

**Script for**

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**Tax planning & international wealth management with UK trusts  
and companies**

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# Tax planning & international wealth management with UK trust and companies

## 1. Why consider using UK trusts and UK underlying companies for tax planning & international wealth management versus standard offshore centres such as BVI, Guernsey, etc.

Four reasons

- i. Applies narrow definition of beneficiaries on companies using Person of Significant Control vs FATF beneficial owner standard.
  - In cases of UK companies owned by trusts the PSC is the trustee and not the settlor / beneficiaries (unless they have significant control, easy to avoid)
- ii. Non-UK trusts and UK non-resident trusts do not register with the TRS (UK trust do register) nor register for tax with HMRC (unless rare conditions)
- iii. If the underlying company owns its investments through another layer, eg., PPLI, then the UK company can legally file a dormant filing, not requiring accounts or audits
- iv. If the UK non-resident trust is a Custodial Institution in a CRS non participating jurisdiction and UK underlying company is an Investment Entity, then there is legitimately no CRS reporting.



## 2. What are “UK trusts”

- i. Trusts shall be governed by the law chosen by the settlor
- ii. The jurisdiction choice must be expressed in the terms of the writing, evidencing the trust.
- iii. A UK trust is where the chosen governing or proper law is the UK
- iv. For example, a trust with UK settlors and/or UK beneficiaries and/or UK trustees is only a UK trust if the settlor chooses the governing law to be UK.
- v. If no selection, then nexus will decide the proper law.

## 3. What are “UK non-resident” trusts

This distinction is important for registration purposes with TRS/HMRC

A “UK non-resident” trust is a variation of a UK trust where:

- i. None of the trustees are tax resident in the UK, **or**
- ii. At least one of the trustees are residents in the UK, **and** the settlor of the trust was one of the following when the trust was set up **or** funds added:
  - not resident or normally resident in the UK, or
  - not domiciled or deemed domicile in the UK (obsolete April 2025)
- iii. Note that a UK trust can be a “UK non-resident” even with some UK resident trustees but with all beneficiaries being UK non-resident

## 4. What are “non-UK trusts”

- i. A “non-UK trust” is a trust where the settlor has chosen the governing law of the trust to be any jurisdiction besides the UK
- ii. It does not matter where the trustees, settlor or beneficiaries are tax resident
- iii. Must be a jurisdiction which recognizes trusts.
- iv. Need be one of the 14 signatories to the Hague convention of trusts (Canada except Quebec, Italy, NL European territory only, San Marino...)

<https://www.gov.uk/guidance/non-resident-trusts>

## 5. Why choose England / Wales as jurisdiction law of trusts and companies

- i. England/Wales are a prestigious onshore jurisdiction
- ii. Banks are reluctant to maintain offshore entity accounts
- iii. Banks are closing tax haven accounts, even prior oft-used territories such as BVI entities
- iv. Tax identity Number, unlike common tax havens
- v. UK is considered just and fair in the interpretation and enforcement of trusts.
- vi. No wealth tax



### 6. What is the difference between UK's Person of Significant Control (PSC) vs Beneficial Ownership (FATF) used almost everywhere else

- i. The narrower definition of "control" vs broader range of FATF defined beneficial owner, provides a higher level of confidentiality and asset protection
- ii. UK uses FATF's definition of Beneficial Owner for trusts, but inexplicably uses the UK's narrower definition of PSC for companies
- iii. For trusts registered on the TRS the beneficial owner (FATF) is trustee, settlor, beneficiaries and protector.
- iv. For companies owned by trusts (UK PSC)
  - o The PSC is the trustee
  - o The settlor is a PSC of companies owned by trusts **only** if trust is revocable or settlor can replace trustee or can instruct trustee
  - o Protector if can replace trustee.
  - o Beneficiary only if mandatory distribution of more than 25% income

### 7. Do "UK non-resident and non-UK trusts" register with Trust Registration Service (TRS)

- i. The TRS was introduced in by the UK government in 2017 with the aim of preventing the misuse of trusts for illegal purposes
- ii. TRS is broader than the PSC and registers:
  - o Settlers, trustees, beneficiaries, protectors, and
  - o Assets held, such as money, buildings and land, company shares, partnerships, yachts, cars, jewellery, art, etc.

#### UK non-resident and non-UK trusts register with the TRS only if:

- i. The trust acquires, directly or indirectly, UK land & buildings
  - o unless it's a co-ownership express trust<sup>1</sup> **or**
- ii. It is liable for taxes<sup>2</sup> relating to UK assets or UK-sourced income, **or**
- iii. At least one trustee is UK resident, **and** the trust enters a relationship<sup>3</sup> with any of 15 UK relevant persons<sup>4</sup>

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<sup>1</sup> Money Laundering and Terrorist Financing 2020 Part II Beneficial Ownership.

<sup>2</sup> Income, capital gains, inheritance, stamp duty reserve tax, stamp duty land tax

<sup>3</sup> Business, professional, or commercial relationship

<sup>4</sup> Financial Institutions, Credit institutions, Auditors, Insolvency Practitioners, External Accountants, Tax Advisers, Legal Professionals, Trust or Company Service Providers, Estate Agents, High Value Dealers, Casinos, Art Market Participants, Cryptoasset Exchange Providers, Custodian Wallet Providers



## 8. What are the reasons for using a UK-non-resident trust

### Primarily confidentiality

- i. No UK person is required to be involved in forming or maintaining a UK trust
- ii. Non-UK residents can be trustees of UK trusts
- iii. Trustees need not be licensed
- iv. The UK Trust Deed need not be drafted by UK persons, UK lawyers, UK notaries, or UK corporate Service Provider.
- v. No UK representative agent needed.
- vi. The UK Deed of Trust need not be witnessed in the UK

## 9. What is dormant filing for UK companies

A dormant filing for UK companies can be submitted when the company has had no significant accounting transactions during the financial year. This means the company has not been actively trading, and there have been no income or expenses, other than those allowed for a dormant company. Key Points for Dormant Filing:

- i. No Significant Transactions:
  - o The company should not have had any significant accounting transactions during the financial year. Permitted transactions for a dormant company include:
    - o Filing fees paid to Companies House
    - o Penalties for late filing of accounts.
    - o Payments for shares issued by the company.
    - o **Dormant Company Accounts** (simplified accounts):
      - i. If the company is eligible, it can file dormant company accounts with Companies House. These are **simplified accounts** that include:
        - ii. A balance sheet showing the company's financial position at the end of the financial year.
        - iii. Any notes relevant to the accounts.
        - iv. A statement confirming that the company was dormant throughout the financial year.
- ii. Eligibility for Audit Exemption

## 10. How can you structure the UK company to have no significant accounting transactions to legally submit a dormant filing

- i. UK company holds a tax efficient structure where the transactions occur
  - PPLI
  - Dutch FGR fund



## 11. How can UK trusts be used to plan for the Common Reporting Standard

### Trusts: Custodial Institution<sup>5</sup>

- i. Trusts are treated as entities by all agreements for Automatic Exchange of Information.
- ii. A trust can be either a financial institution or a Non-Financial Entity. Where a trust meets one of the definitions for being a Financial Institution<sup>6</sup> it is most likely to be an Investment Entity<sup>7</sup> but it may, alternatively, meet the requirements for being a Custodial Institution<sup>8</sup>
- iii. For example, shares held in trust may be in a Custodial Account<sup>9</sup> and therefore subject to reporting by the trust as the Custodial Institution that holds the account.

## 12. How can UK trusts be used to plan for the Common Reporting Standard

- i. UK company is a Professionally Managed Investment Entity (PMIE) is owned by a UK non-resident Custodial Institution trust, the reporting is not done by the PMIE
- ii. Also the reporting is not done by the UK non-resident Custodial Institution trust<sup>10</sup>

## 13. The advantages of UK non-resident trusts owning UK limited companies

- i. Trust not registered on TRS
- ii. PSC of company is only trustee (mostly)
- iii. Easy for dormant filing if investments held in an underlying structure
- iv. No registration of trust with HMRC unless trust liable for tax

## 14. Situations where UK non-resident trusts owning UK limited companies are optimal

- i. If trust is a CI in a non-participating jurisdiction and company is a PMIE, no CRS
- ii. If trustee resident in a jurisdiction with no DTA with UK, HMRC cannot request information on tax status of UK co

## 15. Situations where UK non-resident trusts owning UK limited companies are inefficient

- i. UK company tax is 20%

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<sup>5</sup> See HMRC EIM400700

<sup>6</sup> See HMRC IEIM400600

<sup>7</sup> See HMRC IEIM400760

<sup>8</sup> See HMRC IEIM400640

<sup>9</sup> See HMRC IEIM402200

<sup>10</sup> CRS Commentary page 178 Par C(4) subparagraph 71 "Where equity interest is held through a Custodial Institution, the Custodial Institution is responsible for reporting, not the Investment Entity".



### 16. What is reported when a trust decants/resettle trust to any trustee?

For CRS purposes, who is considered the settlor of the new trust?

- Assume for CRS an individual settlor settles a SPV Custodial Institution trust.
- The SPV Custodial Institution subsequently decants/resettles into a new reporting trust, with new corporate trustee.

#### Settlor for income tax purposes

- The original economic settlor who provided the funds to the SPV Custodial institution trust is treated as the settlor for income tax purposes.

#### Settlor for CRS purposes

- i. CRS concerns automatic exchange of information.
- ii. The settlor of the new trust is the entity that settled the assets.
- iii. For AEOI purposes if the entity is a reportable person, then the new trust will report on the Controlling Persons of the entity. If the entity

The OECD CRS-Related FAQ on entities as settlors

#### 7. Reporting Controlling Persons of settlors that are Entities

**The Standard provides that where the settlor of a trust is an Entity, Reporting Financial Institutions must also identify the Controlling Person(s) of the settlor and report them as Controlling Person(s). Are the Controlling Persons to be identified and reported only in the year of settlement, or also in subsequent years?**

The identification and reporting of Controlling Persons of the settlor is required not only in the year of settlement but also in all subsequent years.

