



**A Guide to Setting Up
and the Attractions of
Basing your Family Office
in the Isle of Man**

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INTRODUCTION

Over the past few years, more wealthy individuals and families have been setting up their own private Family Office or joining Multi-Family Offices.

The concept took off in the US, but is now firmly established in Europe where London, Monaco and Switzerland have been the more obvious centres for location.

As the number of wealthy families is on the increase, the trend to establish a Family Office is likely to continue as families aim to employ expertise in-house or pool resources between themselves and take advantage of having dedicated advisers and cost savings, rather than buying in investment, trustee and other services.

There are a number of criteria that a family should consider when selecting a particular jurisdiction including whether there is a benign tax regime, good local talent to hire, quality professional expertise – investment, legal, trust, tax – all available locally.

If the family are also considering whether to live in the jurisdiction, quality of life, privacy and safety are also very important.

For these reasons and more, many wealthy individuals and families have now discovered the Isle of Man is an attractive location for Family Offices and offers all of the above features in abundance.

FAMILY OFFICES & THEIR PROFESSIONAL SERVICING NEEDS

In its simplest form, a traditional Family Office is a private company that typically manages investments and trusts for a single family group. Such companies usually provide property management, day-to-day accounting and payroll activities, and management of legal affairs. Additional personal services might be provided, such as managing household staff and making travel arrangements. However, a Family Office may be much more than this and can be fully engaged in the strategic planning process and the use of structures for successive generations of family members and the preservation of wealth.

For the wealthiest of families the establishment of a dedicated Family Office arrangement is an obvious solution to the complex international wealth management problems that can arise. However, not every family can afford a stand alone arrangement and thus will need to consider the spectrum of other options that exist ranging from the Single Family Office to sharing the services of a Multi-Family Office, or simply continuing to buy in company, trust and investment expertise as before.

Family Offices are usually distinguished by not providing services to third parties. So while it is often desirable for the family to create a corporate entity for reasons of limited liability, asset protection and privacy, these entities do not hold the same inherent risks as those of commercial trading companies.

The Isle of Man can offer a range of solutions in particular for High Net Worth families having the ready ability to support the set up in the Island of a dedicated new Single Family Office with attendant staff, while also having an individual Tax Cap on income set at £100,000 for family members taking up residence.

The Isle of Man also has existing Multi-Family Offices who can work with new families, and licensed service providers who can offer a private trust company, or indeed simply supply and service a family's investment, corporate trust and other financial needs on a stand alone selective basis to an existing Family Office based overseas.

BENEFITS OF A FAMILY OFFICE

A Family Office can enable centralisation of management of both the family's private and business interests in one location, or it can facilitate the separation of private family affairs from the family's business interests, important in managing conflicts of interest that can occur such as between a shareholding family and the Chief Executive of the family's underlying business.

It can also help the family define their cultural values, such as when significance and reputation rather than net-worth become overriding factors. For larger families, especially those with new generations coming through, the office will administer family governance structures introduced to bring order and certainty into how the family conducts itself internally and with the outside world.

Ultimately, the office will enable the family to retain independence and control over its activities in a confidential environment, while providing a bespoke framework of trusted advisors who can deal with strategic planning and wealth management as required.

FAMILY OFFICE STRUCTURE

The kernel of the Family Office is often the Private Trust Company ("PTC"). This is usually an overarching holding company for the family's assets. The PTC can be easily and advantageously incorporated in the Isle of Man in that a genuine PTC does not need to be licensed as a regulated entity in the Isle of Man. Depending on family circumstances, it may make sense to hold the shares in the PTC through a trust.

Below the PTC, a number of holding companies and/or special purpose companies can be structured, depending on need and circumstances. Family trading businesses can be introduced; structures to own aircraft, yachts or property can feature, and the arrangement can also enter into joint ventures with other parties.

Importantly, the PTC will want to be based in a jurisdiction which has a high reputation for its standard of regulation and probity, but which does not regulate the PTC itself.

While the Isle of Man is acknowledged as being regulated to the highest international standards, importantly it does not impose regulation on a PTC where this is genuinely operated for family members and does not offer services to third parties by way of business.

THE BENEFITS OF THE ISLE OF MAN FOR FAMILY OFFICES

The Isle of Man has increasingly become favoured over traditional alternatives for Family Office establishment and in summary, boasts the following list of attractions:

- Political Stability (oldest continuous parliament in the world).
- Economic Strength – AAA Sovereign Rating from Standard & Poor's and Moody's.
- Excellent business and regulatory reputation – endorsed by IMF and FATF.
- A benign tax regime for companies.
- Low personal taxes.
- Wide range of financial and professional service providers, including investment and fund management professionals, plus over 200 licensed trust and corporate service providers.
- Convenient location with extensive air links to the UK and Ireland.
- A comprehensive range of investment, corporate and trust vehicles – flexibility.
- Competitive salary and office costs.
- Ease of establishment and residence for family members and staff.
- English speaking and central time zone.
- Part of the EU customs union for VAT purposes.
- Grant and loan incentives for business establishment.
- Quality of life.
- Welcoming Government.

These features and attractions of the Isle of Man are further detailed below:

1. Political Stability

The Isle of Man is a self-governing Crown Dependency which is not part of the UK or EU but has a special relationship with both. Its Parliament – Tynwald has over 1000 years of continuous existence and it has full autonomy in legislating for its internal affairs and tax matters.

2. Economic Strengths

The Isle of Man has for several years held a AAA rating from Standards & Poors and Moody's reflecting its economic strength and transparency and this has been both periodically and recently renewed. The Isle of Man Government has amassed reserves of over £1bn and balances its budget annually by statute. The Island has enjoyed over 25 years of continuous economic growth posting an average real term growth of over 7% in recent years.

3. Business And Regulatory Reputation

The Isle of Man is an International Finance Centre and has a strong reputation as a professional service-orientated business centre which is regulated to international standards. These standards have been endorsed by scrutiny from external bodies such as the IMF, FATF, while the Isle of Man has also attracted many industry awards and accolades over the years recognising its significance and achievements as a successful business and financial centre.

4. Low Taxation

a) Company Taxation

The Isle of Man is a benign tax jurisdiction having introduced a zero tax rate for all companies (except banks and companies dealing in local land transactions) in 2006.

b) Personal Taxation

The Isle of Man operates a low personal tax regime including generous personal allowances, a 10% tax band and a maximum rate of 18%. For High Net Worth individuals living in, or moving to, the Island, there is a maximum tax on residents i.e. 'tax cap' which is £100,000, on all of an individual's income from whatever source.

There are no capital taxes, inheritance or other wealth taxes in the Isle of Man.

5. Infrastructure and Service Providers

Being an established International Financial Centre, the Isle of Man offers a full range of banking, legal, accounting, taxation and other professional services. In addition, the Island has a modern infrastructure with cutting edge communication and e-business services.

6. Convenient Location

Geographically part of the British Isles, and located centrally between England, Ireland, Scotland and Wales, the Isle of Man is convenient to reach from the UK, Ireland and Europe and is a one hour flight away from several airports in London. The Island is connected by several airlines to over 15 destinations and there are some 100 scheduled flight movements per day through its airport, as well as fast craft ferry services. The airport also has appropriate facilities and is geared for the increasing number of private and business jets commuting to and from the Island.

7. Company and Trust Vehicles

The Isle of Man is a natural common law jurisdiction for trusts making its trust law readily comparable with England, though importantly income can be accumulated throughout the perpetuity period (150 years) and the Island has provisions that enable 'purpose trusts' and can address foreign forced heirship issues.

The Isle of Man offers a choice of company vehicles under the 1931 – 2006 Companies Acts, the 2006 Companies Act and also has LLCs, partnership and limited partnerships. This flexibility of choice ensures that the right vehicle can be found whether for private asset holding, trading or public company and listing use.

In addition, the Island offers a full range of investment, private charity and pensions vehicles and services to cater for the needs of internationally mobile individuals and their families.

8. Flexibility of Investment Services and Vehicles

The Isle of Man boasts a wide range of investment services and expertise covering traditional stockbroking through administration and management of private equity and hedge funds on an international basis.

Importantly, the Island also has a range of regulatory solutions eg the 'Exempt International Fund' which enable, for example, the structuring of simple 'family and friend funds' where in the case of no public offer and the number of investors is limited to under 50, exemption from regulation of the fund may be desired. A wide range of classes of other attractive vehicles also exists according to whether the fund is to be listed or offered publicly.

9. Competitive Costs

The Isle of Man is a large Island at 227 square miles with a population of just 80,000. This space and the low population density has enabled growth of business and migration of labour into the Island in a balance that has ensured property and labour costs remain competitive.

This is important for Family Offices in terms of staffing, office rental / property ownership, or simply when buying in services, ensuring excellent value for money.

10. Ease of Establishment and Residence

The Isle of Man is part of the British Isles and common travel area and British Citizens may freely reside in the Island.

The Isle of Man does, however, control employment in the Island and with a few exceptions, work permits are required to work in the Isle of Man, but which are operated on a simple system with rapid turnaround. The Isle of Man Government has recognised that migration to the Island is an essential component of fulfilling the growing demand for various skills over the years and the Isle of Man features a cosmopolitan mix of labour from all parts of the globe, while also providing a high calibre of school leavers and graduates from its indigenous population.

11. English Speaking and Central Time Zone

The principle language in the Isle of Man is English, but the fact that there are many businesses operating internationally means that there are many multi-lingual people based in the Island and foreign languages are taught throughout the schools. The convenience of the Isle of Man Central Time Zone has also been recognised by those needing contact with the USA and Asia on a daily basis.

12. Part of The EU Customs and VAT Union

By virtue of Protocol 3 and an Agreement with the UK, the Isle of Man levies broadly the same customs and VAT charges as the UK. The principal advantage is that businesses operating cross-border can invoice as if they were operating anywhere in the EU and recover VAT inputs in the same way. This may be an important factor in the operation of a family business.

13. Incentives for Business Establishment

Where an individual or family may also wish to consider establishing a business or relocating an existing one to the Isle of Man, then incentives in the form of grants or loans may be available from the Isle of Man Government, particularly where the export of goods or services are involved. The Isle of Man has a strong entrepreneurial culture which encourages success.

14. Quality of Life

The Isle of Man offers an enviable quality of life as anyone who has visited can readily appreciate. The Isle of Man is a beautiful place to live and work and is large enough to have a variety of scenery contrasting both rugged and sandy coasts with unspoilt mountain and valley terrain.

Importantly for those who choose to make the Island their home it has enough space, choice of town or country location and a level of amenities and activities to satisfy the most discerning.

Since the introduction of the Tax Cap for HNW individuals in 2006, an increasing number of wealthy individuals, families and their businesses have been attracted to the Island as a place to live and base their residence. A survey of residents by MORI in recent years highlighted that the Isle of Man had a 'satisfaction level' as high as the top rated county in England and higher than the Channel Isles. The Isle of Man Government has also introduced the 'Freedom To Flourish' country brand strategy in recent years which encapsulates the belief that the Isle of Man offers the freedom for individuals, families and businesses the opportunity to realise their full potential in whatever they do. This culture has also been introduced into the education curriculum and the Island has an enviable performance record due to the quality of teaching and standards maintained in both its private and public schools.

WHAT FAMILY OFFICES ARE ALREADY IN THE ISLE OF MAN?

There are many international families who have already chosen to establish Family Offices in the Isle of Man and in some cases live and conduct their international business base from the Isle of Man.

Some examples of these are:

Oppenheimer Family Office

The Louis Group

The Boston Group (Multi – Family Office)

Lorne House

WHAT IS UNIQUE ABOUT THE ISLE OF MAN

The Isle of Man is unique in offering the 'complete package' enabling the choice of a Family Office to be established as a dedicated or third party managed basis, for family members to potentially live and work in the Island, to benefit from a low tax, business-friendly Island and where entrepreneurs are both welcomed and encouraged by its Government to found a new or relocate an existing business.

THE NEXT STEP

Isle of Man Finance is the arm of the Isle of Man Government that can assist you with all aspects of considering a Family Office, business or wealth management in the Isle of Man.

There are a range of brochures available covering living in the Isle of Man, setting up business or personal investment in the Island available from the offices of Isle of Man Finance and our website at www.isleofmanfinance.gov.im and one of our Business Development Managers – Steven Beevers or Nick Boon, can assist you with information, practical help and any introductions required to fulfil your professional services needs. Why not contact us to discuss your needs or arrange a visit?

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