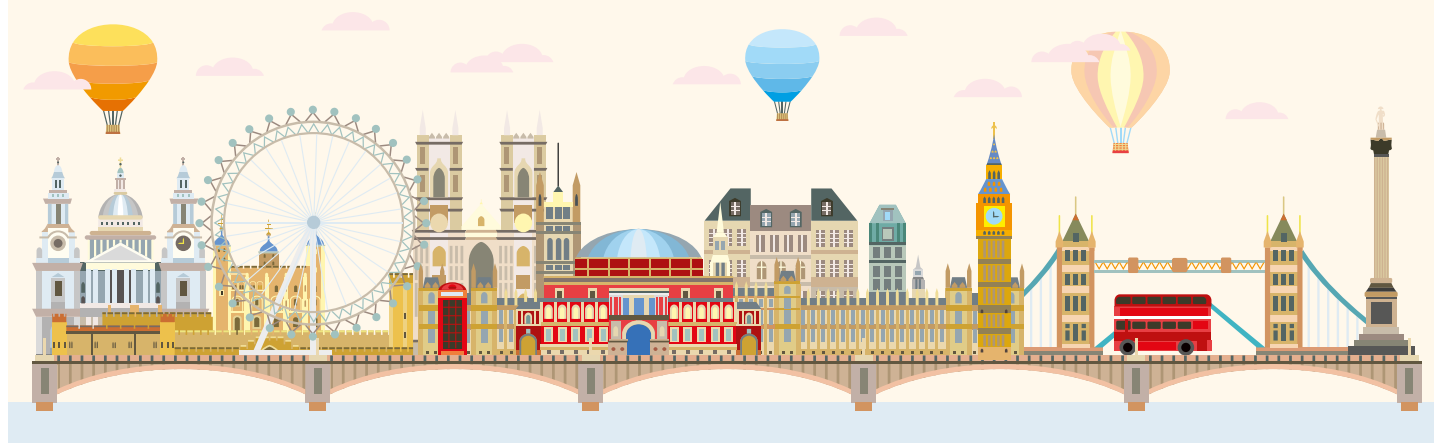


CAN ONSHORE BECOME THE NEW OFFSHORE?



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The UK has long existed as an attractive location for financial investment and is home to one of the financial capitals of the world - London. With its highly regarded legal framework, robust tax regime and its position in the centre of the world's time zones, it's easy to see why the UK holds such a prestigious place in the global financial services industry.

However, the UK has had to concede to a number of other jurisdictions, both onshore and offshore, in the availability of attractive products for both private client and fund/corporate investment. The offshore market in particular has positioned itself for many to be the historic location of choice for structuring. With attractive tax regimes, highly reputable financial products, and an abundance of expertise, "offshore" does offer some fantastic options for structuring wealth and investments.

What is the UK doing to improve its position?

In a post-Brexit world, the U.K. is making clear attempts to position itself in the market as a more attractive jurisdiction for structuring. A number of

legislative changes and products are under discussion and, in some cases, shortly coming into force which will allow the UK to compete more effectively. A few of these are highlighted as follows:



UK Funds Regime Review

The UK Government announced a wide-ranging review of the UK funds regime in 2020 and, since this time, has been consulting on various proposed initiatives which it hopes will increase the UK's attractiveness for setting up, managing, and administering fund structures. Whilst this is very much a moving target, a few of these initiatives are coming into place with effect from April 2022 which will substantially improve the UK's position in the global fund market.

One of particular interest is the introduction of the Qualifying Asset Holding Company ("QAHC") product. The QAHC has a number of attractive tax advantages and will seek to offer a genuine alternative to the asset holding vehicles in fund structures more traditionally found in the likes of Luxembourg and Ireland.



Double Taxation Treaties

The UK is already particularly attractive from this standpoint as it holds one of the world's largest networks of double taxation treaties. However, the UK government is not standing still. As part of the response to the review of the UK funds regime, it has confirmed that it is actively engaging in negotiations in relation to its various tax treaties, particularly with EU countries.



Re-Domiciliation

The UK Government is currently in the process of consulting on a proposal to introduce a corporate re-domiciliation regime into UK legislation. Currently, the process of changing a corporate vehicle to a UK base is complex, requiring the set-up of a new company and the sale of all assets which brings into play various tax and legal concerns. The prospect of a formal regime would be welcomed and could encourage the movement of various structures to the UK which have historically been tied to their origin jurisdiction.

The trend towards UK

In recent years, there has been a change in attitude towards using the UK for wealth structuring. Where in the past there may have been a real desire to avoid UK structuring options, there are now many ways the UK can offer attractive structuring opportunities.

Increasingly, both individuals and corporate institutions are basing their decisions on where to structure on a combination of factors; taxation now rarely being the key driver.

In some cases, the perceived reputational risk of being associated with offshore structuring can be a deciding factor as to why individuals and corporates are choosing to move their operations to the UK.

There is also an increased desire to be contributing to the UK public purse. The idea of being fully tax reported in the UK is attractive for some, (perhaps for reputational reasons as mentioned above), but also for the moral notion of contributing taxes towards public institutions such as the NHS which has been seen as a public bastion over the course of the 2020-2022 turbulence created by the pandemic.

Another trend we have seen is that for individuals in recent years, there is a real drive towards simplicity. The pandemic has truly shown people what is important and, for many, that is being close to family.

More people are deciding to stay in the UK and to pay UK tax than checking the calendar and ticking off days to ensure the security of a different tax residency.

Recent upheaval has brought with it new priorities including flexibility and the ability to live an easy life.

Finally, a key advantage of structuring in the UK is the ability to retain control. Fully managed and controlled UK structures are on the rise and having the main decision makers on the boards

of corporations, family investment companies or indeed acting as trustees to trusts is important. However, the underpinning principles of governance should not be forgotten. There is still an important place for fiduciaries and corporate service providers in the onshore market, even where control and decision making is retained by clients elsewhere.

Offshore and Onshore - The Hybrid Model

Even where there is a desire for UK structuring to maintain UK tax residence, we have seen that offshore services can still offer immense value. Privacy and anonymity is still a huge concern for many and the insertion of a Jersey company into a UK structure can provide the required protection of individuals' personal details, whilst maintaining a fully compliant and UK tax resident structure. This hybrid onshore/offshore model can also present advantages in terms of estate planning.

Conclusion

On the back of its exit from the EU, the UK is making huge steps forward to make itself a more attractive financial environment for structuring and there are an increasing number of trends towards the UK being the jurisdiction of choice for many individuals and corporates. If executed as planned, this raises the interesting prospect of the UK becoming a leader in the world of "offshore" structuring.

