

Because you can in the Isle of Man

By Ray Davies, Marketing Manager, Isle of Man Finance

A bold statement ... but the Isle of Man is perfect for the wealthy expatriate to consider as a prime location for relocating back to a European time zone. This is for both for life style or asset management purposes.

With more than 23 years of unbroken economic growth it has one of the strongest and fastest growing economies in Europe. The parliament, or "Tynwald" as it is known, has a legal requirement to budget for a surplus and this has allowed the Island to prosper through continued investment. A very useful financial discipline for any government!

Building on its burgeoning reputation as a top financial centre, in the early part of 2007 the Island's Government moved to boost the attractiveness of its financial services industry, by using its financial strength, introduced a new tax regime designed to attract entrepreneurs and high net-worth individuals. With simplicity in mind, it reduced its rate of corporate tax to zero percent in order to encourage the establishment of new businesses and then turned its attention to the issue of personal taxation. The Island, in addition to its generous pre-tax allowance; lower rate of 10%; upper rate of 18%, and generous personal allowances and reliefs, introduced a personal tax cap on the amount of tax payable per person per annum to a maximum of £100,000. This first mover advantage has left its competitors scrambling to follow suit despite protests to the contrary.

Anyone who lives here happily acknowledges the Island enjoys an excellent quality of life with a very low crime rate that its residents value highly and cherish. The Island is a wonderful place to live where traditional values are still important. But what are the advantages to locating personal wealth here?

When it comes to wealth management there are some specific needs to be met: a stable political environment; a proven legal system; an appropriate time zone; ease of access and movement around the world; international standards of regulation; access to the worlds' banking system; high quality professional advisers; and a wide range of suitable products and services. The Isle of Man can tick the boxes on all of these key requirements.

Bespoke products and services

The Island can provide a robust range of products and services with a familiar common law feel. For example, Trusts are an important tool for succession planning and can also play a valuable part in tax planning. Discretionary trusts are a traditional asset protection vehicle and offer good flexibility. Purpose trusts can have both private wealth management and commercial applications. As a private wealth management tool, they can be used to remove something from family ownership temporarily, permanently or conditionally. In commerce, they can hold off balance sheet items. The importance of trusts in wealth management is evident and requires a jurisdiction to have a robust and proven legal system.

Not to be forgotten is the importance of the provision of corporate entities that can be used for bona fide trading purposes or asset holding purposes. The Isle of Man has two types of company available. The first is referred to as the "1931 Company" that has the origins, as may be expected, in the 1931 Companies Act. There have been many revisions since but the title has endured. This structure is a more traditional structure that has a number of checks and balances between directors and shareholders and is sometimes preferred for trading purposes. But, the recently introduced 2006 Companies Act has given rise to a new breed of company that is more streamlined and has some similarities to the other popular international models. The key focus is on flexibility with greater discretion given to directors and a reduction in the administrative burden. This vehicle is ideally suited to asset holding purposes and is rapidly becoming the company of choice in Europe.

Of course, special purpose fund vehicles can be used to good effect and the focus on simple effective regulation has increased. Often the fund proposed is for restricted use and so a light regulatory touch is all that is required. Freedom from restriction on asset classes, trading strategies and leverage are all important when considering the establishment of funds. There should also be no prescriptive requirements regarding the composition of the board of directors of an exempt scheme and the corporate fund vehicle should also benefit from a tax neutral position. The zero rate of corporation tax in the Isle of Man is a perfect fit.

A safe, stable environment is a mandatory for any finance centre together with an excellent legal system and international standards of regulation. This must be combined with access to a range of class leading structures that can be utilised to preserve and manage wealth. The jurisdiction must also demonstrate that it is aware of and able to adapt to the ever-changing world of financial services - preserving its "edge" and giving certainty to the future. Again here the Isle of Man can tick all of the boxes with it ranking above many more established locations, such as the Channel Islands and Cayman, in the recent Global Financial Centres Index commissioned by the City of London.

The Isle of Man brand is "Freedom to Flourish" which truly reflects its entrepreneurial spirit. It is the central philosophy of the Government to provide a platform for its resident's upon which they have the freedom to grow, freedom to prosper and freedom to be who you want to be. Wasn't this how things are supposed to be but so rarely are? The Island is well positioned as an excellent choice for the expatriate either for repatriation or as a jurisdiction for professional management of assets and investments.

Why do people choose the Isle of Man? The answer is we pride ourselves on the flexibility we offer. Simply put: Because you can in the Isle of Man.