



ISLE OF MAN LAW SOCIETY

## ISLE OF MAN LAW SOCIETY

The Isle of Man Law Society plays a pivotal role in relation to the regulation, supervision and importantly, the development of legal services both internationally and in the Island.

**The dark cloud of global economic uncertainty remains overhead, but given the exceptional level of expertise (as good as any legal service jurisdiction worldwide) and diversity of work undertaken in the Isle of Man, its legal profession is very well placed to deal with an economic downturn.**

The Island has experienced 25 years of unbroken economic growth exceeding 6% a year. Last year growth was recorded at 8.2%. The Manx legal profession has played a prominent role in relation to the supply of legal services underpinning the transactions and business responsible for such growth.

Paul Mayson, chief executive officer of the Isle of Man Law Society, says one of the primary factors that will ensure the continued strength and presence of the Island as an international business partner is the inter-relationship between Government and the private sector, which has been developed so effectively in recent years.

He said: "In my view, this differentiates the Isle of Man from many other jurisdictions that offer offshore services. It is this team work which represents a distinct element of unity and the ability to work together. This is attractive to clients who want their business conducted both professionally and efficiently."

The Isle of Man Law Society was formed by the Law Society Act 1859, passed by Tynwald, when the Law Society was incorporated as a body corporate with perpetual succession.

The role of the Isle of Man Law Society has developed significantly given the increase in international work and also the diversity of work undertaken. The situation is ever evolving and therefore there is a need to ensure that the process of change is monitored closely. It is a continuous challenge to ensure appropriate regulation and importantly, consumer protection.

Jonathan Wild, president of the Isle of Man Law Society says it has taken a very active part in commenting on potential new legislation and its Legislation Committee provides constructive comment and input on all legislative matters as necessary.

He said: "The Law Society promotes changes in existing legislation where appropriate. It was active in encouraging the introduction of legislation to regulate corporate service providers (CSPs) and has taken a lead in the promotion and development of money laundering legislation."

The Law Society recently promoted a Bill through the Manx Parliament (the Advocates (Amendment) Bill 2009), which is designed to widen the regulatory powers of the Isle of Man Law Society in relation to the investigation of professional misconduct, breaches of practices rules and other contraventions, particularly in the context of anti-money laundering legislation. It will also, by its very application, provide for a greater degree of openness and transparency, which is utterly essential given the current world debate in relation to offshore jurisdictions. Therefore, it can be seen that the Isle of Man Law Society is playing its part in this very important and topical area.

The Isle of Man Law Society is continually considering new initiatives

to enhance its attractiveness and to encourage inward investment in activities which will create employment opportunities in the Island and generate income.

Mr Mayson says the Isle of Man is increasingly the jurisdiction of choice in which to incorporate a vehicle for listing on the global markets and the Isle of Man ranks first in relation to the number and value of non-UK AIM companies.

He said: "These listings require the significant input of Isle of Man advocates who demonstrate an impressive breadth of expertise given the business diversity. As part of the process of evolution, and to ensure that it remains an attractive jurisdiction to investors, the Isle of Man enacted new company legislation."

Although based on familiar concepts, the 2006 Companies Act dispensed with a number of the company law formalities applicable to a traditional company. In this regard, there is no distinction between a private and public company, meaning any company will be able to offer its securities to the public, no concept of authorised share capital, no capital maintenance requirements, no prohibition on financial assistance, no requirement to have a company secretary or hold an annual general meeting and there are reduced compulsory filings.

A company incorporated under the Act will not need to classify its assets as income or capital. Instead the Act will allow a company to distribute its assets to its members (whether by way of dividend, by buyback or by redemption of shares or otherwise), provided that the directors of the company are satisfied that the company will, immediately after the distribution, be able to pay its debt as they become due in the normal course of business and the value of its assets exceed the value of its liabilities.

This provides for a greater degree of flexibility and such companies will be much easier to administer. The 2006 Act has been chosen as the issuing vehicle for admissions to both the London Stock Exchange Official List (the Official List) and AIM, reflecting the Isle of Man's growing international reputation as a centre of excellence in corporate structuring.

The Law Society also has no hesitation in working together with the other professional bodies based in the Island if circumstances so require. For example, the Law Society has played an active part in assisting the Financial Supervision Commission in relation to the aforementioned corporate law reform. Also, the Law Society is presently engaged in dialogue with the Chartered Institute of Taxation, the Institute of Chartered Secretaries and Administrators, the Association of Chartered Accountants and the Association of Corporate Service Providers concerning issues relative to the Proceeds of Crime Act 2008 (POCA). It is a valuable and beneficial tool to work together with fellow professionals to create a common aim which ultimately proves to be a positive benefit to the client and importantly to the Island economy as a whole.

During 2009, the Isle of Man Law Society will celebrate its 150th year. A number of celebrations are already planned. The Law Society is endeavouring to use the anniversary as a stepping stone to develop its roles and functions by furthering education initiatives and increasing the sophistication of its regulatory functions. The Isle of Man will have to proceed prudently to ensure that it weathers the current economic storm. However, it is clear that there are exciting times ahead in relation to the overall development and growth of the Isle of Man. The Law Society and the Manx legal profession intend to remain at the forefront of that development and to continue to grow and mature through the next 150 years.

# MANX PROFESSIONALS ISLE OF MAN LAWYERS



THE ADVANCED AND PROVEN LEGAL INFRASTRUCTURE IN THE ISLE OF MAN IS CRUCIAL TO THE HEALTH OF ITS OFFSHORE ECONOMY. THE FINANCE SECTOR IS A BIG DRIVER OF GDP GROWTH AND INCREASED STANDARDS OF LIVING IN THE ISLAND, BUT THE MANX LEGAL SYSTEM IS A CRUCIAL PILLAR IN THAT SUCCESS.

The Manx legal system is based upon the principles of English law shared by most commonwealth countries and English case law is held to be persuasive precedent in the Manx courts. It has been adapted to meet the Island's own special circumstances, particularly in regard to direct taxation, company law and financial supervision.

The result is a sophisticated legal framework within which international business can be conducted.

## Carter Jones McDonald – The Family Lawyer



**Aalish Hannan**  
Partner  
+44 (0) 1624 629627  
+44 (0) 1624 629640  
commercial@carterjonesmcdonald.com



**Family break ups are sadly an accepted pattern of modern life. In fact many people have been married and divorced more than once and it is not only the rich and famous who have multiple marriages with the consequent problems of both finance and children.**

The Isle of Man is no different in many respects to the United Kingdom though there is a view that there are more divorces per head of population on the Island compared with the United Kingdom.

Aalish Hannan, partner at Carter Jones McDonald, believes the main difference is the number of high net worth people on the Island.

She said: "A great number of divorces are concerned with large sums of money and it is not unusual to find that it is the wife not the husband who has the wealth. Carter McDonald has a particular expertise in high net worth divorces and in a recent case, which reached the Privy Council, a post nuptial agreement drafted by the firm was upheld. It has been said that the decision has expanded family law with regard to such agreements."

The process of divorce follows a similar pattern to that in England and Wales but, because of the Island's position as a financial centre, particular expertise is required by lawyers in tracing funds which could be located in several countries.

Miss Hannan added: "It is also common to find funds tied up in family trusts which can create special problems. There can be multiple trusts which are also located in other jurisdictions. This type of problem will probably not be met by the average divorce lawyer in the United Kingdom."

She added: "A further problem which is met far more often on the island than in the United Kingdom is that following a divorce it is not unusual for one of the parties to want to leave the Island and return home usually to the United Kingdom and this creates special problems in relation to children because it means that one or other of the parents is going to be separated from the children for fairly long periods, only seeing them in school holidays."

Civil partnerships are not recognized on the Isle of Man but it is becoming common for same sex couples to go to England to take part in a civil partnership ceremony but is likely to become law on the Island within the next few years.

## Laurence Keenan – The Full Service Law Firm



**Larry Keenan**  
Partner  
+44 (0)1624 611 933  
lkeenan@lklaw.co.im



**Laurence Keenan Advocates is one of more than thirty Isle of Man legal practices providing advice and services to clients in the Isle of Man and internationally.**

The legal profession in the Island is a fused profession. The legal practitioner is called an Advocate and only Manx Advocates are licensed and have rights of audience in the High Court of Justice of the Isle of Man (save for the occasional licensing of English Counsel who can appear for 'special reasons').

Laurence Keenan, managing partner of the firm, says the full service practice is now in its eighteenth year.

He said: "We are now in our eighteenth year of practice and pride ourselves on being a full service law practice with experienced legal professionals to deal with domestic and international legal services. These include banking, commercial law, company incorporation and administration and trustee services."

The firm has been a member of Legalink ([www.legalink.ch](http://www.legalink.ch)), an International Association of independent law practices, with members in more than 45 jurisdictions and countries, since 1992.

Mr Keenan said: "This relationship, together with long established professional contacts in the United Kingdom, the Republic of Ireland and the Channel Islands allows the client immediate

access through one contact point with professional advisers in multiple jurisdictions. Such access can provide for an early assessment of the proposed intention following receipt of legal, fiscal and regularly requirements."

Mr Keenan believes the term 'tax haven' has, during the past 40 years, changed from being considered as a sun kissed island get away, where the rich and well connected kept their money.

He said: "In recent years, the term has often been linked to derogatory comments to denote jurisdictions which hide illicit activities through banking secrecy where money launderers, drug traffickers and terrorists conceal their ill-gotten gains from the west. Neither description is correct. A small country providing a financial centre should no more be considered a 'tax haven' than a larger country, purely based on size."

The commitment of the Isle of Man Government and indeed the Island's financial community over many years to be a first class, transparent, well regulated, respected and politically stable jurisdiction has been recognised in the April 2009 communiqué following the G20 meeting in London in that the Isle of Man (along with others) has been placed on the 'white list' of recognised compliant jurisdictions.

Mr Keenan added: "The same standards promoted by the Isle of Man Government are pursued by the firm with the ultimate aim of 'working for and with the client'."

## Gough Advocates – Litigation Expertise



**GOUGH** advocates  
Alan Gough  
Partner  
+44 (0)1624 623 919  
alan.gough@goughco.com

As is the case with the weather, the Isle of Man has traditionally been somewhat more insulated against dramatic events than its neighbours on the mainland.

The Island generally does not feel the sudden impact of dramatic upturns in, for example, the property market but, on the other hand, it is usually less affected by downturns.

Alan Gough, litigation partner at Gough Advocates, believes that it remains to be seen whether this rule holds true with regard to the impact of the present global financial crisis.

He said: "At GOUGH Advocates we have a finger on the pulse of High Court litigation including insolvency applications. We have found that there has been a knock-on effect from the banking crisis affecting the UK. In particular, we are much involved in representing the Isle of Man Treasury in finding a solution to the collapse of Kaupthing Singer & Friedlander (Isle of Man) Limited, a subsidiary of the collapsed Icelandic bank, Kaupthing hf."

He added: "Treasury has taken a responsible attitude to the failed subsidiary and rather than allow it to go down the traditional liquidation route, coupled with a compensation package, it has expended great energy in promoting a Scheme of Arrangement to be voted on ultimately by creditors

and which hopefully will give a more certain and earlier return, particularly to depositors in the subsidiary bank."

The other main example, with which GOUGH Advocates are involved, is the recent collapse of the local airline, Euromanx. The firm advised the liquidator, which is winding up the affairs of the airline.

Mr Gough said: "The demise of Euromanx has been unfortunate for pre-paid passengers and, as always, staff but the impact on travel to and from the Island has largely been unaffected with other providers eager to fill the gap."

Across the board there has been a downturn in property development and house prices are generally depressed, although this does not seem to have dampened the spirits of sellers in the Isle of Man, who are generally sticking to their pre-crisis prices. Mr Gough says that GOUGH Advocates deal with many aspects of commercial High Court litigation.

He adds: "Our flagship has always been our success in pre-emptive freezing injunctions, money tracing exercises and trust challenges. We have now dedicated a team to cope with the anticipated increase in insolvency work. This can range from simple reconstruction of debts and a re-organisation of businesses such that they can ride through the straightened times we find ourselves in and full blown liquidations and reconstructions."

Litigation across the board has, as in England, suffered a downturn. Mr Gough believes this is less to do with the financial crisis, which is certainly putting pressure on traders and retailers, but more with the costs of litigating in the High Court.

He said: "The position is no different in England or the Isle of Man and a greater emphasis is now being put on mediation. More sophisticated clients realise the need for compromise and renegotiation of terms rather than hardnosed litigation. However, where litigation is necessary, we are happy to take clients matters to Court in appropriate circumstances and the Courts are efficient, if not cheap, in dealing with disputes."

It could be thought that corporate cross-border fraud would increase dramatically in these difficult times, particularly in the wake of scandals like those of Bernard Madoff and Sir Alan Stanford.

## Callin Wild – The Future of Quinn Kneale

**CallinWILD**



**Jonathan Wild**  
Partner  
+44 (0) 1624 623 195  
jwild@quinnkneale.com

Callin Wild is a leading full service practice which has strong litigation and commercial departments in the Isle of Man.

The firm has just incorporated as Callin Wild Law from its previous existence as Quinn Kneale, following the retirement of John Quinn.

The commercial department, led by senior partner Jeremy Callin, deals with commercial transactions based on and off Island and has a great depth of experience of handling high value

acquisitions, sales and re-financing structures for clients worldwide.

Mr Callin said: "Our commercial department has in depth experience in the transactional work which the Island actively encourages. Despite current economic issues the Isle of Man remains an attractive jurisdiction to do business with a keen eye for providing business solutions for developing and mature jurisdictions alike."

Callin Wild has a strong and experienced team of advocates and other qualified staff who pride themselves on ensuring an efficient value for money service to all clients. The firm is always keen to work with clients from the commencement of projects to ensure the most effective solution is achieved.

A need for expansion was identified in 2008 as litigation matters in both the civil and commercial arena began to increase.

The litigation team is headed up by Jonathan Wild with a team of three advocates Kevin Goldie, Keiron Murray and Kathryn Clough. Mr Wild is also the jurisdiction's FraudNet representative which is a specialised group under the Commercial Crime Services arm of the International Chamber of Commerce

Mr Wild said: "FraudNet provides fraud victims with a first local-point-of-contact service using legal specialists that can help, but with the vital resource of a global network of partners to investigate and take action against fraudsters in foreign jurisdictions, in an effort to maximise the chances of recovering losses."

The Callin Wild litigation team is very experienced in the insolvency field acting in the last two major insolvencies with an Island connection.

The "Navigator" case was an important cross border (USA) case which reached the Island's Privy Council, while the ongoing Kaupthing Singer and Friedlander case is also significant.

Mr Wild has also acted for the Financial Supervision Commission (FSC) one of the Joint Petitioners throughout the Kaupthing case which currently remains before the Isle of Man Courts.

Callin Wild provides a full service practice and has assembled a strong team in the areas of family law and criminal law for both private and publicly funded clients alike, as well as providing private client services from the preparation of Wills and Enduring Powers of Attorney to the Administration of Estates.

The conveyancing department has also grown significantly over the past five years and deals with a large number of commercial and residential transactions offering our clients a wealth of expertise in this area.

Mr Callin said: "We consider it is important to be able to offer our clients a full service whatever the nature of the inquiry, thus we have always endeavoured to ensure Quinn Kneale and its successor Callin Wild has a broad range of general practitioners to support our specialist commercial and litigation teams."



## CHARTERED ACCOUNTANCY IN THE ISLE OF MAN



**Ian G Clague**  
Partner  
PricewaterhouseCoopers  
+44 (0) 1624 689 692  
ian.g.clague@iom.pwc.com

The Isle of Man has revolutionised its economy during the last decade and a half with real growth averaging around 10% per annum between 1997 and 2002 according to the Manx Government's marketing arm Isle of Man Finance.

**This rapid growth has continued at a good pace to the present day and has largely been driven by the financial and professional services sectors.**

Figures from IoM Finance suggest that banking generates around one fifth of the Island's gross domestic product with the rest of the finance sector contributing 15 – 20%.

The Isle of Man's offshore status means it has attracting a thriving professional services community including global accountancy players such as the Big 4 accounting firms, Baker Tilly and PKF. These firms thrive in the Island providing audit, tax and advisory services to international businesses that have part of their corporate structure based in the Island or high net worth individuals who reside in the Island or have other interests such as yacht registration or monetary deposits.

Within the accountancy profession there are also many smaller firms providing services to local business that have also flourished as the economy boomed. This is then supplemented by in house accountants within Manx companies who provide internal audit and financial management to those expanding businesses.

Figures suggest there are more than 600 qualified accountants out of a population of around 80,000 and a working population of significantly less than that. This peculiarity of the Manx economy means the Isle of Man Society of Chartered Accountants (IoMSCA) is a powerful body in the Island with considerable influence and listened to carefully by the Manx Government and the Regulators.

Ian Clague is Senior Partner of PricewaterhouseCoopers in the Island and also Chairman of the IoMSCA. According to Ian, accountants play an important role in the Island's economy.

He said: "The role of accountants in the Isle of Man economy is much more important now than it used to be. The finance sector is an intensive and often complex environment with companies, administrators, fund managers and professional service firms working closely together. There are a lot of accountants on the island and our society has a qualified membership of in excess of 500 with another more than 80 currently undergoing professional training"

Mr Clague said "The professional infrastructure is one of the

key strengths of the island, fitting very closely with the Island's wider strategy of being seen as a well regulated high quality international finance centre. It is this infrastructure that underpins our ability to deliver modern competent solutions to international clients."

The IoMSCA has a role to play as a forum to deal with issues consistently and coherently. It promotes cooperation rather than competition between accountancy firms and allows structured debate around jurisdictional issues.

Mr Clague said: "The society's role is to support the profession on the Island. There is inevitably more support given to and more cohesive interaction around the members from smaller firms and we have an active general practitioners group. They use that forum to share practical ideas to current issues and generally talk about what's going on in their practices."

He added: "I might attend such a gathering as chairman and brief them in a wider business context on other things the society is involved in. There are also speakers that come to those events and technical training is given on a self help basis. The larger firms get all their training through their respective networks or member groups."

The society is also involved in training, providing courses on local and international taxation, updates on accounting matters plus other ad hoc issues. IoMSCA is not a standard setting body and can't give technical rulings, but can give some guidance in the interpretation of regulatory issues or to off island people enquiring about accounting issues in the Isle of Man.

One of the big roles of the IoMSCA is to represent the accountancy community in consultation about Manx legislation and regulations that could have wide ranging impacts on the economy. The society has two seats on the Professional Consultative Committee and one on the Tax Liaison Committee, helping to shape policy.

Mr Clague said: "We have periodic meetings with Government around areas of mutual interest and also cooperate with the Isle of Man Law Society on particularly sensitive issues. We try where possible to come up with a view that's right for the Island, so we listen to each other's views rather than give conflicting views to the Government."

He added: "Our committee is made up of eleven individuals and we have got senior representatives from the largest five firms on the island as well as some major players in the mid and smaller firm sectors. In my view, the role of the Society and its ability to deal with government means it holds a healthy and respected position in the business community. This raises the desire for good quality people from the major firms and all walks of accounting life to be involved. It's viewed as a desirable and business focused forum, long may its success continue."

# MANX PROFESSIONALS

## ACCOUNTING SERVICES IN THE ISLE OF MAN

Chartered Accountants in the Isle of Man do all the things that accounting firms do elsewhere, such as audit and accounts, personal and company tax, insolvencies, valuations and so on - but they also have other strings to their bows. In this DPS Corporate International profiles five accountancy firms and some of the different services available in the Island.

### Baker Tilly – A broad specialism



**Andrew Roy**  
Partner  
+44 (0) 1624 693 900  
andrewroy@bakertillyiom.com



Baker Tilly Isle of Man is a general practice but its range of work includes some unusual projects, for example management of super-yachts and aircraft, administration of joint ventures between companies from different countries and acting as trustees and administering international group pensions. Pension trusteeship is a fast growing area for the firm.

The corporate and trust, or the fiduciary services industry as it is known, was developed by accountants from the 1970s onwards, a spin-off from the tax work brought by the refugees from the then penal tax regime in the UK. Once exchange controls were suspended in 1979 the accountants realised that there was a whole world out there ready to buy their services, even if the world had not realised it itself.

Andrew Roy, principal at Baker Tilly Isle of Man, believes the Island's status as a tax neutral, respectable, international financial centre has been finally set in stone by its inclusion on the latest OECD White List of co-operative jurisdictions.

The fiduciary services industry is strictly controlled by the Financial Supervision Commission; anyone wishing to enter the business has to obtain a licence and compliance is quite onerous.

The building blocks of off-shore structures are the companies. Because companies are recognised everywhere as legal entities that can contract in their own right, separate from their owners or executives, they can be used for almost anything.

Mr Roy said: "We have various types of companies formed under different Companies Acts; one is the traditional one based on the 1931-2004 Acts, another is the 2006 New Manx Vehicle (NMV). The NMV has a much lower level of filing and compliance rules and is often used as the holding company for international groups listing on AIM."

Baker Tilly Isle of Man is an LLC, a corporation that has all the attributes of a company but is transparent for tax purposes. The "protected cell company" has individual cells, each protected from the liabilities of other cells within just one company.

Trusts play a particular role as providing another level of independent ownership. The trust is peculiarly Anglo Saxon. The anstalts, stiftungs, foundations and the like found in code law countries are far less flexible.

A classic example of combining companies and trusts is the family office. High net worth families are often global in their interests and members, and there has been an increasing trend to centralise the estate in one place. The core would be a family trust established in the Isle of Man. Individual assets - properties, businesses, yachts - would be held through companies owned by the trust. Taxes are accounted for where the income arises and by the beneficiaries of any distributions. Baker Tilly Isle of Man provide the professional trustees and directors.

### Crowe Morgan – Everyone counts



**Amy L Slee**  
Partner  
+44 (0) 1624 665 100  
amyslee@crowemorgan.com



Crowe Morgan is a leading independent firm of Chartered Accountants offering accountancy, audit, personal and company taxation (including tax cap advice), trustee/executor services and corporate recovery services. The firm is a general accountancy practice of four partners and a team of circa 30 staff.

Crowe Morgan Management Limited is a licensed corporate and trust service provider, regulated by the Isle of Man Financial Supervision Commission. It assists clients with trust and company structures to support their personal and business wealth planning.

Crowe Morgan Management Limited offers the full range of fiduciary services including provision of company officers, company and trust administration, account preparation and registered office facilities. The firm exercises a structured approach in both aspects of the business whereby a client's needs will be matched to the member of staff with the right level of expertise. In this way, clients will not be overcharged and will receive a proactive, rapid response that is client-driven and focused on trust.

Amy Slee, partner with Crowe Morgan, said: "The Isle of Man is a low tax jurisdiction offering an income tax cap of £100,000 on individuals and it remains a stable and reputable place to do business. We believe it is more often the quality of life and the accessibility of first class schools, sports facilities, stunning coastline and countryside that sway the decision of new residents to relocate their family and business to the Island."

Economic experts are predicting that the Isle of Man should escape the recession but, despite this Crowe Morgan's clients are experiencing difficult trading conditions which present new challenges, and with it, new opportunities. The firm has assisted with re-structures where the principal focus is on asset protection. In this climate it is not always good practice to leave large parts of a portfolio with any one institution. A proactive approach to achieving a risk profile to suit a client's needs is required.

Mrs Slee added: "Cost control is critical, as is working with clients to review and improve cost management. In many instances clients find that by outsourcing services to professionals, they are able to reduce staff costs and benefit from economies of scale. This could include the provision of payroll services, preparation of VAT returns or prepa-

ration of management accounts and reports. A fresh approach may be all that is needed to turn around a company."

### Deloitte – Corporate tax expertise



**Sarah Sanders**  
Associate Partner  
01624 672332  
sarahsanders@deloitte.co.uk



Deloitte in the Isle of Man is fully integrated with Deloitte in the UK and offers a broad range of services which include audit, tax, consulting, and corporate finance. The office is led by Sarah Sanders, supported by an experienced leadership team, including Steve Billingham in audit, Paul McConville in indirect taxation and Andrew Cardwell in direct taxation.

Ms Sanders said: "We are fortunate in the Isle of Man to be working in a world class triple 'A' rated financial jurisdiction. We understand our clients' operations, their industry and the issues they face and this enables us to provide them with relevant advice. The combination of our specialist skills and industry expertise integrated with those of our UK firm allow us to anticipate complex business problems for our clients and advise on possible solutions."

Mr McConville believes that the Isle of Man is a unique jurisdiction combining the advantages of being geographically outside the EU whilst being within the EU VAT and customs area.

He said: "The Isle of Man is essentially treated as part of the UK for VAT and customs purposes. Isle of Man VAT numbers rank alongside UK ones, having a GB prefix. This gives Isle of Man tax paid goods free circulation status and access to European markets. It also permits Isle of Man companies to be included in UK VAT groups and vice versa."

Isle of Man companies also benefit from an attractive direct tax regime that includes zero percent income tax (apart from licensed banks in respect of their deposit taking activities and profits generated from Isle of Man situated land), no insurance premium tax and no capital taxes.

Mr McConville gives an example of how the Isle of Man's unique tax status can be advantageous.

He said: "Suppose A sells goods to B; B immediately sells those goods to C; suppose A is in Finland and C is in Spain; the goods are shipped directly from A to C. For B, a non-EU low taxed jurisdiction may be attractive but that would impose greater obligations, including VAT registration where the goods are delivered, Spain in this example. If B were in another EU country, say the UK, and was VAT registered there, a much simplified process could help it reduce the Spanish VAT compliance burden. However, if B were an IOM company it could be VAT registered on the island, still use the simplified process, and be subject to zero percent IOM income tax."

Another attraction is the island's customer-focused Customs & Excise service which also administers VAT. IOM companies can clear imports directly into the UK using the island's own Entry Processing Unit.

### Ernst and Young – High net worth tax expertise



**Ian Jones**  
Senior VAT Consultant  
+44 (0) 1624 691 823  
ijones@im.ey.com



The Isle of Man prides itself as the jurisdiction of choice for many high net worth individuals. It is the only offshore centre

which is part of the Single Market territory for trading purposes and where VAT registration can be obtained facilitating EU trade. It is the ideal location for VAT efficient ownership structures including commercial yacht operations or leasing structures for yachts and aircraft.

Isle of Man companies operating commercial yacht structures are able to recover VAT incurred on the purchase and operation of the vessels, whilst the charter income is treated as VAT zero rated. For yacht and aircraft leasing structures VAT on the purchase can be recovered with repayment spread over a number of years (currently up to 20 years).

Ian Jones, senior VAT consultant at Ernst and Young, said: "We offer a range of planning options for aircraft and both commercial yacht operations and those for private use. We specialise in the importation of yachts without the physical payment of VAT or providing a bank guarantee. We have our own VAT deferral account for imports into the UK or Isle of Man."

Isle of Man registered yachts have the right to fly the prestigious "Red Ensign" and access the support of British consular services world-wide. The register provides absolute security of mortgages and title registered in the Isle of Man. Commercial yachts (of 24 metres or more) or private yachts can be registered.

Mr Jones said: "In 2007, the Isle of Man launched its own aircraft registry, the first European register dedicated to high quality private jets and helicopters. Aircraft registered here bear the nationality mark "M", the neutrality of the prefix is beneficial to aircraft being operated globally. Personal registrations may be transferred to the owner's next aircraft. Although Isle of Man registered aircraft cannot be used for passenger transport, subject to certain conditions, they are permitted to be leased to third parties."

Both registries have high international standards, offering cost effective and highly efficient services whilst maintaining a flexible and personal approach. An additional benefit is there is no insurance premium tax in the Isle of Man. High net worth individuals can also find the Isle of Man an attractive place to reside for tax purposes.

Mr Jones said: "Manx residents are taxed on their worldwide income. The standard rate of income tax is 10% with a higher rate of 18% and an individual's income tax liability can now be capped at £100,000 per year. There is no capital gains tax, inheritance tax or stamp duty in the Isle of Man."

### PricewaterhouseCoopers – Advisory strength



**Alison Cregeen**  
Advisory Manager  
+44 (0) 1624 689 689  
alison.cregeen@iom.pwc.com



Advisory work is a big part of any accountancy practice's operations using their skills to advise on a range of transactions or situations that affect businesses.

Alison Cregeen is an advisory manager with PricewaterhouseCoopers in the Isle of Man. She specialises in forensic accounting but says much of the work in the Island is based around regulation and risk management services.

She says the nature of the advisory work in the Island is similar to anywhere else, but the size and type of assignments differs significantly.

Regulatory compliance and risk management services have particular importance in an environment which has a diverse range of financial services industries, and, therefore, a requirement for regulation which is both robust and effective.

Ms Cregeen said: "I previously worked for a big London firm where there were lots of different arms to the advisory practice, but here our broad range of services is carried out by a much smaller team and hence the need for our advisory specialists to have very adaptable skills. We perform a small number of sale and purchase agreement or transaction services projects" She added: "On occasions we might not perform the whole of the work on such deals because, quite often, companies here are subsidiaries or branches and the driver of these transactions is outwith the Isle of Man and so the projects are handled somewhere else. We would handle aspects specific to the Isle of Man eg. impact of Isle of Man taxation, pension arrangements or regulations."

PricewaterhouseCoopers has proven expertise in liquidations, with partner Mike Simpson appointed as liquidator provisionally for the Isle of Man arm of the failed Icelandic bank Kaupthing (Kaupthing Singer & Friedlander).

Mr Simpson was also appointed to the liquidation of airline EuroManx and the Shepherds fund in recent years.

Ms Cregeen believes that the ability of PwC to draw on resources in London and further afield was a crucial factor in its appointment as liquidator on these large complex cases.

She said: "Our firm has multinational business expertise around the world. We needed a far larger team than was available in the Island to deal with Kaupthing Singer & Friedlander, so we drew staff from London."

In a changing regulatory climate, it is vital to be up to date with the latest developments. PwC's advisory team has a broad skill base and detailed knowledge of current regulations, and is involved in the consultative process for new regulations, putting them in the ideal position to assist clients in ensuring they remain aware of all relevant changes, and are compliant at all times.