

CLIENT GUIDE - TRUST SERVICES

Characteristics and Field of Application of Trusts

A Trust is a special kind of agreement or contract. It is not, as many people believe some kind of company. It is purely an agreement involving a settler transferring assets (the trust property) on the trustee to manage for the benefit of a person or class of persons (the beneficiaries).

The use of Trusts in international business has developed rapidly in recent years, becoming an instrument of choice for many individuals and increasingly corporations. A Trust is created and tailored to accomplish different goals, such as:

- Wealth preservation and enhancement
- Asset protection: safe-guarding and administration of assets for family and future generations
- Tax mitigation: minimizes income and other taxes payable
- Succession and estate planning: avoids need for probate to simplify the distribution of assets
- Simplification of affairs: avoids inheritance taxes or estate duties

Advantages and disadvantages of a Trust

Trusts are one way of protecting your assets and only adequate for distinguished goals. In short the advantages of a trust are the following:

- The Settler can transfer any assets he has and legally declare he does not own them
- Trusts are exempt from taxation
- No assets that belong to the trust can be seized
- Potential inheritors cannot make claims against the trust

However there are some disadvantages of a trust, namely:

- Trusts can not engage in business but purely manage and protect the existing assets
- The Beneficiaries are liable for taxation upon payout of the assets
- Once a trustee has been selected it is almost impossible to replace him

Trust administration requires highly sophisticated skills and responsible business. ILS combines the technical and legal expertise of multi-talented professionals in all aspects of finance including global banking, international tax planning, strategies and financial trading.

Why using an offshore jurisdiction for a Trust?

When a Trust is established in an eligible offshore jurisdiction and residents of this offshore jurisdiction are excluded from receiving benefit from this Trust, then there will be no local taxes applicable to the assets and income of this Trust.