

## Excluded Property Trusts

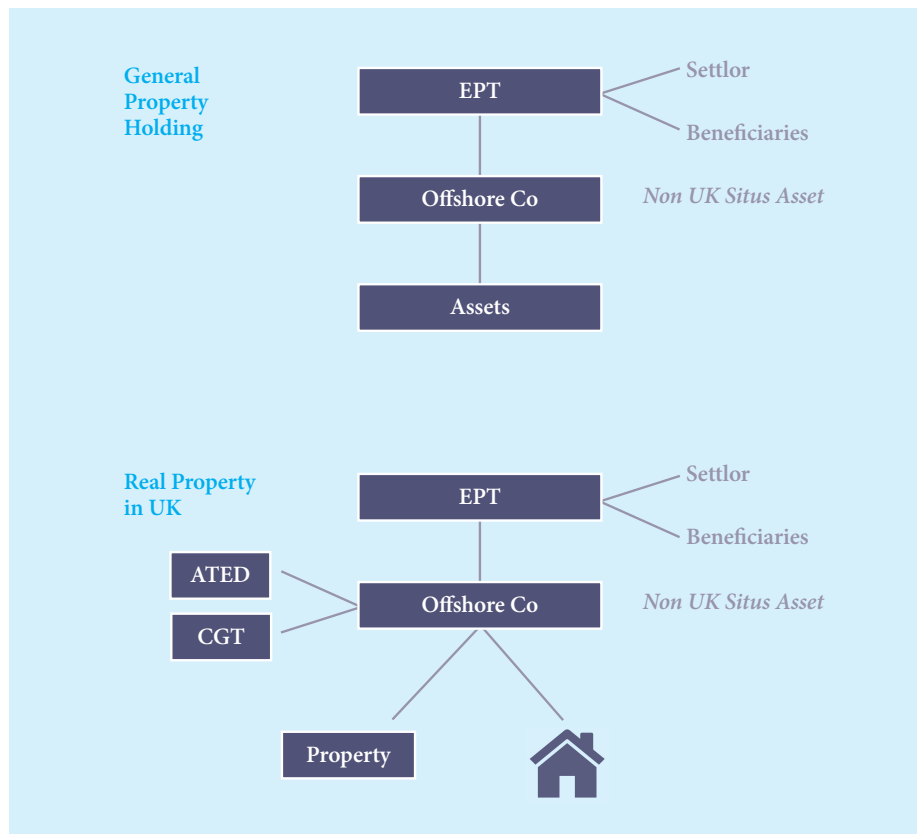
### At a glance

- UK property ownership
- Avoidance of UK Inheritance Tax (40%)
- Succession Planning
- Settlor Reserved Benefit
- Asset Protection
- Anti-Forced-Heirship

The Excluded Property Trust (EPT) is a popular mechanism employed for the mitigation of UK Inheritance Tax (IHT) by UK Resident but Non-Domiciled persons (RNDs).

A person who is not UK domiciled and not deemed domiciled in the UK (regardless of where he is resident) is only subject to UK inheritance tax on his assets situated in the UK. UK assets held in a non-UK structure are not subject to IHT. Therefore non-UK assets settled into an offshore trust set up by a non-UK domiciled individual (at the time of settlement) are known as 'excluded property'. Non-UK nationals migrating to the UK would invariably be regarded as RNDs for the purposes of IHT and would therefore enjoy the opportunity of sheltering their non-UK situs assets from the scope of IHT. Clearly significant protection could be achieved in this way.

Even if the Settlor should acquire UK domicile, or be deemed domiciled in the UK, the trust assets still maintain their status as excluded property and remain outside the charge to IHT. This rule also applies, regardless of the domicile of the beneficiaries, meaning that while the trust assets remain in the trust they are not included within the estate of a potential UK-domiciled beneficiary, as they would be if gifted or bequeathed outright.





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Excluded property is also outside the IHT regime for periodic and exit charges, accordingly it is usual to use a discretionary EPT to allow maximum flexibility. Crucially, the Settlor is always defined as a potential beneficiary, meaning they can benefit from the whole trust at any time during their life. The RND will only pay UK tax on income or gains which are brought into the UK, this is known as the 'remittance basis'.

As the property is held by a trust there is also potentially the added benefit of avoiding forced heirship provisions in the Settlor's country of domicile, although it should be noted that the applicability of forced-heirship legislation will be a matter for local advice.

Newhaven Trust does not give advice, as it concentrates its expertise on the formation and administration of trusts and companies. It does however enjoy excellent and close working relationships with a suite of professional advisors in the fields of immigration planning, tax advice and investment management.



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### Contact

Newhaven has set up many EPTs for individuals migrating to the UK from many parts of the globe. For further information on an EPT or any other fiduciary structures, please contact your usual client service associate or:

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