

# OFFSHORE FIDUCIARY STRUCTURES TO HOLD UK COMMERCIAL PROPERTY

Despite a plethora of recent and forthcoming tax law changes which affect foreign owners of UK residential property, the commercial property sector has escaped unscathed, with the result that the UK remains one of the most attractive commercial property markets to global investors.

The combination of a very attractive tax regime with the security of solid landlord protection in long leases, typically with upward-only rent review provisions, has created over several decades a market which attracts a wide range of institutional, fund and private client investors from all over the world. These attractions to investors are, not surprisingly, matched by the enthusiasm of banks and other lenders to provide leveraged loan finance.

When owned by an appropriate offshore structure, the overseas investor is able to avoid Inheritance Tax and Capital Gains Tax on UK commercial property investments. Rental income is subject to Income Tax, but qualifying loan interest and other allowable deductions can invariably eliminate that exposure altogether, if structured correctly.

PraxisIFM has been establishing and administering offshore structures to own UK commercial property for the past 30 years, including but not limited to office blocks, retail premises, hotels and warehouses. We provide a comprehensive fiduciary and tax compliance service, and can also assist with sourcing properties and arranging loan finance. Structures include not only offshore companies, but also limited partnerships, private unit trusts and, through our sister fund administration businesses, a variety of real estate fund structures. A particular specialisation is the administration of syndicates or "club deals", falling outside of the regulated fund regime.

When quoting fees for offshore fiduciary structures to own commercial property, we recognise that in most cases the expected activity of the structure will be around 95% predictable. Based on that level of predictability we are able to quote reliable fee estimates, and, if preferred, fixed fee quotes, with

suitable caveats to deal with any unexpected, non-standard activity. Our objective is to quote fees which assist clients with their financial projections by being:

- clear;
- transparent;
- predictable.

We are also aware that many clients have existing offshore fiduciary structures with other providers, and that they may be dissatisfied with those providers. PraxisIFM has a policy of waiving transfer fees for taking on existing structures, as we recognise that clients are often discouraged by the prospect of paying to both move the structure away from its current provider, and also to move it to another provider. We have to reserve the right to charge appropriate fees where essential remedial work is required in relation to entities transferred to us, and to a large extent this depends on the calibre of the existing provider. We are always happy to provide a fee estimate, with no obligation, to clients of other providers who are interested in exploring their options.

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