



## Offshore Bond Trust Limited UK Residency

The Finance Act 2008 introduced new rules for the taxation treatment of those resident but non-domiciled in the UK. This arrangement allows funds, up to a certain level, to be remitted to the UK annually without tax charge provided that it is created and managed properly. It is a solution for those who will be resident but non-domiciled in the UK for less than 20 years.

### Strategy

An offshore trust is created and cash is settled. It is important that the cash settled does not contain unremitted foreign capital gains or foreign income which arose during a period in which the settlor was UK resident.

The funds are invested by the company in an offshore bond issued by an offshore insurance company. The gains within the bond are not taxed until the bond is encashed, or it matures, but the trustees can make an annual withdrawal from the bond of up to 5% of the amount originally invested. The withdrawal from the bond within this limit is treated as a partial encashment and is not deemed to be income or a chargeable gain for the purposes of UK taxation.

The trustees can then make distributions from the trust up to the same amount as the annual withdrawal from the bond and thus provide tax free funds in the UK.

When the settlor leaves the UK the bond can be allowed to mature or be encashed as soon as he is no longer deemed to be UK resident for tax purposes. The gain on encashment or maturity will not then be subject to UK taxes.

### Advantages

- Provides a tax free source of funds in the UK for resident non-domiciled individuals
- Funds are held in a safe offshore environment
- The investment growth remains offshore and is not subject to UK taxation until encashed
- Bond can be encashed or allowed to mature once the settlor has left the UK and is not resident for UK tax purposes
- Can avoid payment of £30,000 "remittance basis charge", if circumstances allow

### For further information contact

Ian Rouget on +44 (0) 1481 73120

[ian.rouget@ardeltrust.com](mailto:ian.rouget@ardeltrust.com)

### Ardel Trust Company (Guernsey) Limited

PO Box 175, Frances House, Sir William Place, St Peter Port, Guernsey, Channel Islands GY1 4HQ

T +44 (0) 1481 723573 F +44 (0) 1481 732121

The information contained within these notes is necessarily limited in scope and statements made are consequently general in effect. Although every effort has been made to ensure the accuracy of the information on the product sheet, Ardel Trust Company (Guernsey) Limited cannot accept responsibility for any loss suffered as a result of persons relying thereon. The company advises all clients to consult their own professional advisor on all legal, tax and fiscal matters as necessary. Regulated by the Guernsey Financial Services Commission in accordance with The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 as amended 2008. Company registration number: 5487.