

KEY FACTS

ALPHABET TRUSTS

THE ALPHABET TRUST IS DESIGNED TO OFFER SOUTH AFRICAN CLIENTS A TAX-EFFICIENT AND COMPLIANT OFFSHORE SOLUTION.

KEY COMPONENTS

Discretionary Trust

A Guernsey-based discretionary trust (the “Gsy Trust”) is established by the “Settlor” (the person who contributes assets to the Gsy Trust) and their beneficiaries. A Guernsey-based professional trustee (the “Trustee”) is appointed to act as trustee of the Gsy Trust.

Incorporation of a Guernsey Company

The Trustee incorporates a company in Guernsey (“GsyCo”). The GsyCo issues two classes of shares:

- > A-Class shares: held by the Trustee; these shares have voting and capital rights but limited income rights that differ from those of the B-Class shares held by the Settlor
- > B-Class shares: issued to the Settlor at full value, which carry voting and capital rights and limited income rights

FUNDING THE STRUCTURE

The structure may be funded through a combination of loans, novations, share subscriptions and capitalisation of GsyCo. This may result in the following South African tax outcomes, subject to professional advice:

- > Classification of the Gsy Trust and GsyCo as non-resident for South African tax purposes
- > No immediate South African tax consequences on establishment
- > Eligibility for South African exemptions on foreign dividends
- > Exclusion from the scope of the South African Controlled Foreign Corporation rules; allowing the net income of the GsyCo to not be attributed to South African shareholders
- > Non-application of South African transfer pricing provisions

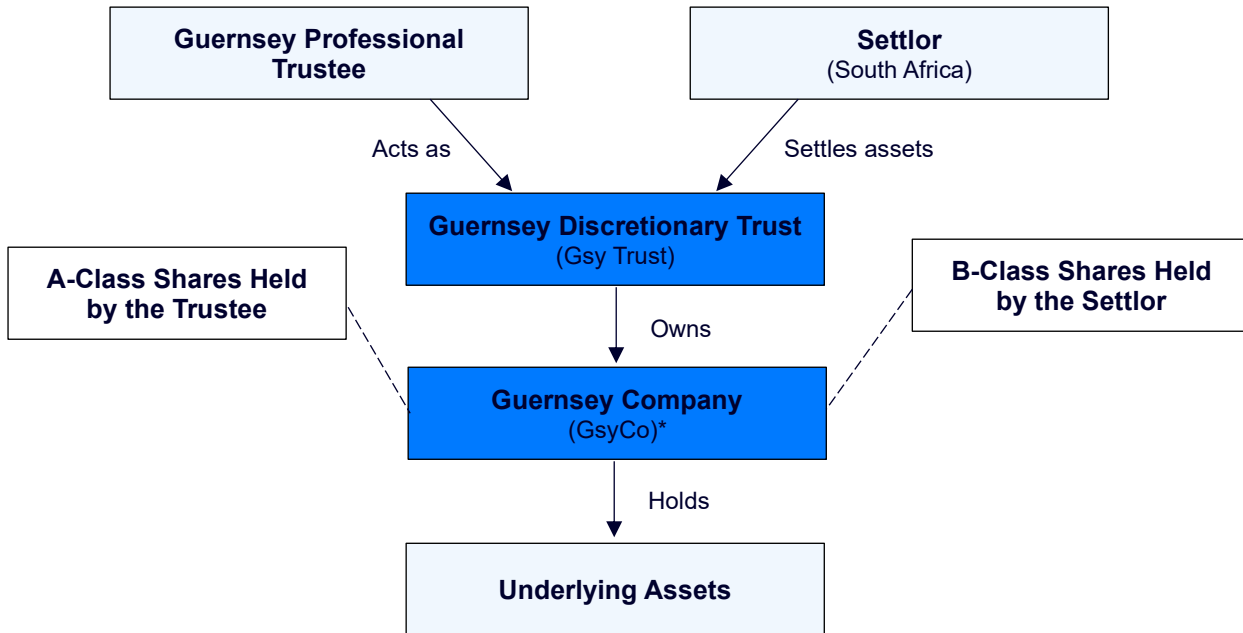
WHY A GUERNSEY TRUST?

Guernsey law trusts, governed by the Trusts (Guernsey) Law, 2007 (as amended) (the “Trust Law”), provide a flexible framework that can support succession and long-term planning for South African clients:

- > Guernsey trusts may exist indefinitely, enabling long-term wealth planning across generations.
- > Assets held in the Gsy Trust generally fall outside the settlor’s estate for probate purposes, subject to the terms of the trust instrument. The succession of B-Class shares held personally by the Settlor should be addressed separately by will.
- > The Settlor may retain certain powers or appoint a protector, and may provide guidance to the Trustee through a letter of wishes.
- > Guernsey law permits the appointment of professional investment managers to manage trust and company assets in accordance with agreed investment strategies.

The Trust Law provides statutory protections against certain creditor claims, and Guernsey trusts are not subject to a public register.

Sample Structure



Notes:

- > The Gsy Trust and GsyCo are typically treated as non-resident for South African tax purposes, subject to specialist advice.
- > No South African tax is generally triggered on establishment if funded with clean capital.
- > Foreign dividend exemptions may apply.
- > The structure is outside South African CFC rules, preventing attribution of GsyCo profits to South African shareholders.
- > South African transfer pricing rules may not apply where funding is structured on arm's-length terms.
- > Assets held in the Gsy Trust typically fall outside the Settlor's estate for probate purposes; succession of the B-Class shares should be dealt with by will.
- > Guernsey trusts may exist indefinitely and are not subject to a public register.

* A Guernsey company is used for illustrative purposes, but an alternative foreign-domiciled corporate structure can also be used, where applicable.

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