK taxation at the rate for trusts (40% from 6 April 2004) is avoided on non-UK source income arising to the UK trustee.

There are also circumstances where a UK trust with a sole UK trustee can receive non-UK-source income free of UK tax at the rate for trusts. One example of this arises where there is an interest in possession beneficiary in relation to trust income.

**Inheritance tax:** A UK trust will not give rise to Inheritance Tax issues, provided that the settlor is non-UK domiciled and the assets held directly at trust level are not situated in the UK.

[www.jordans-international.com](http://www.jordans-international.com)

Jordans International Limited 21 St Thomas Street Bristol BS1 6JS United Kingdom  
T +44 (0)117 923 0600 F +44 (0)117 923 0063 E [info@jordans-international.com](mailto:info@jordans-international.com) DX 78161 Bristol  
Registered in England No. 6364800 Registered Office: As above VAT No. GB 137 4442 71

Bristol (UK) London (UK) Cardiff (UK) Edinburgh (UK) British Virgin Islands Channel Islands Cyprus Gibraltar Seychelles

## Possible uses of UK Trusts

UK trusts have such a wide variety of applications that it is impossible to categorise their every use but it is possible to identify some general areas of application:

- A UK trust is generally exempt from the penalties of blacklists and CFC-type legislation, which can adversely affect offshore companies and offshore trusts.

As a tax-efficient and prestigious “wrapper” for a wide variety of investment products offered by the leading investment banks

- Avoidance of probate procedures and fixed inheritance regimes outside the UK
- Accumulation of a tax-free gross fund for the benefit of non-UK resident and domiciled individuals and families
- UK and non-UK tax mitigation schemes
- Consolidation of assets
- Succession planning
- Protection of assets from illegitimate seizure and sequestration.

## Next steps

For further information, please contact [Martin Palmer](#) or [Jason Reader](#) (telephone +44 (0)117 918 1321 / 1387).

[www.jordans-international.com](http://www.jordans-international.com)

Jordans International Limited 21 St Thomas Street Bristol BS1 6JS United Kingdom  
T +44 (0)117 923 0600 F +44 (0)117 923 0063 E [info@jordans-international.com](mailto:info@jordans-international.com) DX 78161 Bristol  
Registered in England No. 6364800 Registered Office: As above VAT No. GB 137 4442 71

[Bristol \(UK\)](#) [London \(UK\)](#) [Cardiff \(UK\)](#) [Edinburgh \(UK\)](#) [British Virgin Islands](#) [Channel Islands](#) [Cyprus](#) [Gibraltar](#) [Seychelles](#)