

MILESTONE

ASSET PROTECTION USING HONG KONG GUARANTEE COMPANY

Issue

- Individual wishes to protect assets from erosion by unanticipated life-changing events (e.g. divorce, litigation, bankruptcy).

Solution

- Individual sells assets (shares, real estate and chattels) to a Guarantee Company (e.g. in return for loan note issued by Guarantee Company).
- Guarantee Company is incorporated in Hong Kong and is neither owned nor controlled by individual – it having no share capital.
- Directors of Guarantee Company have discretion to make distributions to the Individual or his family, assuming they are appointed Guarantee Members.
- Directors are trusted, regulated professionals.

Benefits

- Assets transferred to the Guarantee Company may be ring-fenced from the Individual's other assets.
- Profits and gains accruing to the Guarantee Company may not be taxable in the hands of the Individual.

Capital Gains Tax Consequences

- Additional planning is available to mitigate the CGT cost of transferring assets to the Guarantee Company.

Transfer taxes

- Additional planning is available to mitigate stamp duty and other transfer taxes on transfer of assets to the Guarantee Company.

Inheritance taxes

- No inheritance tax (or estate tax) consequences of transfer of assets to the Guarantee Company as market value sale basis used.

Please note that this note does not constitute tax advice and cannot be relied upon as such. No responsibility can be accepted by Milestone for action taken as a result of information provided or opinions expressed in this note. Readers are strongly recommended to take advice on their particular situations.

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