

Isle of Man Private Foundations Overview

The Private Foundation represents a unique incorporated vehicle that is becoming increasingly popular for estate planning & asset protection.

By **Paul Harvey**, 9th April 2024

The Private Foundation represents a unique incorporated vehicle that is becoming increasingly popular for estate planning, asset protection, and a wide and varied array of activities. This article provides an overview of the Isle of Man Private Foundation.

1. The Basics of Foundations

The primary legislation regarding Isle of Man Foundations is the [Isle of Man Foundations Act 2011](#). This Act sets out the legal framework, features and requirements of Foundations registered in the Isle of Man.

Foundations are defined by two constitutional documents known as the Foundation Instrument and Foundation Rules.

The Foundation Instrument sets out basic information such as the Foundation name, objects, Council Members and Registered Agent details. It is similar to Company's memorandum, giving the Registrar the headline information. This document is publicly available.

The Foundation Rules provide an operational manual and rulebook that is specific to the individual objectives, functions and purpose of the Foundation. Similar to a Company's Articles, it details how the Foundation should be governed, including procedural considerations like the removal of Council Members, how Classes of Beneficiaries can be extended etc. The Rules are not supplied to the Registrar and unlike the Foundation Instrument are not publicly available, but a copy must be retained by the Registered

Whilst Foundations are incorporated entities, they possess a unique blend of characteristics shared with both Trusts and Companies.

Like a Trust:

- An Isle of Man Private Foundation is established with a clear intention to manage and administer the dedicated assets for a specific purpose e.g. charitable, commercial, or for the family's benefit.

- Though an Isle of Man Foundation does not require assets on establishment, typically personal assets are transferred from the Founder to the Foundation, similar to a Settlor transferring assets to their appointed Trustees.

- The Foundation has no shareholders or Guarantors but has Beneficiaries or Classes of Beneficiaries listed within the Foundation Rules, a constitutional document that is similar to a Trust Deed.

- Like Trustees of a Trust, the Foundation is managed by appointed Council Members that owe Fiduciary Duties to manage the assets in the best interests of the Foundation's objects.

- Income or capital are distributed according to the Foundation Rules and in line with its specific purpose.

- Similar to Isle of Man Trusts, Isle of Man Foundations offer a good level of confidentiality regarding the internal affairs, Founder, Beneficiaries, and asset arrangements.

Like a Private Limited Company:

- The Foundation receives a Certificate of Incorporation upon establishment, meaning that there is more legal certainty with regards to its existence when compared to a Trust.

- A Foundation is incorporated with separate legal personality. This separation grants them the ability to own property, enter contracts, and incur liabilities independently.

- A Founder's liability is limited to the assets they dedicate to the Foundation.

- Like the Board of Directors in the context of a Company and its Articles of Association, the Council Members carry out the governance of the Foundation and its management in accordance with the Foundation Rules and applicable laws.

- Like a Company, the Isle of Man Foundation must file Annual Returns. The current filing fee is £380 per Annual return.

- Any relevant changes to statutory information, such as a change of Registered Address or Registered Agent must be filed with the Registrar.

Given its features, the Isle of Man Private Foundation delivers a versatile modern legal structure which can be used to meet a very wide array of objectives.

2. Benefits and Uses

Foundations are commonly utilised by persons from those jurisdictions whose legal tradition stems from Civil Law. Examples of which include France, Germany, the Netherlands, Turkey, Brazil, Mexico and even blended systems like USA or Japan.

The Isle of Man Private Foundation is a great choice for clients who live in jurisdictions that allow the establishment of offshore vehicles, or those clients who are moving to a jurisdiction that provides an opportunity to structure their affairs in a beneficial manner

such as those that provide exemptions for overseas income and gains for a set period e.g. under the UK's newly announced Residence-based system, the Spanish Digital Nomad Visa, Israel's Aliyah incentive scheme, Malta's Non Dom regime etc.

Isle of Man Private Foundations are regularly used for reasons such as:

- Asset Protection

- Estate Planning

- Succession Planning

- Tax Efficiency (Potential benefits, depending on the Tax Residency of Founders and Beneficiaries)

- Philanthropy and Charitable Endeavours (Those seeking to register as a Charity must meet all legislative and regulatory requirements)

3. Isle of Man the Natural Home for Foundations

The Isle of Man is a leading jurisdiction for offshore structuring with a well-established heritage in the provision of fiduciary services. The Island is a self-governing Crown Dependency with its own government, laws and tax regime. Broadly the Island offers clients and their advisers features including:

- A beneficial tax regime with headline rates such as 0% Corporate Tax, 0% Capital Gains Tax, 0% Inheritance Tax, no Withholding Tax.

- A Common Law system that delivers dynamic, yet enduring legislation and case law developed with Financial Services in mind.

- A globally respected and compliant OECD whitelisted jurisdiction, with a well-regulated Trust & Corporate Services sector - all providers must be

licensed commensurate with their service offering and are regulated by the Isle of Man Financial Services Authority.

- Well regarded by banks around the world, with all major UK banks represented on Island - including Barclays, RBSI, HSBC and NatWest.

If you wish to find out more about Isle of Man Foundations, you can follow the links below:

1. [Isle of Man Foundations for Offshore Planning - An Introduction \(1 of 3\)](#)

1. [Establishing and Administering an Isle of Man Foundation \(2 of 3\)](#)

1. [When to use an Isle of Man Foundation \(3 of 3\)](#)

Get in touch

Dixcart's Isle of Man office is a Trust & Corporate Services Provider that is licensed and regulated by the Isle of Man Financial Services Authority. We have been delivering the highest standards of support to clients, their families and advisers since 1989.

If you or your client are considering the establishment of an offshore Foundation, please feel free to get in touch with Paul Harvey: advice.iom@dixcart.com

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