

• WEALTH PLANNING IN THE NEXT DECADE – CHALLENGES AND OPPORTUNITIES FOR JERSEY

It has been said that sometimes one spends so much time looking at the door that is closing that one does not see the door that is open. For Jersey the door that is closing is the UK as the benefits of offshore structures have been almost completely stripped away for UK domiciled persons. However many benefits still exist for those who are resident in the UK but who have not acquired a UK domicile and are likely to continue, so the door may never completely close, but that source of work is not sufficient to sustain Jersey's finance industry.

Jersey saw that door begin to close and began looking for new markets some years ago. We have continually increased the strength and sophistication of our efforts to develop those new markets, particularly in the Middle East, India, China and Russia, with Jersey Finance playing an increasingly important role.

New markets mean new challenges, not least understanding the cultural issues which may affect the way in which those new markets operate and dispelling incorrect perceptions of Jersey and what it has to offer. Not an easy task at the best of times, this is even more difficult in a climate where the offshore finance industry is all too readily used as scapegoat for political expediency by the leaders of major world economies. Successive reviews have confirmed that Jersey has a very good story to tell - it has political stability, comprehensive laws and a strong judiciary; it is accepted by the IMF as

the most compliant jurisdiction in the world with modern international standards; the professionalism and integrity of the finance industry and the lawyers and accountants who serve it – all of which mean that Jersey is an ideal place for the wealth planning clients of the next decade to do business. We must go out into the world and tell that story, with confidence and pride.

There has already been a significant shift in wealth managed in Jersey in the past 25 years from inherited wealth to self-generated wealth. Much of the wealth in the new markets is self-generated so Jersey is ready to meet the needs of the wealth planning clients of the next decade, who will be entrepreneurs who have made their wealth by having control and making their own decisions. The level of control that some such clients wish to retain over wealth within a planning structure does not always sit comfortably with traditional wealth planning structures, particularly where the principal asset is the business which generated the wealth, so the challenge has been to adapt and develop vehicles which meet the needs of such clients. Lawyers and accountants have been increasingly ingenious in devising structures which strike the right balance, and Jersey has passed amendments to its trust legislation and in July 2009 brought in the Jersey foundation to ensure the right tools are in the box, so there is every reason for confidence that Jersey will meet this challenge through the next decade.

The global climate for wealth planning in the next decade is likely to be one of increasing transparency and international co-operation, particularly on exchange of information in respect of tax as the recent global economic recession means that all economies need all the tax revenue they can get, a situation that is likely to continue for at least the next 3 to 5 years. There are those who criticise offshore finance centres like Jersey for assisting clients, legally, to reduce the tax they would otherwise have to pay. But unless and until the same economic activity is taxed in exactly the same way in every jurisdiction in the world (which is highly unlikely) people will seek to take advantage of tax differentials. Because it is easier than seeking to achieve full tax harmonisation, the reaction has been to pass anti-avoidance legislation to treat such activities as unlawful. This is likely to increase, and it is therefore likely that in the next decade wealth planning will become increasingly less reliant on tax benefits as its main driver, and will thus be forced to concentrate on its true purpose of preserving and enhancing family wealth whilst enabling enjoyment of it.

Perhaps the biggest challenge comes from the political arena, where leaders of major economies are too ready to use the offshore finance centres – often wrongly but emotively labelled as tax havens - as scapegoats for economic problems without looking at the facts or the real root of their problems. This is wholly unjustified because it has been established that the offshore finance centres play a strong positive role in the global economy; for example the 2009 Foot Review of the Crown Dependencies found that they make “a significant contribution to the liquidity of the UK market”, with Jersey having over \$300bn placed with UK banks at the end of June 2009, liquidity without which the crisis in the UK banking system over the past 2 years would have been much worse. A great deal of the profits generated by the Jersey finance industry finds its way into the UK economy in various ways, a further positive benefit. At the same time research suggests that the tax

loss to the UK treasury by the use of perfectly legal anti-avoidance schemes is only some £2bn. Further positive support comes from American economist Professor James Hines whose research found that offshore finance centres “have salutary effects on tax competition, promote good government and enhance economic growth elsewhere in the world”, quite the opposite of how they are often portrayed. It is vital that political leaders, and the public too, are presented with the true facts and persuaded to adopt a positive perception of well-regulated offshore finance centres such as Jersey.

The next decade will probably be at least as challenging as the last one, but because of the work that has been done to date Jersey is very well placed to meet all of these challenges and thus to take best advantage of the enormous wealth planning opportunities which will arise around the world in the next ten years.

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