



A professional services organisation serving the needs of international private clients, their businesses and their families

Welcome

By Colin Porter, Chief Executive Officer

Welcome to the Autumn edition of the STM Group newsletter.

The last two quarters have seen the global markets emerging very slowly from the ongoing effects of the credit crunch.

There has been slight growth in the UK this year, along with a great deal of change as the new coalition Government's emergency budget stamped its mark on the economy. The introduction of the 50% rate of income tax on 6 April, and the subsequent increase of 10% in Capital Gains Tax to 28% has meant that tax-effective strategies are an increasingly important option, particularly for High Net Worth Individuals.

As announced in our interim statement, I am pleased to report that unaudited Group turnover for the first half of 2010 is up on the same period last year, at approximately £4.65 million (H1 2009: £4.13 million). The Group's core corporate and trustee service businesses in Gibraltar and Jersey have delivered solid performances, while there are encouraging signs of trading improvements across the Group's other emerging divisions.

As a Group we have been working hard to increase the opportunities we offer our clients. In April, we acquired Zenith, a Jersey-based trust company, to join the existing STM Fiduciaire business on the island and help provide significant and predictable earnings for the Group. My thanks go to all the staff members in Jersey who have helped with a successful integration. You can find out a little more about Michael Sampson, the new Managing Director of the Jersey office, on page 3.

Our tax advisory division continues to expand its international network and we have introduced a name change which reflects this, helping to distinguish it and the services it provides. STM Fiscalis Limited will continue to offer advice, through our internationally-trained and qualified tax professionals, on the establishment, implementation and monitoring of international structures, both for private clients and international organisations.

On page 2 we take an in-depth look at the many advantages of becoming a Swiss resident – they are not purely fiscal, as Switzerland's excellent location, geography and public services provide a fantastic standard of living. See how STM Swiss can help you to settle there.

Finally, I would like to make a special mention of Tim Revill, who stepped down from the STM Group board in September having recently turned 60. Tim founded Fidecs Group in 1989, which grew to become our existing STM Fidecs business in Gibraltar after it was acquired by the STM Group Plc in 2007. Tim was the driving force behind the creation of STM and will continue to work on new business development across the Group, particularly in helping to grow STM Swiss. His significant knowledge and expertise has been invaluable in the growth to date and we look forward to benefiting from his ongoing involvement.

I hope you enjoy reading this newsletter. As always, I would be happy to hear your comments.

Colin Porter
Chief Executive Officer,
STM Group Plc

Autumn 2010

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Our Locations



Gibraltar □ Spain □ Jersey □ Switzerland

Swiss Gold



“STM Swiss can advise on aspects of taking up Swiss residency, from tax issues to your burning questions about what it’s really like living there.”

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The attractiveness of Switzerland’s tax regime is well known. What is less widely publicised, however, is the country’s appeal to new residents in terms of everything else – its culture, geography, public services and standard of living.

Swiss standards

You don’t have to look too closely to see why so many HNWIs take up residence in Switzerland. It offers an idyllic combination of political, social and economic stability, with a high standard of living that includes excellent healthcare, low crime rates and a healthy lifestyle.

Furthermore, Switzerland has stunning geography, and due to its central location in Europe, has easy access to France, Germany, Italy and Austria. International airports mean it’s well-connected to the rest of the world, too.

Switzerland regularly achieves top rankings in basics such as an efficient legal system, long-term stability, free competition, and innovation. Government institutions work efficiently and are dedicated to minimising red tape.

For sports enthusiasts, there’s a wealth of outdoor opportunities, from the famous Swiss ski resorts to walking, cycling, golf, tennis and watersports on one of the many Swiss lakes.

It is quite straightforward for a foreigner who has obtained a Swiss residence permit to purchase Swiss property. Property prices in the main cities like Zurich and Geneva are comparable to London and Paris (but cheaper in rural areas) and foreigners can get a mortgage of up to 80% on a Swiss property. Transactions are overseen by a public notary and, although fees for buying a property vary from canton to canton, expect to pay around 4% in total. Swiss properties can be retained even if you decide to become non-resident at a later date.

The political system

The Swiss Confederation is a federal republic of 26 cantons, each with its own constitution, parliament, laws and courts. The Federal Constitution gives each canton equal rights and a high degree of independence.

The cantons are divided into some 2,900 municipalities, or “communes”. Again, each has a good degree of autonomy, with its own elected authorities and responsibility.

Based on the spirit of independence arising from the commune structure, Switzerland is one of the most democratic countries in the world.

Establishing residency

Foreign nationals, like European Union nationals, who don’t need a visa to enter Switzerland can stay for up to three months without the need for a residence permit, provided they do not perform any gainful activity or employment in Switzerland. After three months, they must either leave Switzerland or apply for a Swiss residence permit.

Foreign nationals are considered to be a tax resident of Switzerland if they are resident in Switzerland for a minimum of either 30 days and in gainful employment, or 90 days if not.

In basic terms, an EU national can obtain a Swiss residence permit based on either Swiss employment or by being financially independent, for example as a retiree.

Tax matters

With moderate tax rates and significant incentives in certain cantons, Switzerland has an attractive tax regime. Because each commune and canton has such independence, there is inevitably a wide variety in the way each is run and what the respective tax rates are. So, when considering moving to Switzerland, it’s vital to look thoroughly into which canton best meets your needs.

Every canton has the right to raise taxes, although certain taxes, such as VAT, stamp duty and withholding tax are reserved for the Confederation. Communes are permitted to raise local taxes in accordance with the constitution of the canton in which they are situated.

The federal government levies personal income tax with a top tax rate of 11.5%. Cantons and municipals can also impose personal income tax. Accordingly, an individual’s total personal income tax rate (i.e. federal, cantonal and municipal) will depend on their place of residence and their personal circumstances (marital status, children etc.).

A net wealth tax of up to 1% is only levied at cantonal level, based on the fair market value of the taxpayer’s assets.

Individuals with no gainful activity or employment in Switzerland and who become resident in Switzerland for the first time (or after an absence on 10 years) can apply for fixed annual taxation based on their deemed annual living expenses instead of on their actual worldwide income and wealth.

This so-called ‘lump-sum’ taxation is based on the living expenses of an individual and their direct family. There is no requirement to disclose worldwide income and wealth. The arrangements vary considerably from canton to canton (it is no longer possible in the canton of Zurich).

The agreed minimum taxable income is subject to the normal progressive income tax rates. The arrangement is agreed for several years, unless the taxpayer’s circumstances change (e.g. the individual obtains Swiss nationality or Swiss employment at a later point in time).

Importance of local knowledge

Taking professional tax advice will help you decide on which of the 26 cantons best meets your needs. STM Swiss can advise you on taking up Swiss residency, from tax issues to your burning questions about what it’s really like living there.

Profile: Michael Sampson Managing Director, STM Fiduciaire, Jersey

Michael Sampson became the new Managing Director of the Jersey office when STM acquired Zenith Trust Company in April this year. Michael is an early member of the Society of Trust and Estate Practitioners.

A very experienced trust company business practitioner, he has over 45 years' experience at all levels of the finance industry in Jersey, 30 years of which have been as a director and 15 years especially at managing director.

"I major in trust and succession planning, particularly in helping to structure non-domiciliaries wishing to live or invest in the United Kingdom," he says. "I try to cover the technical aspects of trusts, companies and foundations from the offshore view."

A focused and dependable individual, Michael enjoys very good intermediary relationships which have grown over the years. Michael works closely with fellow professionals in the UK and elsewhere in structuring arrangements and delivering the right solutions to clients and their advisers.

"It is more and more important from a fiscal and trust law perspective to ensure substance over form and, as a firm, we do our best to show clearly that the control and management of a structure is with us rather than the structure being the alter ego of the client," Michael comments. "Passive acceptance is no longer the regime and I know that the way in which we manage our trusts, companies and foundations is one of the reasons why the same advisers use us time and again."

Michael is now responsible for ensuring STM's performance as a regulated fiduciary service provider in Jersey.

Zenith was established in 1994 and Michael joined from Trident Trust in 2004 as the director responsible for business development and to be the author of structured systems and staff training on technical issues. A year later he was appointed Managing Director of Zenith. The Zenith business was selected by STM over other potential businesses for a number of reasons, but Zenith's staff and systems were major factors in the

eventual selection. Michael and his key team are already well-known and well-respected amongst the professionals who introduce business to the Group.

Zenith made available corporate, trustee and foundation services to an international clientele, although the majority have some form of UK connection, either by residing in the UK, or by the ownership of UK assets. "From the start it was obvious that the STM Group shared the same philosophies as Zenith, aiming to deliver a high-quality service," Michael reflects.

"The essence of what we are trying to achieve is largely based on communication to and from clients and their advisers. In other words, if we are asked a question, then we answer it accurately and speedily. Attention to detail is paramount and we strive to achieve it. Now we can offer a wider range of products and structures to help provide an even better opportunity for our clients and their advisers."



"From the start it was obvious that the STM Group shared the same philosophies as Zenith."



STM life Bonds Can Help High Earners

Following recent UK budgets many UK resident high earners may be faced with a larger tax bill. The two main areas are the introduction of a new top rate of income tax of 50% and a change to the personal income tax allowance. However, using an offshore bond may help to ease the effects.

The 50% income tax rate

As from 6 April 2010, UK residents with income over £150,000 will be subject to a new tax rate of 50% (42.5% for dividend income).

Change to the personal income tax allowance

Individuals whose income exceeds £100,000 will have their personal allowance reduced at a rate of £1 for every £2 of income above the £100,000 limit. This means that anyone whose taxable income is over £112,950 (based on a personal allowance currently of £6,475), will not be entitled to any personal allowance. If, for example, a UK

resident has taxable earnings of £100,000 but also holds an asset which produces income of £5,000 annually, this would push the individual's income over the £100,000 threshold and, therefore reduce the personal allowances by £2,500.

STM Life Bonds

The STM Life Bonds are an alternative structure to a trust company or pension scheme, in which to hold investments and other private assets and there are several types to choose from.

With the specially developed STM International Life Bond and subject to certain conditions being met, assets held within the policy can accumulate in a tax efficient environment because for UK residents, income and capital gains arising within the policy should not be attributed to the policyholder under the UK's tax legislation.

Also, if the policyholder is UK resident, they can make an annual withdrawal of up to 5% of the total

premiums paid into the policy. This is free of immediate UK tax, up to a maximum of 100% over a 20 year period. If not used in any one year then this amount can be carried forward and used in subsequent years. This is particularly beneficial as the withdrawal of funds from other non-UK structures is usually deemed to be taxable gains or income in the UK. The withdrawal will be taken into account in calculating the gain on any final surrender, which if the policy holder is UK resident, will be chargeable to UK income tax.

However, the STM Life Bonds can be surrendered or partially surrendered at any time. If, for example, a policyholder is non-UK resident at the time they surrender the bond, it is possible that the underlying investments may be distributed free of any UK income tax.

Individuals considering an offshore bond must take professional advice as to its suitability in their specific circumstances.

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STM Fiscalis: The New Name For STM's International Tax Division

STM Group's international tax division has changed its name, from STM Fidecs Advisory Limited to STM Fiscalis Limited.

The change reflects STM Fiscalis's provision of international advice on the establishment, implementation and monitoring of international structures, both for private clients and international organisations.

STM Fiscalis's internationally-trained and qualified tax professionals advise on the use of trusts, foundations, life bonds, companies and other legal forms throughout the world.

Helping HNWIs

For High Net Worth Individuals (HNWIs), services include obtaining preferential tax status and advising on tax planning opportunities following relocation, including international pension, estate and wealth planning.

STM Fiscalis can also help with structuring international groups, including advice on intellectual property planning and on dividend, royalty and interest income.

Colin Porter, STM Group Plc Chief Executive Officer, commented: "This

change represents the further development of the international tax division as they continue to expand their international network, with a name that will distinguish them and the services they provide."

"Make sure all the right steps are taken to ensure the company is resident in the jurisdiction intended."

Company Residence



what activity is being carried on and the type of tax involved.

In 2009, a UK First Tier Tax Tribunal case (*Laerstate BV v HMRC* [2009] UKFTT (TC)) found in favour of the UK tax authorities (HMRC) ruling that both the "central management and control" and "effective management" of a Dutch incorporated company resided in the UK. This case is being appealed in December 2010 but it is currently HMRC's first major win on such a matter in a considerable time.

This could result in HMRC being more likely to challenge a company's residency status. Therefore, it is important that non-UK resident companies which, for example, have directors and shareholders resident in the UK, make sure all the right steps are taken to ensure the company is resident in the jurisdiction intended, together with the supporting documentation and paperwork.

The *Laerstate* case was a timely reminder that for UK tax purposes it is important that non-resident directors should sign all documentation and hold regular board meetings outside the UK, with all strategic policy decisions being taken at these meetings. However, there are many more practical points that can be taken from this and previous UK cases.

At STM Fiscalis Limited, International Tax Advisors, we can review the position of new or existing companies, providing both guidelines and recommendations, to ensure that a company's residence position is as strong as possible.

The residency of 'offshore' companies is increasingly coming into the spotlight of tax authorities both within the UK and other European Union countries. Each country takes its own approach in considering whether an offshore company is resident in its jurisdiction, but the implications if it is will be similar in that the profits of the offshore company could be taxable in that country.

Generally, company residence is an area of tax largely influenced by case law and there have been recent cases both in the UK and EU courts. The approach of EU countries and the EU courts tends to focus on the actual presence, also known as "substance", of the company in a jurisdiction, such as offices, employees etc. Substance can be difficult to interpret especially as each jurisdiction has its own requirements, which can depend on

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The Gibraltar Income Tax Act 2010: Companies



On 16 June 2010 the Government of Gibraltar published a proposed new Income Tax Act. The government are planning on formally publishing the draft Bill for Parliamentary approval by October 2010 and it is expected to take effect from 1 January 2011.

The Government states that this new Act, "completes Gibraltar's 14 year transition from tax haven to mainstream European Financial services centre." The new, low company tax rate of 10% is competitive but one that can only be introduced by the Government creating a "climate of compliance".

The Act, therefore, increases both administration and anti-avoidance regulations but there are still many opportunities in Gibraltar for companies. The following takes a look at the key measures of the proposed new Act in relation to companies.

Company tax rate and income chargeable to tax

As previously announced, the new Act reduces the company tax rate to 10% from 22% from 1 January 2011 for most companies. This coincides with the abolition of the tax exempt company regime on 31 December 2010.

The "territorial basis" of taxation is "enshrined" in the Act and confirms that companies will only be taxed on income accruing in and derived from Gibraltar, which may be of particular interest to companies operating internationally.

In addition to capital gains, interest income (other than trading income) and royalties will now not be subject to tax in Gibraltar.

Taxable profits will be calculated in accordance with international accounting standards. Expenses will now only be deductible if they are wholly, exclusively and necessarily laid out or expended for the purposes of the trade, business, profession or vocation.

Tax administration and payments

The Government has introduced the concept of self-assessment so that companies are now required to make returns of their taxable income and calculate their own tax liability for each year.

Companies will be taxed by reference to their accounting period on a current year basis and will be required to submit the tax return within six months of their year end.

A tax payment may be required at the same time the tax return is submitted but the Act also introduces payments on account for companies. Companies are required to make two payments on account in each calendar year; one on 28 February and the other on 31 August. Each payment will be equal to 50% of the tax payable for the previous accounting period.

For existing ordinarily-resident Gibraltar companies, there will be detailed transitional provisions in relation to the change of basis of assessment i.e. from preceding year to current year.

There is currently no withholding tax on dividends and royalties in Gibraltar and under the new Act there will be no withholding tax on interest payments either.

Anti-avoidance

The Act includes general and extensive specific anti-avoidance provisions, including:

- transfer pricing in relation to transactions with connected parties
- thin capitalisation rules on loans to companies by individuals
- back-to-back loan arrangements.

However, there is a motive exemption which can apply if transactions are "bona fide commercial" and not designed for the purpose of avoiding tax. It will be necessary to prove this to the satisfaction of the Commissioner of Income Tax. An advanced clearance procedure will be available.

Surcharges, penalties, offences and miscellaneous

There is a system of penalties, which can be both daily penalties and also tax-geared penalties up to 150% of the tax liability, in relation to a failure to comply or for false returns, with criminal liability for prolonged failure to comply with information notices. Criminal offences are also introduced for fraudulent evasion of tax and failure to pay over tax and social insurances withheld or collected.

High surcharges are also imposed on any late payment of tax.

The Act gives power to the Commissioner of Income Tax to name and shame "tax offenders", which applies to those who have failed to collect or pay over more than £5,000 of PAYE and other similar liabilities. The Commissioner also has wide information gathering and investigating powers, including the power to obtain a search warrant to enter premises to obtain information.

Gibraltar remains competitive

With the new, low tax rate and the continued territorial basis of taxation, along with potential benefits for Gibraltar companies from EU direct tax directives, Gibraltar remains a jurisdiction with plenty to offer for companies.

STM can help establish your company in Gibraltar but also provide tax advice so the company can benefit from Gibraltar's competitive corporation tax system as well as assistance so that the company meets all its compliance obligations in Gibraltar.

"With the new, low tax rate and the continued territorial basis of taxation...

Gibraltar remains a jurisdiction with plenty to offer for companies."

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The STM EFRBS: A Non-aggressive Retirement Package



“Our view is that
with our
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The UK government announced in the 2010 budget that it will be introducing anti-avoidance legislation to combat the use of employee trusts and other vehicles in remuneration arrangements.

It released a statement which says, "The Government will be taking action to prevent efforts to avoid tax and National Insurance Contributions (NICs) on earnings provided through the use of trusts and other vehicles.

"Employers and employees are entering into arrangements using trusts and other vehicles that seek to avoid, defer or reduce liabilities to income tax and NICs on earnings or that seek to avoid restrictions on pensions tax relief."

"Arrangements in some cases seek to rely on the use of complex intermediary structures, some of which may be offshore."

"The Government is considering options for tackling these arrangements, including those which seek to avoid the restrictions on tax relief for pension schemes, and intends to introduce legislation in due course to take effect from 6 April 2011."

No further details are given, but Ian Jones, founder of EFRBS specialist Castellan, believes the Government is likely to include the use of sub-trusts, where close companies give monies to trusts which are then allocated so they are restricted for the benefit of individuals and families. Alternatively, benefits are provided tax-free after the end of employment.

Since it appears the measures will be preventing or deterring arrangements to disguise payments of remuneration, it is assumed that the employee would receive some sort of benefit, for example a loan. To disguise payments would infer that it is a non-commercial arrangement.

For many months, Castellan has been advocating strongly that any loan made to a member must be made by the trustees on a commercial basis.

STM Life Health and Pensions Director, David Erhardt, commented, "Our view is that with our conservative approach and robust structure we will survive any attack."

We believe that EFRBS will be maintained as a long-term planning solution that can efficiently accumulate funds outside of an individual's estate for inheritance tax, due to the way that the trust deed has been structured and the benefits it provides.

In particular we have always advocated that loans may be restricted, especially where the loans are not of a commercial nature. It may be that in future companies decide to take the most prudent route and remove the loans to members altogether.

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The STM QROPS



A QROPS is an overseas pension scheme into which UK private pension rights can be transferred.

UK non-residents, or those planning to become non-resident in the next 12 months, can apply to transfer their pension scheme into a QROPS. Applicants must be aged between 18 and 75.

The scheme has to meet certain criteria set out by HM Revenue and Customs (HMRC) and act as if it were a UK scheme for QROPS members who have been resident in the UK at any time in the previous five tax years.

A QROPS transfer is not subject to taxation unless it exceeds lifetime allowances, currently £1.8 million (in 2010/2011 tax year).

Advantages of QROPS

A QROPS can offer significant taxation and investment advantages, allowing many UK pension holders to get more out of their UK pension. It provides:

- greater control over where your pension fund is invested
- tax efficiency – you may be able to substantially reduce the tax that you would have to pay when accessing your pension
- inheritance benefits – you can pass on your pension pot to your beneficiary upon death
- Simplicity - numerous pensions can be consolidated into one QROPS.

The key attraction of transferring UK pension rights to a QROPS for those who have been non-UK resident for at least five tax years is that the pension fund becomes subject to some of the laws of the relevant overseas jurisdiction.

Since the Finance Act (2008), the argument for the expat transferring UK pension rights to a QROPS has become even more compelling.

Among other advantages is, for example, the fact that the UK requirement to purchase an annuity by age 75 (or be faced with the prospect of a possible 82% tax charge) no longer applies (although this is currently under review and the final outcome is unclear).

In addition, QROPS are free from UK inheritance tax (IHT), leaving more for the beneficiaries in the event of death.

As QROPS providers in multiple jurisdictions, with an expert team of advisors who have many years' experience of administering pension schemes, we'll help you understand the options available to you.

And if we think that Gibraltar is not the right place for your QROPS, we are able to advise on alternative jurisdictions.

Knowing Your QROPS From Your QNUPS



QNUPS (Qualifying Non-UK Pension Schemes) Regulations [SI 2010/0051] were introduced by HMRC on 15 February 2010 to give IHT protection for pension funds from the UK that were transferred to a QROPS.

The rule change rectified a problem with the Finance Act 2004 which meant that pension funds transferred into a QROPS would become liable to UK IHT.

The move essentially means that a QNUPS has to meet the same requirements as a QROPS but, unlike a QROPS, a QNUPS does not have to be registered with HMRC.

This means that all assets and contributions paid into a QNUPS, and pensions transferred from the UK, are free of UK IHT.

Whilst a QROPS is by definition a QNUPS, a QNUPS doesn't have to be a QROPS and can offer further advantages to UK taxpayers, offering a wider range of investments.

It is important to note that, whilst non-investment regulated QROPS can be transferred to a QNUPS, regulated QROPS face a 55% charge for an unauthorised payment, so regulated QROPS must first be moved into a non-regulated QROPS before the transfer to a QNUPS.

QNUPS are available to people who are either UK resident, or resident elsewhere in the world but have retained their UK domicile status for IHT.

Essentially, QNUPS can offer a substantial tax planning opportunity, particularly for HNWIs, whether resident in the UK or not.

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What Happens When a Trustee Makes a Mistake?

“It is important that, when exercising their powers, trustees take into account all relevant information.”



Trust Deeds generally give trustees wide powers to deal with trust assets, including making investments, and making payments to beneficiaries. It is important that, when exercising their powers, trustees take into account all relevant information.

This is often known as the ‘Prudent Man’ rule, formulated in some jurisdictions as acting in “bon père de famille”. The idea is that a trustee should act as a prudent man of business would act when managing his own affairs. It is generally considered that a professional trustee would have a higher duty of care.

Often, this duty of care extends to taking advice as to the consequences of actions. Sometimes despite taking these precautions, mistakes are made and unintended losses arise. In recent years, case law has developed which permits trustees and beneficiaries to put right mistakes which have led to unanticipated tax liabilities notwithstanding the advice that has been taken.

The principle is often known as the Hastings-Bass principle after a 1975 case *Hastings-Bass v IRC*. The concept of mistake is more general and was summarised by Millet J in 1990:

“Whenever there is a voluntary transaction by which one party intends to confer a bounty upon another, the deed will be set aside if the court is satisfied that the disposer did not intend the transaction to have an effect which it did.”

In 2009 and 2010, there have been some new cases that relate to the tax effects of the trustee’s mistake. Some of these are being appealed and trustees are watching developments with interest.

In *Futter v Futter* the high court confirmed that the rule in *Hastings-Bass* has four elements:

1. Trustees are acting under a discretion given to them by the terms of a trust.
2. The trustees are free to decide whether or not to exercise that discretion.
3. The effect of the exercise is different from that intended.
4. It is clear that they would not have acted as they did if they had not failed to take into account considerations which they ought to have taken into account.

In such circumstances the court will intervene. This is a strict test of what ought to be considered, not a broad ‘Get Out Of Jail Free’ card for trustees who come to regret their actions.

In the *Futter* case, the trustees took advice. The advice was wrong and a substantial CGT accrued. HMRC took the position that the issue was not the exercise of the trustees’ discretion - after all, the trustees had taken account of the consequences. It was the advice that was wrong and therefore should be a matter for the professional indemnity insurers. The court ruled that the trustees had failed to take account of the true consequences, and accordingly the exercise of the trustees’ power was void.

This last point is important. It means that the trustees/beneficiaries do not choose whether to set the transaction aside.

In the *Guernsey* case of *Gresh v RBC Trust* there was an income tax liability arising as a result of a discretionary distribution. It was argued that HMRC should not be party to the proceedings since that was tantamount to them being able to enforce a foreign tax in Guernsey.

The Court of Appeal disagreed, taking the position that HMRC has a direct interest in the subject matter of the action and was merely seeking to resolve a matter that may be important to its enforcement of UK tax revenue laws within the UK.

Gresh v RBC Trust reflects a change in stance of HMRC in relation to *Hastings-Bass* applications, and it is quite clear that they will seek to be actively involved, where previously they have been dormant in such applications.

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High Net Worth Individuals facing Insurance Challenges

By Andy Piggott, Gibro Wealth Limited



When it comes to arranging insurance cover for their worldwide assets, many High Net Worth Individuals (HNWIs) find the options for obtaining the best terms confusing to say the least.

With considerable assets to protect, many people leave themselves exposed with policies containing excessive small print, policy exclusions and warranties which, if not complied with (sometimes unknowingly), leave them considerably out of pocket when it comes to making a claim.

Picking your policy

People pay out good money in premiums and deserve the best that is available in the market, with insurers who not only provide excellent cover but are also financially stable. If we have learned anything from the past few years it is that even the largest companies can suffer from financial difficulties.

A top-quality insurance broker can overcome, on behalf of the client, many of these potential problems. A broker has a regulated duty to provide the optimum cover at the right price and make sure that the insurer is financially secure. Directing clients to a call centre, many staffed by inexperienced people, is a situation best avoided.

In our experience, many HNWI are unaware that policies exist to include all their worldwide assets on one policy. Their home(s), along with the belongings contained within it, is likely to be the most valuable possessions they own, so it is vitally important to get it right.

Meeting individual needs

We work with a panel of specialist insurers who assess each home on an individual basis and provide the cover best suited to the client's requirements. All policies are written in plain English, contain no hidden small print and are warranty-free. So, for example, if the windows are not locked, or the alarm not set, the claim will still be paid.

We believe that brokers should work with policyholders to ensure that sums insured are assessed and reflect the policyholder's needs.

We have found that many direct insurers and brokers rarely discuss the sums insured and how they have been calculated. Yet it is essential to know how the figures are arrived at and to make sure that special items e.g. antiques, fine arts, collectibles and jewellery are correctly covered. HNWI policies provide wider cover in respect of such items, usually with no excess.

In addition, the rating on fine art and antiques is lower than the standard contents rates – so taking them out of general contents figures and placing them within these categories will reduce premium costs.

The panel of insurers used to place cover do not provide an appraisal service. They will assess each property, calculating the rebuild cost and replacement costs of contents, so that cover levels are adequate.

As a result, they offer policies that contain no average clause, making under-insurance a thing of the past. Insurers also have access to a number of specialist valuers for fine art, antiques and jewellery, who provide valuation services at lower than usual rates, should these services be required.

But it doesn't stop there. Other assets can be added to the same policy, too. Cars (subject to individual country requirements), annual travel, personal legal liability, identity fraud, boats and private aircraft, even kidnap and ransom expenses. All on one policy, for one premium and, for the majority of our insurers, with no paperwork. Even claims are handled without forms.

As part of the Gibro service, claims are reported by us on the policyholder's behalf and all negotiations with insurers dealt with, to bring claims to a speedy settlement. If insurers appoint an adjuster (for large claims), we can arrange for one of our representatives to be present.

Proper advice pays off

In summary, it pays to take expert advice and select the right cover for your situation, especially if you have a portfolio of properties. This makes the claims process much smoother and avoids any aggravation or frustration to the policyholder.

About Gibro Wealth Limited

Gibro Wealth Limited is a licensed insurance brokers in Gibraltar. They also have representation in Spain, Portugal and the UK, enabling them to service insurance requirements locally.

The team members each have at least 25 years' experience in the insurance industry, based at all our locations.

Andy Piggott joined Gibro Wealth Limited in February 2010, operating from Gibraltar. Previously he owned and managed a successful HNWI insurance brokerage in the UK. The business was sold to a major national broker in 2008.

Christine Clark, who operates in Gibraltar and Spain joined Gibro Wealth Limited in May 2010, after 27 years handling HNWI insurances with a broker in Manchester, UK.

What else do Gibro Wealth do?

As independent advisors regulated by the UK Financial Services Authority, they also offer the following services:

- life protection
- all forms of wealth management, and investment advice.

“It pays to take expert advice and select the right cover for your situation...this makes the claims process much smoother.”

Further Information

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STM Group's RifCom Charity Challenge 2010

By Julian Camble



I am delighted to report that the RifCom Charity Challenge 2010 was a huge success in which the STM Team rose to all the challenges confronting us and triumphed over all, returning exhausted but exhilarated by the experience and proud of our achievements.

This was the fifth consecutive year that STM has entered a team into the annual corporate charity challenge event dedicated to the Rif Community Foundation (RifCom), a non-profit charitable organisation that works to help communities living in poverty in the Rif Mountains of Morocco (www.rifcom.org).

The event was a challenge even at the fund-raising stage but our array of very kind supporters enabled us to exceed the minimum sponsorship target for the charity and join the other 33 participants who were taken

far outside their comfort zone. Dropped into a remote market town in the Rif Mountains, we had to acquire supplies for the school enhancement project before hiking over the hills to 'Tazroute', a Rif village full of local history, yet totally off the beaten track.

We set to work at the local school, creating a football field, volleyball pitch and hop-scotch area as well as painting and enhancing the outside and inside of the school.



The STM Team, nick-named the STeAMers, undertook a stunning makeover, turning a dull shell of a classroom into a bright space full of colour and joy. Some of the school's students joined in, making the designs, and the whole room, their very own. We also created a new library for the school, stocked with books we had brought with us,

distributed numerous bags of donated clothes and helped enhance a local beauty-spot so that it could better attract small-scale tourism to benefit the village economically. The smiles on the local children's faces gave us all the reward we could ever need.



The following two days saw us all back on the trail, rising to the challenge of extreme heat, an eleven-hour slog through the mountains one day and a climb of nearly 1,000 metres on the next.

Overall it was an exhausting but extremely satisfying five days. I'm immensely proud of STeAMers' achievements and we are grateful to all our supporters, large and small, who helped us help the people of the Rif whose lives are less fortunate than our own.

STM Staff Take On The 25th Jersey Triathlon



August 2010 marked the 25th anniversary of the Jersey Triathlon. This Olympic-distance event consists of a 1.5km sea swim, 40km cycle and a 10km run.

Included in the field of almost 100 individual and team participants from around the world was STM's Gibraltar-based Group Business Developer Tony Lowes, alongside Jersey-based Lisle Fay of Mourant (HR/Legal) and Investec Bank's Carl Bonnevier. Tony and Lisle opted for the team selection (Lisle doing the run) with Carl opting for the individual section.

The race started in overcast conditions, which may have been an omen for the turbulent swim ahead. With more than 80 swimmers vying for a front spot, Tony got off to a great start in his strongest discipline, leading Carl out of the sea. However, Carl wasn't about to let him off the

hook, heading out of the first transition onto the bike stage ahead of Tony for the 40km cycle around the island, until a stumble and difficulty with a bike mount gave Tony the opportunity to make up lost ground and surge past.

Carl soon caught up and went on to complete the cycle leg in a personal best time of 69.43min to take the lead going into the run, completing the course in an excellent 2:47.34. Tony, meanwhile, managed a credible 87.34min cycle, handing over to Lisle, who in turn set off on the 10km run, bringing the duo home in a combined time of 3:09.13.

"The RifCom Charity Challenge 2010 was a huge success and the STM Team rose to all the challenges that confronted them."



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