

Business Update:

The use of Isle of Man companies, trusts and partnerships in real estate investment

The Isle of Man is able to offer an unrivalled package to tax and property advisors looking for the best option for their real estate clients.

The Isle of Man is increasingly becoming the jurisdiction of choice in relation to a wide variety of property investment structures, including property funds and property holding special purpose vehicles.

The main benefits of the Isle of Man

There is a variety of options for persons electing to locate their investment vehicles in the Isle of Man - an adviser or investor may choose the use of an Isle of Man company, trust or partnership to suit his/their needs.

The benefits of using an Isle of Man investment vehicle include:

- the similarity of the underlying principles of Isle of Man law with English law;
- a dynamic and flexible regulatory regime for the establishment and operation of open-ended and closed-ended property funds;
- no capital gains tax, withholdings on dividends, stamp duty (including on share transfers) or SDLT, and a standard 0% tax rate for companies;
- the availability of VAT registration on an expedited basis (usually within 5 working days) and the ability to VAT group with companies from other jurisdictions;
- knowledgeable and expert professional advisers able to service the needs of sophisticated investment entities and financial institutions;
- straightforward creditor friendly insolvency legislation offering creditors an easy, flexible enforcement process (via receivership);
- the Isle of Man's first class reputation as a well regulated, responsible and co-operative financial centre as well as the Island's double taxation agreements with various countries including the United Kingdom; and
- geographical proximity to the United Kingdom and being in the same time zone as London.

Isle of Man companies

A company incorporated in the Isle of Man under the Companies Act 2006 is well-suited for use as a special purpose vehicle investing or holding real estate. Amongst other advantages, a 2006 Act company allows for:

- a simple and quick incorporation process with no requirement for an Isle of Man resident director or member;
- a streamlined return of capital to investors, as the ability to declare and pay dividends/capital contributions is subject only to the meeting of a statutory solvency test;
- shares to be denominated in any currency, issued without pre-emption rights, par value or share premium with, and there is no need to specify an authorised share capital;
- an increased flexibility as no financial assistance prohibitions exist; and
- less prescriptive accounting and filing requirements, and no annual general meeting obligation.

Isle of Man trusts and partnerships

Isle of Man law concerning trusts, and both general and limited partnerships mirror that of England and shares its main characteristics with those widely existing in all common law jurisdictions.

The types of trusts able to be established in the Isle of Man and which are commonly used in real estate investment include discretionary trusts, bare trusts and unit trusts (including property unit trusts and "Baker" trusts).

From an Isle of Man tax perspective, where property held by a trustee for another person (who is absolutely entitled to that property), the person (and the trustee) will not be considered to be within the scope of Isle of Man tax in respect of that income.

An Isle of Man partnership may opt to have separate corporate identity and is tax transparent for Isle of Man tax purposes.

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Please note that this guide is intended to provide an introduction to the Isle of Man and the possibilities that exist for establishing various types of structure in the jurisdiction. It seeks only to give the reader an overall view of the subject and is not a substitute for specific advice.

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