MILESTONE

Milestone Spring/Summer 2013 Collection (Part 1)

Over the next month we will be summarizing a collection of the most interesting cases that we, as a practice, have been working on over the past 12 months. The aim is to illustrate the breadth of work that Milestone advises on and to spark your imagination. If anything strikes a chord, please feel free to get in touch.

Russian family office investments & Sweden

We acted for the family office of a Russian oligarch to propose options for restructuring of various Russian investments held by Cypriot companies. We considered a number of alternatives, including the UK, but concluded Sweden was the best jurisdiction for Russian inbound investments. It has a stable economy, good treaty network and favourable participation exemption – the key features of which are:

- capital gains tax exemption (12 month holding period for quoted shares, no holding period otherwise);
- dividends exempt from taxation (as above);
- no withholding tax on interest; and
- no withholding tax on dividends (conditions apply).

It also has an interesting private family foundation law that is a viable alternative to the more traditional civil law jurisdictions.

For more information please contact Sally Brown

French & Spanish Clients : A "Turn-key" UK service

With French tax rates soaring and Spain looking decidedly shaky both countries' Governments are proving very unpopular with entrepreneurs and HNWIs. In many instances becoming non-resident is the only viable option and, in this regard, we have acted for a number of businessmen and their families relocating to the UK. In addition to restructuring ownership of their domestic business interests (using UK holding companies inserted by way of a share for share exchange), we have provided a turn-key service helping our clients with the following:

- finding homes;
- locating and securing office accommodation;
- introduction to schools; and
- opening bank accounts.

For more information please contact Miles Dean

Debt Funding UK Investments using Deep Discounted Securities & Eurobonds

Inbound investment into the UK has been on the increase and, not unusually, we have been asked to advise on how best to structure the debt elements. The main concerns are transfer pricing (debt:equity ratio and rates of interest) and withholding tax. Absent a treaty to mitigate the 20% withholding tax at source, specialty debts were the traditional solution. However, this is no longer viable due to a forthcoming change in law. The Eurobond exemption can still be used, but we are not confident as to the longevity of these arrangements as they are certainly under HMRC's spotlight. Deep discounted securities (with careful drafting) continue to be a very effective and, dare we say it, beautifully simple solution!

For more information please contact [Conor Delaney]

Private Trust Company Structure

We have seen a rise in clients wishing to take a more active role in the management of trust arrangements. Readers will know that the *quid pro quo* of any tax structure is the relinquishing of control and any steps taken to water down the influence of offshore directors / trustees must only be taken after serious consideration.

Whilst most offshore jurisdictions have introduced reserved powers or settlor-directed trust legislation to address the issue of control, in our view, such arrangements risk bringing invalidity and sham into the equation.

An alternative and one we have recommended recently, is the establishment of a Private Trust Company (**PTC**). Our client and representatives of the family sat on the board of a company (together with the existing trustees who formed the majority) specifically established to act as a trustee in respect of various family trusts. Such arrangements are not the norm and their application will depend on a number of factors, not least of which is where the main individuals are resident for tax purposes.

For more information please contact [Andrew Murray]

UK Inheritance Tax Planning (Section 239 Trusts)

Inheritance tax (**IHT**) is a tax that, on the face of it, appears benign (i.e. there are various exemptions and reliefs such as Business Property Relief, spouse exemption etc). However, for passive investments, including property investment companies, IHT can be a very significant tax cost.

Notwithstanding the attack on Employee Benefit Trust (**EBT**) arrangements over the past 24 months, a plain vanilla EBT remains a useful vehicle in certain circumstances. One such use is for shares in non-BPR companies to be transferred to an EBT on a no-gain no-loss basis with full IHT protection on the transfer in and on death. Again, this planning is not a panacea and is fact specific, but nonetheless low risk and effective.

For more information please contact [Tony Hennessy]