Key Facts
Jersey Property Unit Trusts

Jersey Property Unit Trusts (JPUTs) have long been a vehicle of choice for investment structures holding UK real estate, with key benefits being its simple and flexible structure as well as its transparent treatment for UK tax purposes.

What Is a JPUT?

A JPUT is a specific type of Jersey trust established under the Trusts (Jersey) Law 1984, which uniquely is created to hold assets (commonly UK real estate) for the benefit of unitholders upon the terms set out in the written trust instrument. Although it has the features of a traditional trust, in that it has no separate legal capacity, similar to preference shares in a company, it can issue different classes of units, which may allow certain investors to receive different returns on their units.

Trust Instrument

A JPUT is structured as a trust by way of a trust instrument which will be executed by the trustee.

Trustee and Representation on the Board of a Corporate Trustee

The trustee can either be a pre-existing regulated Jersey trust company or, more typically, the trustee will be a Jersey special purpose vehicle (SPV) trustee incorporated specifically to act as trustee of one or more JPUTs.

An SPV trustee will generally seek to rely on an exemption from regulation, and so the JPUT will need to be structured so as to fall within an appropriate exemption.

An SPV trustee is commonly owned by a charitable trust and therefore will be an 'orphan' company with no parent company.

The SPV trustee will typically be structured as a company and will be administered by a Jersey trust company, who will also provide directors, a company secretary and a registered office.

There is even the potential (but subject to appropriate tax advice) of one or more of the unitholders acting as directors of the board of the SPV trustee.

Establishing the JPUT

As well as the execution of the trust instrument by the trustee, usually, one or two 'founder' investors will establish the JPUT by settling a cash sum or cash subscription for initial units in the trust (e.g., £100 for 100 units issued at £1.00 each).

Funding and Distributions

The JPUT can be funded in a number of ways, including:

- Cash – investors will subscribe for units using cash
- Real estate or other assets – where the investor contributes an asset to the JPUT in return for units
- Loans

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The trust instrument will need to be drafted by qualified advisers to ensure that it is tailored to the client's specific requirements, but generally speaking, there are no restrictions under Jersey law as to the manner in which the JPUT may make distributions of capital or income. However, see below in respect of the UK tax treatment of JPUTs.

Regulation of JPUTs

This note is focussed on JPUTs which are not regulated in Jersey as a fund.

Typically, where a JPUT is created to hold a single asset (i.e., UK real estate) it will generally not be regulated in Jersey as a fund, and will only be subject to the consent of the Jersey Financial Services Commission (JFSC) to the issuance of the units by way of a Control of Borrowing Order consent. However, where a JPUT is a fund (i.e., operates under the principle of risk spreading with pooled assets) there are a variety of regulatory options available but which are not commented upon in this note.

Publically Available Information

On the basis that a JPUT is a trust, its existence does not appear on a public register in Jersey. The trust instrument, the register of unitholders and the consent issued by the JFSC are not publicly available documents.

Tax Treatment of a JPUT

United Kingdom

The UK tax treatment of any JPUT will need to be checked with UK tax advisers on a case-by-case basis. Generally speaking, however, in Trident's experience, some of the potential advantages of a JPUT for investment in UK real estate from a UK tax perspective include:

- If structured as a 'Baker Trust' (i.e., the trust instrument provides that the income from the trust accrues to and belongs to unitholders as it arises, rather than forming part of the trust fund for later distribution), the JPUT should be treated as transparent for UK income tax purposes, and thus only the unitholders (and not the JPUT) are subject to UK income tax, putting them in the same position as if they had invested directly in the property. This may be beneficial for tax exempt investors.
- If a JPUT has made a 'transparency election', the JPUT should be treated as transparent for UK capital gains tax purposes, and as a result only the unitholders (and not the JPUT) should be subject to UK capital gains tax, putting them in the same position as if they had invested directly in the property. Again, this may be beneficial for tax exempt investors.
- The sale of any units should not be subject to UK stamp duty land tax.

Jersey

- No Jersey income tax or capital gains tax is payable by the trustee (provided that no unitholder is a natural person who is Jersey tax resident).
- No Jersey withholding tax is applied on interest payments or distributions by the trustee (provided that no unitholder is a natural person who is Jersey tax resident).
- No stamp duty is payable on the transfer of any units.

Summary of the Potential Benefits of a JPUT

- Simple and flexible structuring
- Ease of getting assets into or out of a JPUT
- No Jersey tax
- Potential UK tax advantages
- Bespoke structuring and levels of control for investors

Key Facts
Jersey Property Unit Trusts

- Light touch registration or regulation if a single asset is not structured as a fund
- Confidentiality and security for investors
- Familiar structuring to international real estate lenders, advisors and investors
- Internationally recognised secure and stable judicial and political jurisdiction in which to structure private wealth assets

Find Out More
If you would like to discuss any aspects of the above in more detail, please contact your usual Trident representative or email Trident Jersey directly at jersey@tridenttrust.com.

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