

Supporting structures

Fiscal temperatures drop and bankers fly south for winter...

A number of recent developments have led to increased discussion regarding emigration from the UK. The developments include the bonus supertax and the imminent move to a 50% rate of income tax. In addition to the tax changes themselves, the manner of their introduction has given rise to concern about the changeability of the UK tax regime and the difficulties this leads to when planning, whether for individuals or businesses.

In this short note, we look at three possible options for individuals and businesses contemplating a move.

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IS THE UK THE BEST PLACE TO BE?

The tax changes brought in by the current government have made a number of employers and employees in the finance sector question whether the UK is the right place to be. Certainly London has many attractions (a massive financial services infrastructure, good schools, international airports and so on) but other places have these to a greater or lesser extent, combined with more attractive tax and regulatory regimes. There is also the cloud on the horizon of draconian fund regulation in Europe. A number of the City's highest flyers are non doms potentially making emigration easier, both financially and emotionally.

CAREY GROUP

Carey Group is an international administration business supporting individuals and businesses and the financial structures they use. Our multi-lingual teams have a high level of technical expertise located in a number of relevant jurisdictions.

We have considerable experience assisting international individuals and businesses. Recently this has been reflected in the growth of our QROPS work. QROPS are a means of transferring UK pensions outside the UK tax and regulatory regimes and they should be considered whenever someone emigrates from the UK. In addition to the direct benefits, the location of an individual's pension may have a bearing on his tax treatment more generally.

As well as coordinating the financial structuring for individuals and their businesses, we can assist with the practical side of a move, whether it be work permits, property searches or advice on schools.

SWITZERLAND

Personal tax regime: lump sum or "forfait" deals are possible for individuals in many cantons, but this substantially restricts the ability to work in Switzerland. (This is the famous deal for those retiring to Switzerland but it is not suitable for everyone, particularly those who wish to work). Normal income tax varies from between around 10% to a maximum of around 40% depending on the canton and other factors, such as marital status. Generally speaking there is no capital gains tax. There are wealth and gift taxes and again these vary from canton to canton.

Corporate tax regime: the principals behind a fund management business (hedge fund or other) can negotiate very attractive deals with the Swiss cantons on the taxation of management and performance fee income, especially the taxation of carried interest. The fund structure itself might not move to Switzerland but a Swiss advisory company could be established, with a cantonal tax ruling, and an attractive profit split agreed between the Swiss investment advisor and the non Swiss investment manager.

Fund management possibilities: the funds regime is evolving and as Switzerland is outside the EU it should, hopefully, remain unaffected by European regulation of, for example, hedge funds.

Other advantages: Switzerland's central European position and its international amenities (schools, airports, etc) means it is consistently rated a top quality of life location.

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MONACO

Personal tax regime: there is no income tax for non-French residents, no capital gains tax, no wealth tax and no inheritance tax between spouses and children. Generally therefore Monaco has a very benign tax environment for individuals, whether working or not. This is slightly offset by the property situation where scarcity means prices are high and most people choose to rent; property ownership is not required for residence status.

Corporate tax regime: the headline tax rate is 33.33% on profits but there is substantial relief for directors' remuneration and other costs. There is an attractive group headquarters regime which is available by negotiation and leads to a formal ruling. The new Monaco/Luxembourg DTA has also created some opportunities for structuring using Monaco companies.

Fund management possibilities: the legislation dates from 2007 and is modern and comprehensive but relatively light touch. A number of recent arrivals have been attracted by the helpful regulatory stance.

Other advantages: Monaco has good international schools both public and private and is probably one of the best lifestyle locations in the world.

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GUERNSEY

Personal tax regime: income tax is charged tax at 20%. There is no capital gains tax, inheritance tax, death duties, wealth tax, VAT or sales tax.

Corporate tax regime: in July 2006 Guernsey's parliament passed a set of economic and tax changes which came into force on 1 January 2008. The package included a zero rate of income tax on company profits except for those profits resulting from specific banking activities which are taxed at 10%.

Fund management possibilities: Guernsey has very modern fund legislation and regulation making it one of the jurisdictions of choice for a number of different fund types including private equity and property. There is also a wide range of vehicles available, including Protected Cell Companies and Incorporated Cell Companies, meaning great flexibility for those designing new funds.

Other advantages: located 75 miles from the English coast and just 30 miles off the French coast, with beautiful scenery, plentiful leisure and sporting activities, Guernsey offers an enviable work / life balance, whilst still remaining a leading player in world finance.

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