

It's advisable for UK expats to structure investments within a "tax wrapper" facility while residing outside their country, says PAUL JEFFREYS; and it's essential to do so if you plan to return home one day.

THAT'S A WRAP

What is a tax wrapper? As the name suggests, it wraps around an existing or new investment; and it provides numerous tax advantages for the investor. Structured as an offshore bond, the wrapper is a "package of separate rights" issued to the plan holder in exchange for ownership. This allows the plan benefits to be linked in value to a wide range of assets such as cash, stocks and shares and collective investment schemes.

You can create a portfolio of investments within a single tax wrapper tailored specifically to your needs. A mix of assets can be selected and reviewed on a regular basis and can be rearranged in accordance with your changing circumstances – without the need to change the investment vehicle.

The natural diversity of an international investor's portfolio will mean a greater spread of assets held with many different investment houses, across various jurisdictions. Holding investments via a tax wrapper centralises the investments in one place. This is important during the investor's lifetime, as one only has to deal with a single investment house that handles all the paperwork. Furthermore, on death the executors only have to deal with one company, thus simplifying and speeding up the probate process.

“ A wise person does at once what a fool does at last. Both do the same thing; only at different times. ”
– Lord Acton



Tax Benefits

By far the greatest benefit of this structure is the ability to mitigate certain taxes with careful planning. Here are some of the potential benefits:

- Tax-free income
- Ability to take advantage of previous non-resident status if you return to the UK
- No capital gains tax liability and no "five-year rule"
- Assumed gains while overseas which reduce taxes when back home
- Tax-free transfer between spouses
- Inheritance tax avoidance under certain circumstances
- Trust planning
- The opportunity to capitalise on other sophisticated tax-planning strategies

Additional benefits

- No dealing costs for stocks and shares for discretionary accounts
- Free switching and reduced fund charges
- Share market availability to residents of countries that may not ordinarily be able to purchase stock
- Ability to purchase property (limited to certain jurisdictions)
- Simple structure which clients can understand and feel comfortable with

It's essential to plan for your return home properly and within a time frame that permits tax advantages to fall outside of the current UK tax year. At Jigsaw, we offer a complimentary review of your financial circumstances and we advise you in detail on this.

This is not something suitable for new investors only; many expats already hold tax wrapper accounts but perhaps do not entirely appreciate the benefits they have access to. For those who would like a second opinion, Jigsaw can assess existing tax-wrapper arrangements as well as new structures.

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