

Future-proofing real estate structures

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An introduction to VG

Claire Malkoun

Director – Business Development

Independence



Independent and privately
owned

Partnership



Top 50 clients have partnered
with us for over 10 years on
average

Continuity



37% of staff have been with us
for more than 10 years

(as at 1 January 2019)

Scale



Over 100 people

Expertise



Over 35 years of knowledge
and experience

Jersey



Located in Jersey, Channel
Islands

Over 20 years of finding Islamic solutions



Japanese equities fund

2000



London central listed fund

2010



German real estate – a large distribution centre

2017



1996
First Shariah-compliant fund in Jersey investing in US real estate



2005
Caravan Sukuk



2011
Alternative financing structure



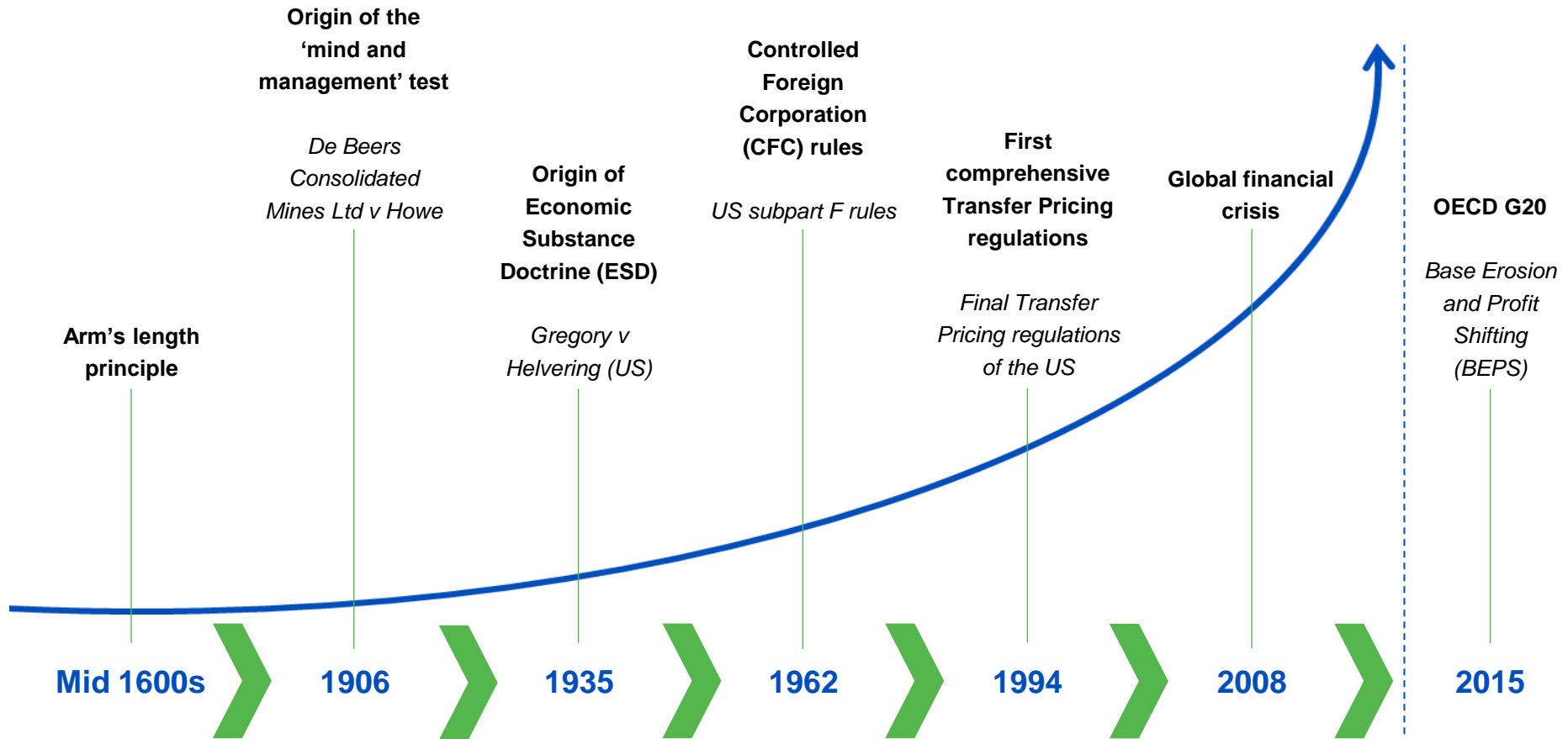
2018, 2017, 2016
Winner – Best Islamic Trust Formation Services

Governance and substance

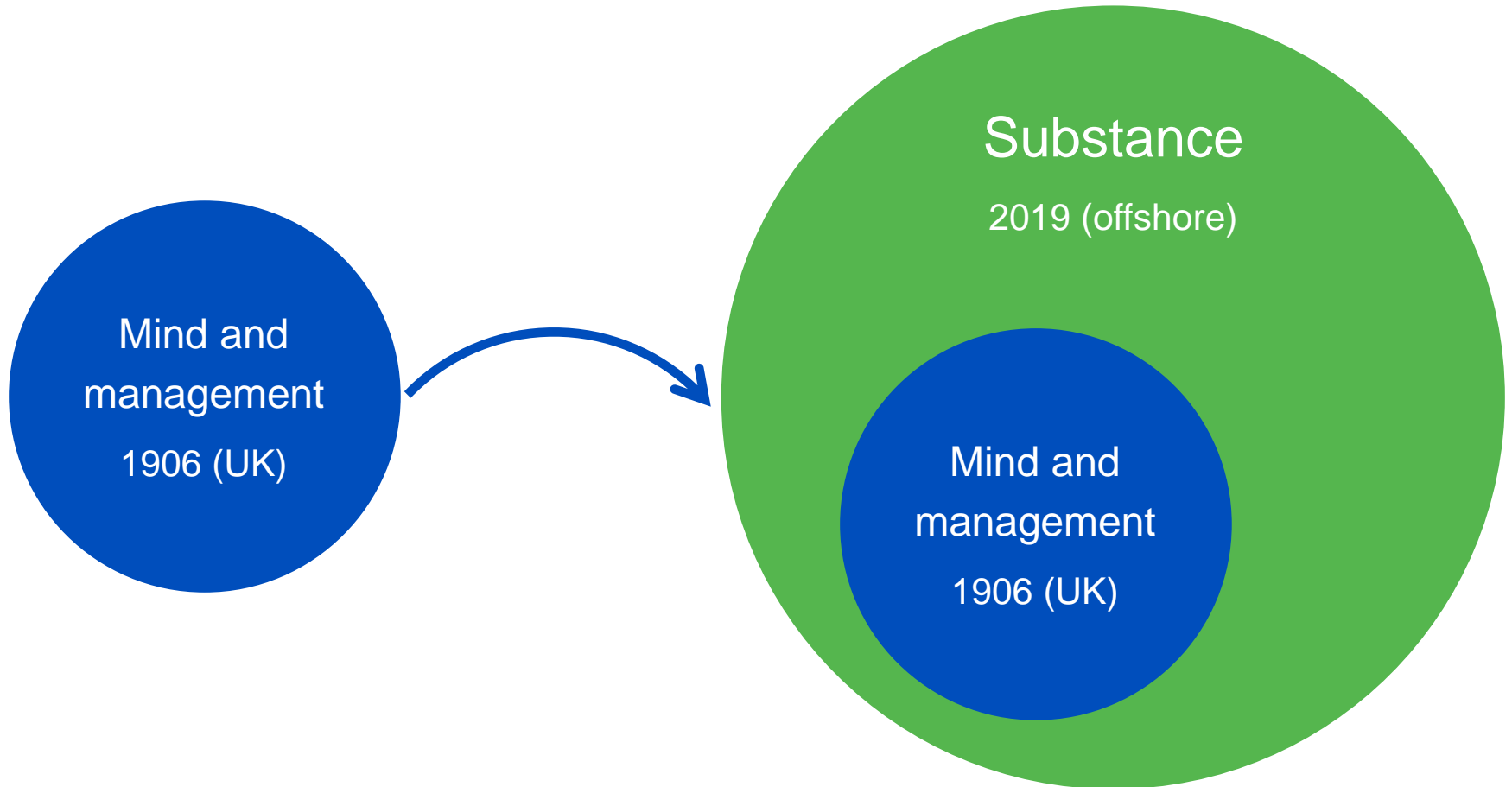
Mark Hucker

Managing Director

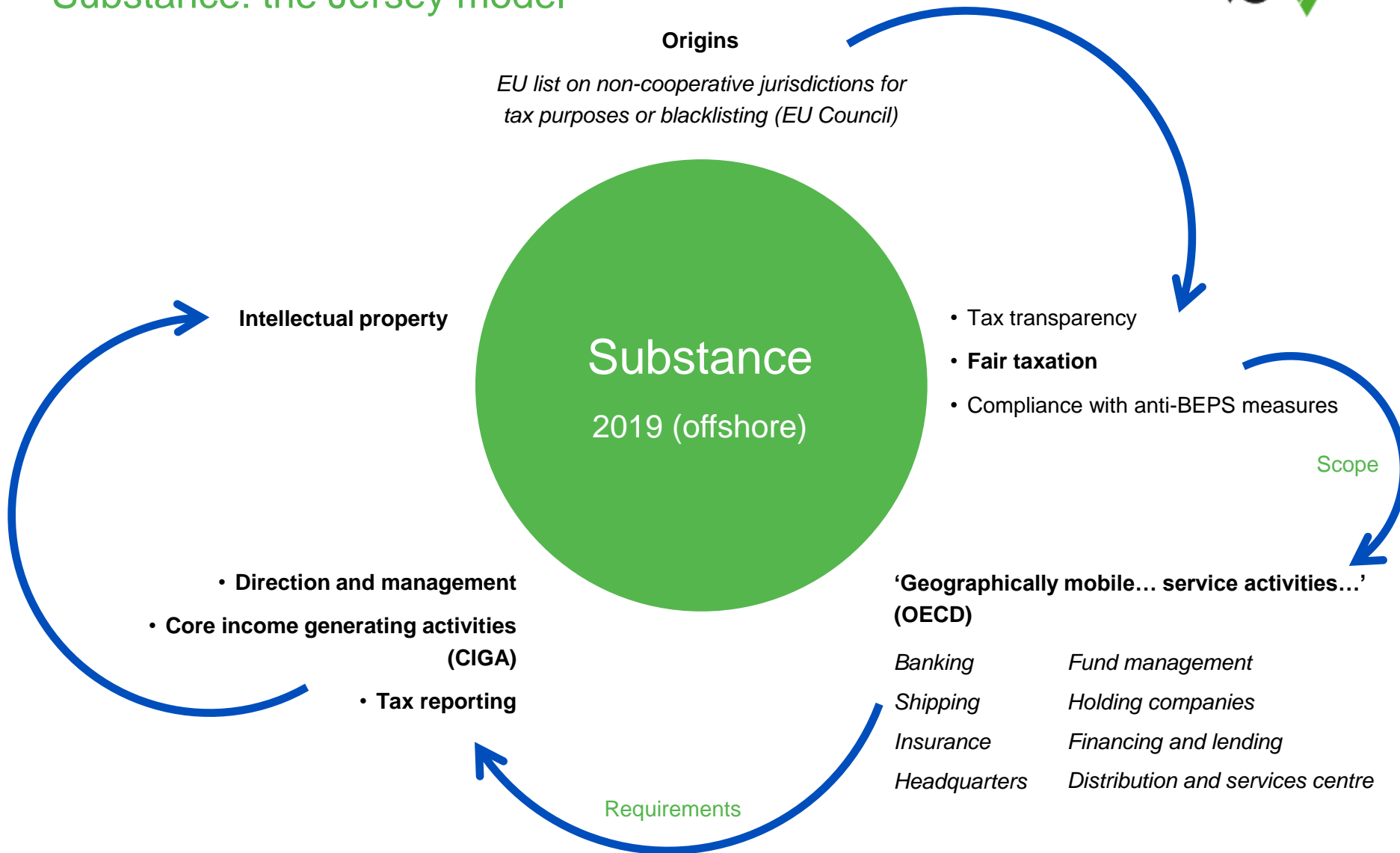
Substance: how did we get here?



Substance: new concept or evolution?



Substance: the Jersey model



Does your UK real estate structure need a health check?

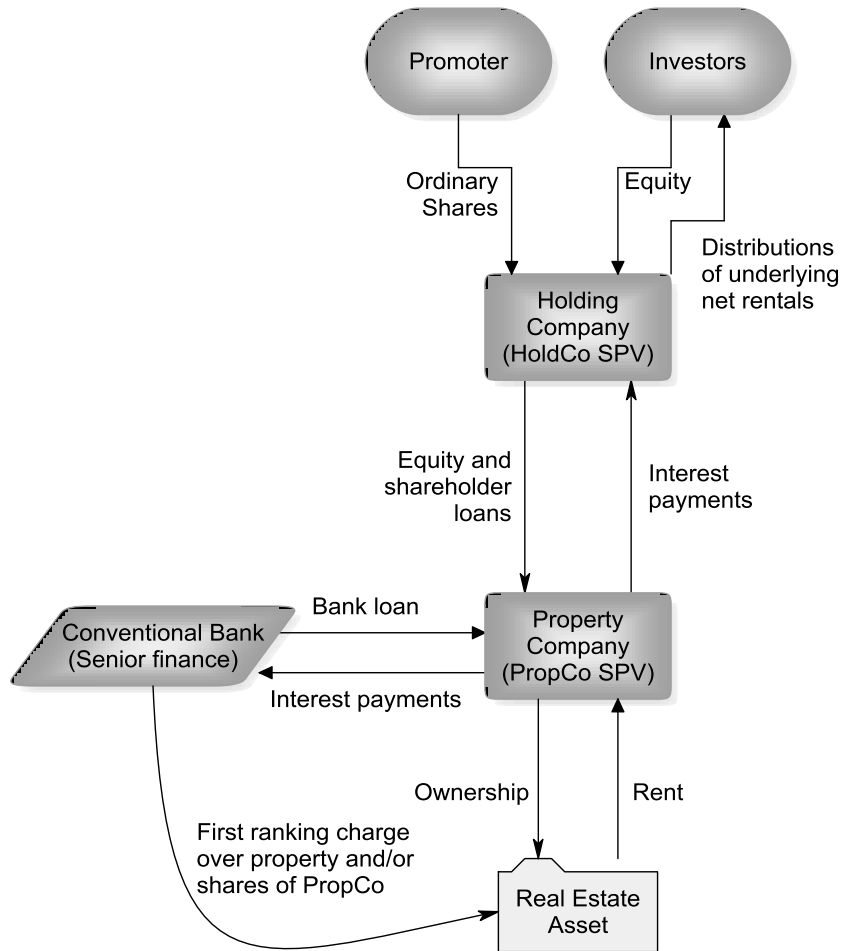
Trevor Norman

Director – Islamic Finance and Funds

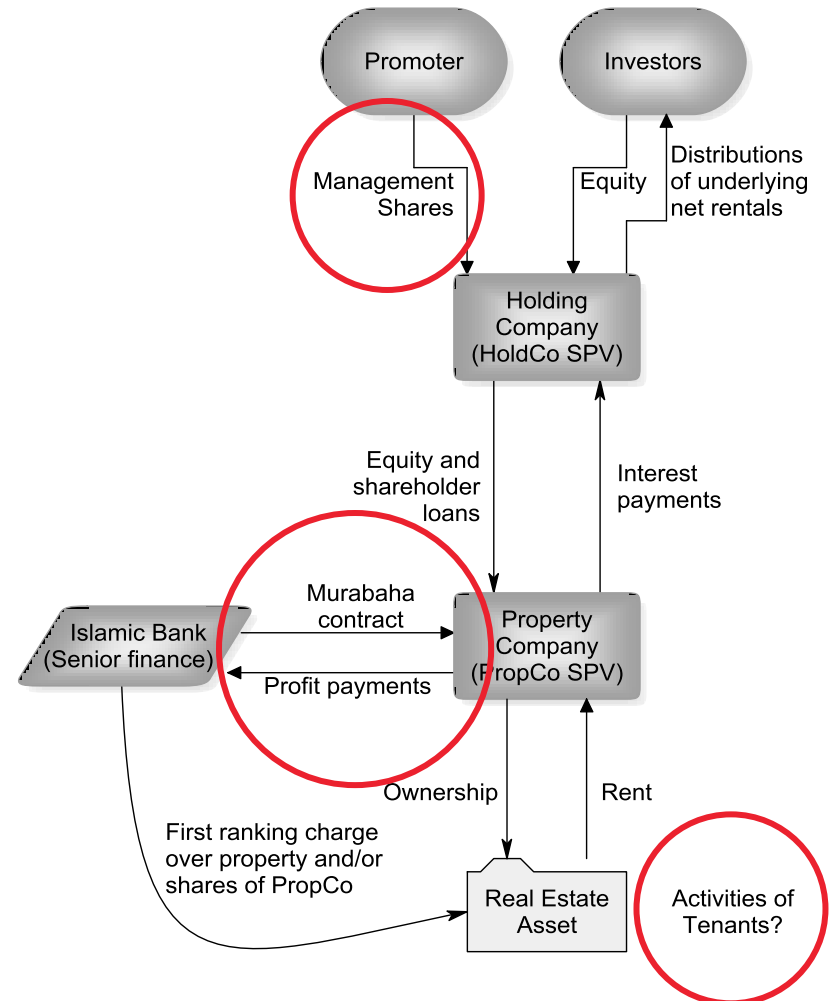
Real estate investment structure (example 1)



Conventional

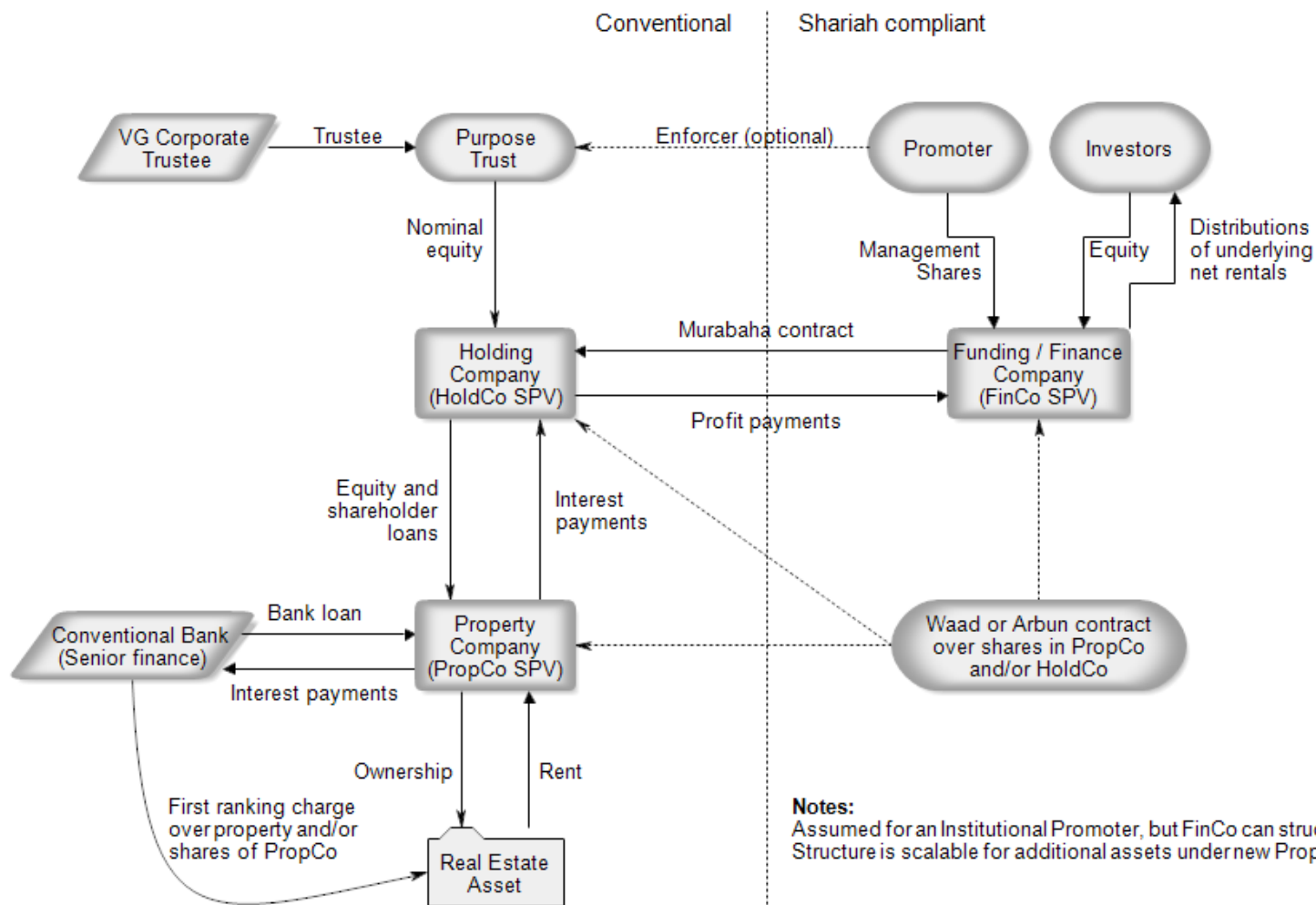


Shariah compliant



Real estate investment structure (example 2)

Structure combining Conventional debt and Shariah-compliant funding



CGT on disposal of commercial real estate

- **Pre-April 2019:** non-UK resident investors not subject to UK tax on capital gains on disposals
- **From April 2019:** CGT on direct disposals and indirect by way of sale of shares
- **Exemptions and mitigation:**
 - Indirect disposals where seller holds <25% in property rich entity
 - Funds (one time election):
 - Transparency election: aimed at exempt investors (pension funds)
 - Exemption election: tax charged on disposal of fund units by investors
 - Rebasing to market value at April 2019



Corporate interest restriction

- **Currently:** no leverage limits provided loans are on an arm's length basis (transfer pricing rules)
- **From April 2020:** corporate interest restrictions in force for UK companies will apply to non-UK resident companies
- **Capped** at the highest of one of the following:
 - 30% of the structure's EBITDA
 - Third party interest costs, no deduction for shareholder debt
 - £2 million per 'group' (using the IFRS definition of 'group')
- **IFRS 10** ('controlling interest' consolidation):
 - Investment entity exemption to consolidation



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