

CROSS-JURISDICTIONAL WEALTH STRUCTURING

By Mary Humphreys, Trust Manager, Artemis Fiduciaries

Introduction

Being a modern trustee means understanding that wealthy families, and their assets, are increasingly globalised and need tailored structuring solutions that are multi-jurisdictional. Effective solutions for the global family aim to optimize wealth preservation, growth, and succession.

Here I am focusing on the bridge between UAE (United Arab Emirates) and Guernsey – two jurisdictions that are particularly relevant for wealth structuring due to their unique legal, tax, and regulatory environments.



Objectives of Cross-Jurisdictional Wealth Structuring?

Asset Protection

For individuals concerned about the political or economic instability in their home country, Guernsey offers robust asset protection mechanisms that safeguard wealth from external claims, while the UAE provides a stable economic environment.

Succession Planning

For individuals wishing to structure wealth in a way that facilitates smooth transition to heirs of their choosing, the UAE and Guernsey offer structures that can provide flexibility for succession planning while minimizing the risk of disputes in order to ensure wealth will transfer in line with family wishes.

Privacy Concerns

Both the UAE and Guernsey are known for their commitment to privacy and confidentiality. Guernsey has strong privacy laws, which can be crucial for families seeking discretion in their financial matters. Privacy is a paramount concern for many wealthy individuals, particularly in the Middle East, where social standing and reputation are closely linked to financial status. Offshore trusts offer a level of confidentiality, allowing individuals to manage their wealth discreetly.

Tax Efficiency

Individuals and entities seek to optimize tax exposure. Both UAE and Guernsey offer attractive tax regimes—UAE has no personal income tax, and Guernsey is a low-tax jurisdiction with no inheritance tax, capital gains tax, wealth tax, or sales tax and corporations are generally taxed at zero percent. While tax should not be the primary driver in decision making, it is not uncommon for this to be the main concern among Middle Eastern clients. Trusts and companies can provide tax benefits in certain circumstances, allowing for more effective and flexible wealth management strategies.

International Business Operations

Individuals with businesses or investments across multiple jurisdictions, careful planning is of certain benefit. Carefully chosen jurisdictions in which to form trusts and companies help meet the objectives of streamlined operations, governance, and taxation.

“The use of a vehicle such as a Private Trust Foundation allows for professional management while preserving family control.”

How Can Cross-Jurisdictional Wealth Structuring Be Achieved?

There are many methods commonly used, some of the most compatible tools between UAE and Guernsey include:

Trusts (Guernsey Trusts)

A trust is a legal arrangement where a trustee holds and manages assets for the benefit of the beneficiaries. Guernsey is renowned for its trust structures, offering flexibility and protection for international families and businesses.

Private Trust Foundations

A Private Trust Foundation is a hybrid structure where a Guernsey Foundation acts as the trustee for a Guernsey Trust. This innovative arrangement combines the flexibility, confidentiality, and tax efficiency of a trust with the legal personality, governance, and control offered by a foundation.

For Middle Eastern families, this structure provides a robust mechanism to align with Sharia-compliant principles, address succession challenges, and centralise asset management, whilst maintaining privacy and often most importantly for our clients, control.

Foundations (Guernsey Foundations)

A foundation is a legal entity that holds and manages assets in a way that benefits its founders or beneficiaries. Guernsey foundations are often used in succession planning and for charitable purposes.



UAE Holding Companies

In the UAE, establishing holding companies in free zones or through local partnerships can provide significant tax benefits and asset protection. Holding companies allow individuals to manage investments or assets in an efficient manner while maintaining privacy.

UAE Trusts (Dubai International Financial Centre DIFC)

The DIFC offers a framework for trusts under its legal system, which is based on common law principles. This can be used for wealth structuring, especially for individuals with ties to the UAE.

Private Investment Funds

Private investment funds based in Guernsey or the UAE (depending on where the assets are held or where investors are domiciled) can be used to pool resources from various investors, providing a means to optimize returns, achieve diversification across jurisdictions and sectors and reduce costs.

Estate Planning through Wills

A will can be used to specify how assets should be distributed upon death. Guernsey offers testamentary freedom, and the UAE allows the use of Sharia-compliant wills for expatriates and other legal frameworks to ensure that assets are distributed according to the wishes of the testator.

Family Investment Companies (FIC)

A Guernsey FIC provides a flexible, tax-efficient vehicle for wealth management, allowing families to retain control over their investments whilst planning for succession across generations. A FIC is a private limited company established to hold and manage family wealth. The shares in the company are typically owned by family members, and the company's investments are managed in line with the family's objectives. FICs allow for effective wealth management and tax planning, offering a high degree of control, flexibility, and protection for family assets.

In a FIC, family members can hold different classes of shares, allowing for tailored voting rights and income distributions. This flexibility allows the founder or head of the family to maintain control over major decisions, while gradually transferring ownership to the next generation.

Differing types of capital with different rights can enhance the planning possibilities.



Benefits of Cross-Jurisdictional Wealth Structuring

1. Tax Optimization

- UAE: No personal income tax
- Guernsey: Low tax rates
- Minimizes capital gains & inheritance taxes
- Political stability in the Middle East



2. Asset Protection

- Guernsey: Strong creditor protection
- UAE: Robust legal protections
- Protection against local legal challenges and expropriation



3. Global Reach & Diversification

- Better diversification across countries
- Reduced exposure to political/economic risks
- Bilateral investment treaties & tax treaties



4. Succession Planning

- Flexibility for intergenerational wealth transfer
- Offshore trusts to minimize disputes
- Relevance in Saudi Arabia for handling inheritance complexities



Business Succession Planning

Many Middle Eastern families rely on family businesses as their primary source of wealth. The use of a vehicle such as a Private Trust Foundation allows for professional management while preserving family control. It can hold business shares and ensure continuity through generations.

Philanthropy and Religious Giving

A PTF or indeed any of the options outlined, can be used to structure charitable giving or fulfil zakat obligations in a transparent and compliant manner, whilst ensuring that philanthropic objectives are met appropriately.

Multi-Jurisdictional Asset Management

For families with assets across the globe, options like those outlined provide a centralised structure, simplifying management whilst respecting local regulations.

Conclusion

Carefully crafted cross-jurisdictional wealth structuring involving Guernsey and the UAE offers significant benefits in terms of tax optimization, asset protection, and succession planning. By leveraging the right tools—such as trusts, foundations, holding companies, and wills—individuals can ensure their wealth is effectively managed, preserved, and transferred according to their wishes. Proper planning, expert advice, and regular reviews are key to a successful cross-jurisdictional wealth structure.

In conclusion, I think the growth in demand for these planning tools demonstrates that families and HNWI have become a lot more aware of the need for asset protection and intergenerational planning. In the Middle East we are experiencing a generational shift, with the next generation stepping up in terms of planning for financial security. Unfortunately, in some cases after the patriarch passes away, issues arise amongst siblings and as a result, the assets are diluted by legal costs and the fragmentation of heritage assets occurs. It is heartening to see families engage on this topic and prepare the family estate in an organised, properly governed fashion to survive external shocks of political instability, changes in laws and taxation and family friction.





ARTEMIS
The Value of Independence

For more information

please contact Mary Humphreys, Trust Manager at Artemis:

info@artemisci.com

Artemis Fiduciaries is the trading name for all companies within the Artemis Group, including Artemis Trustees Limited, PO Box 100, Plaza House, 5th Floor, Admiral Park, St Peter Port, Guernsey, GY1 3EL.
Registered number: 38106. Artemis Trustees Limited is licensed by the Guernsey Financial Services Commission to conduct fiduciary business. GFSC reference: 134217.

This document is for informational purposes only and does not constitute financial, tax, legal, or investment advice. Artemis Fiduciaries accepts no liability for reliance on this content. Readers should seek professional advice before making any financial or legal decisions.