



TIME TO OPEN THE ENVELOPE

Removing a UK property from a corporate vehicle

With recent changes to the UK Inheritance Tax treatment of residential real estate owned by corporate entities, many of the previous benefits of holding a UK property in a corporate structure (or a trust and corporate structure), commonly referred to as an “enveloped property”, have finally been eroded.

OPENING THE ENVELOPE

Depending on the situation, following appropriate tax advice, it may now be time to complete the de-enveloping process by

- (i) transferring a property holding company to one or more beneficiaries (if the company is currently owned by a trust) and then liquidating that company; or
- (ii) liquidating a property holding company owned by a trust, to move to direct trust ownership of the property.

Our experienced team of qualified liquidators and support staff provide wind down and liquidation services to the Cayman Islands, the British Virgin Islands, Delaware and other jurisdictions. Where appropriate we may oversee the sale of the property as part of the liquidation resulting in the distribution of cash proceeds to the shareholders at the end of the process.

A TRUST CONNECTION?

Where a trust is involved, we are also able to act as trustee during the transition and manage the trust for the longer term or identify an alternative trustee once the reorganisation is complete. As part of the reorganisation we may also assist with the setup of a Private Trust Company (PTC) to act as a corporate trustee, if the risks of using a licensed trust company to directly own UK residential real estate are considered to be too high.

VOLUNTARY LIQUIDATION – THE FINAL ACT

Typically, the empty corporate vehicles are subjected to a voluntary liquidation, which as the name suggests, allows the company or limited partnership, acting by its director(s) or general partners, to pursue of their own accord, a formal dissolution providing of course that the entity is still solvent. The entity dissolution also ensures an end to all associated ongoing costs.

FEES AND CLIENT COMFORT

FFP typically offers a fixed fee for this type of situation with hands-on qualified liquidation experience to navigate the reorganisation. We note that stakeholders are increasingly insisting on the engagement of a liquidator who is truly independent of the entity’s historical transactions to safeguard their exposure during this process. In addition to the affairs of the entity being dealt with in a proper and complete manner, the voluntary liquidation process minimises the likelihood of any future claims being made against the entity or its directors by ensuring that all liabilities are extinguished and that the entity is formally dissolved and removed from the companies register.



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