

The Isle of Man - a destination of choice.

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The Isle of Man prides itself as the jurisdiction of choice for many ultra high net-worth entrepreneurs. So why do so many business people relocate their personal wealth and businesses to this green Isle? We decided to take a closer look at the Island's clear tax advantages and its surprisingly high quality of life.

The Isle of Man has developed an enviable reputation as a well respected international financial services centre and provides a compelling proposition for ultra high net-worth individuals through its innovative approach to personal and corporate taxation.

Income Tax

The Island is an increasingly important location for high net-worth individuals as it has no capital gains or inheritance tax and has no intention of introducing them. The Island also has a particularly generous set of personal tax allowances and reliefs, for example; the highest rate of tax, just 18%, kicks in at an overall income level of £19,170 (in the absence of other reliefs) and is capped at £100,000 per individual per year. That means that if you earn more than £570,000 your maximum tax liability is £100,000 compared to the UK, where someone earning that level would already pay around £220,000 in tax and then 40% on every further pound.

Husbands and wives have the option of being jointly taxed to make maximum use of their allowances, which can be amalgamated.

Additionally, the Assessor of Taxes allows for locally paid mortgage and loan interest to be claimed as a tax deduction without limit at the individual's highest rate of tax.

In comparison to the UK, the Manx tax burden is far lower. Assume that you are a married couple and that one of you only earns £100,000 per year. Your tax bill in the UK will be £31,903 but only £13,199 in the Isle of Man.

The Isle of Man is therefore far more conducive to retaining personal wealth!

Wealth Management Capability

The Island also makes an attractive destination for ultra high net-worth entrepreneurs who may wish to operate a business on the Island. Most business people would concur that the important word in the international business lexicon is 'certainty' – the ability, as far as is possible, to be confident in forward planning. The Government has sought to provide certainty by introducing a new corporate tax strategy. From April 2006 companies are subject in almost all cases to a standard tax rate of 0% on their profits. (Banks will pay 10% tax on their banking income, with other forms of income being subject to the standard 0% rate. Companies with income from Manx land and property also pay a 10% rate of tax.)

The Isle of Man has also gained a strong and growing specialist service provision in private wealth management, and offers specialist cross-border banking through its highly skilled local experts, together with a full service for Corporate; Institutional; Private and Expatriate banking. This means that the Island can offer the private investor a full range of products and services to ensure that their wealth is either protected or grown through modern investment techniques.

International Pensions

The Island operates from a tax neutral platform in a well regulated environment for international pensions (for both individuals and corporations resident in any jurisdiction outside the Island). This provides an opportunity to provide tax efficient planning for selected individuals from the UK and elsewhere who are employed by companies with interests around the world.

International Corporate Pensions are designed to ensure that members' benefits are adequately secured and properly administered by qualified individuals with the additional emphasis on scheme flexibility. Such pension schemes are available for individuals who wish to establish their own pension in a well regulated and secure environment, and the Island is now proving to be the jurisdiction of choice for establishing these.

The Island's domestic pensions arrangements offer greater flexibility, especially in the areas of investment and annuities, than some of the established UK pension schemes. Under special arrangements between the UK and the Isle of Man, UK pension's schemes can be moved to the Island to take advantage of these more flexible terms when relocating to the Isle of Man as long as they are not already in payment.

Corporate and Professional Structures

The Isle of Man is home to over 180 licensed Corporate and Trust Service Providers (CSPs) who provide specialised services to clients – these include accountancy, legal and tax services, corporate and fiduciary services, and trust and company administration. The Corporate and Trust Services sector, represented by the Association of Corporate Service Providers, is a prime feeder of business to other financial services sectors on the Island, and has a key role in servicing the wealth management markets with company and trust products. The legal system in the Island is similar to the UK's making it easy to obtain professional advice. This is a great advantage as it ensures a swift response to changing personal circumstances.

Demand for the services of the Corporate Service Providers has increased due to recent growth in the number of wealthy individuals around the world. Additionally the Island has created a niche for itself as an attractive jurisdiction for businesses seeking admission to the AIM market using Isle of Man corporate vehicles.

The Isle of Man truly offers a comprehensive and modern range of corporate and professional structures for both private client and business planning.

Opportunities for local entrepreneurial activities/investment

With the introduction of the zero rate corporate income tax in April 2006 the Island has enhanced its attractiveness for establishing structures for international tax and estate planning and this has been improved by a new 'best of breed' business company law introduced in November 2006.

The new Company Act 2006 marks the introduction of a modern corporate entity designed to help the wealthy effectively manage their asset base. In effect, it streamlines the whole process of setting up and managing wealth, complementing the Island's new zero tax regime.

International Regulatory Standards

Over the past 30 years, the Island has built a reputation for being a premier jurisdiction, achieving a balance of providing a business friendly environment whilst meeting international standards of regulation and financial supervision.

The IMF has given the jurisdiction a "clean bill of health," and the Island has they have also received a positive assessment by the Financial Stability Forum identifying the Island as a 'category 1' jurisdiction, together with confirmation by the FATF that the Island is regarded as cooperative jurisdiction.

The Isle of Man also takes investor protection very seriously and offers a comprehensive range of depositor and investor protection schemes together with its own Financial Services Ombudsman.

Client confidentiality is an issue of growing importance for the private client that the Isle of Man takes very seriously. Requests for information on client's financial affairs will not be considered unless accompanied by and endorsement for such requests from the Isle of Man courts.

Structuring Clients Wealth

Entities such as trusts and companies managed by Corporate and Trust Service Providers based on the Island benefit from its tax neutral platform and can therefore be used as an integral part of any international tax planning strategy. For example, a UK resident, non domiciled, individual owning (say) commercial property in England; can keep the value of the property outside the scope of UK inheritance tax by utilising an appropriate Isle of Man corporate structure. Very often any profit arising on sale of the property can be made entirely free of UK tax.

An effective form of international tax planning is to re-locate yourself and your investments to the Island to take advantage of the combined 0% company tax rate and £100,000 personal tax liability cap. This can simplify tax planning and reduce the costs involved in complex structures.

International Acclaim

The Island has maintained its reputation as a leading international financial centre offering world class financial products and services. For the sixth year running it was awarded 'Best International Financial Services Centre' at the annual International Investment Awards in London in May 2006.

When choosing the best centre, the judges said they were looking to reward a proactive, forward-thinking approach to regulation and legislation commenting, 'Over the past twelve months the Isle of Man has once again shown itself to be at the forefront of international financial services'. They highlighted the Island's 'progressive policy on tax reform and innovative fund legislation...'

Diversification

The Island has a diverse economy. Film making, satellite commerce and other technology driven industries are thriving alongside the more traditional ones. Innovation remains the watchword with both Government and industry continuously seeking out new markets and other sectors which have contributed to the Isle of Man's more recent economic success. These include its ship management industry, which is now ranked number one in the world.

The number of multi-million pound super-yachts sailing under the Isle of Man flag is also on the rise. There are now 46 commercial yachts registered in the Island and 28 more in the process of transferring to the register. Providing services to wealthy owners of these luxury craft has become another key growth area for the Island.

The Island has also launched a private aircraft register that uses the letter "M" for its registrations. Whilst maintaining very high standards it provides a neutral registration for travelling to sensitive areas. It also offers the opportunity of creating a personalised registration for your aircraft that can be transferred as your plane is upgraded!

Lifestyle

As well as its natural attributes of stunning scenery, the Isle of Man boasts state-of-the-art telecommunications infrastructure and modern public services. It is a very attractive location in which to both work and live, especially for an attractive location for people with young families where quality of life is high and crime rates are low. The Island's location, climate and landscapes are perfect for outdoor pursuits including sailing, windsurfing, diving, motor-sports, walking, cycling, climbing and abseiling. It is the Islands' high quality of life and unspoilt beauty that is often considered so surprising and appealing. Being only one hour from London by air it offers the perfect work-life balance.

Future Outlook

So if you are looking for a modern jurisdiction with a business-friendly government, have security for your business and investments and a superb quality of life, you can in the Isle of Man.