

INTERCONTINENTAL TRUST NEWSLETTER

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INTERCONTINENTAL TRUST

Impeccable Service Intelligent Solutions

Employee Benefit Trust

The Trust Act allows for a variety of different types of trusts, including Employee Benefit Trust (EBT). EBTs are set up as a way of motivating and incentivising employees by providing benefits. It is a trust written on discretionary terms by which trustees can hold as set on behalf of and to benefit a set group of beneficiaries

INTRODUCTION

Mauritius Trusts are governed by the Trust Act 2001. A trust is an arrangement where one person (the Trustee) is the legal owner of an asset, but is not the beneficial owner and is holding the asset to benefit others (the beneficiaries or members).

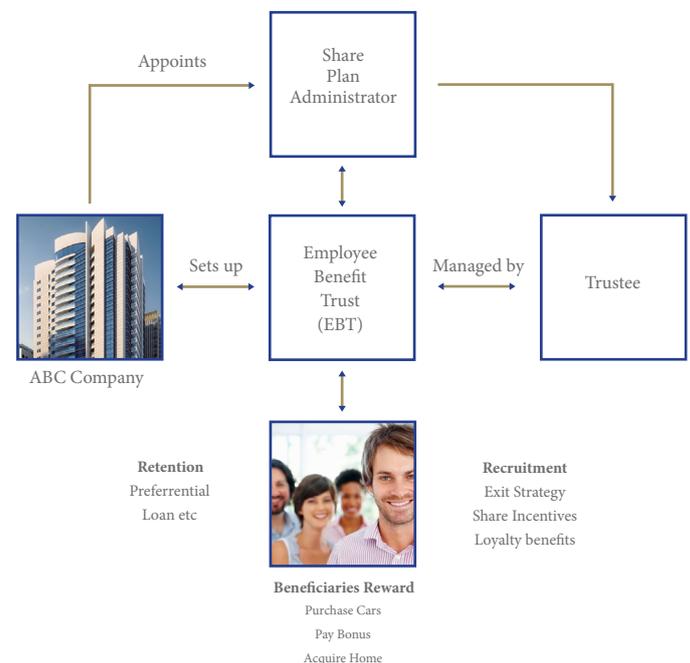
An Employee Benefit Trust (EBT) is set up for the benefit of employees. EBTs have been extensively used by corporations for many years to provide benefits to their employees in a tax efficient manner.

WHAT IS AN EMPLOYEE BENEFIT TRUST?

An EBT is a trust established by an employer under a trust deed; receives money or assets from the employer and provides benefits to the employee. An EBT can also be referred to as an Employee Share Ownership Plan (ESOP), Employee Share Trust, etc. An EBT is established by a trust instrument, normally a Discretionary Trust, in which the shares and other trust assets are held at the discretion of the trustees for the beneficiaries.

STRUCTURE OF AN EBT

A basic EBT has a set of Trustees and a set of Beneficiaries. The Beneficiaries can be all present and past employees and certain family members. It is important for the Trustees of an EBT to be and to act totally independently from the Employer. The Trustees will take account of the Employer's recommendations and this is done through the appointment of a Share Plan Administrator. The funding of the EBT can be in terms of gifts by the Settlor Company, loans provided by the Settlor Company, Commercial loans provided by, inter-alia, banks. A trust deed and rules are drafted.





ADVANTAGES OF AN EBT

- To provide tax efficient benefits to employees;
- Encourage greater staff involvement through share ownership;
- Can be a tax savings tool for the sponsoring corporation;
- A way for organizations to raise capital for expansion or acquisition plans;
- Privacy and asset protection;
- To provide interest-free loans which is a tax-efficient way of providing a benefit to an employee;
- Provide a vehicle for an organisation to manage the granting of share awards or options;
- Can aid smooth transition in event of an exit event, e.g. on sale of the company;
- Allows employees to participate in the future growth and profitability of the company
- Allows for a diverse range of benefits including cash awards and bonuses, interest bearing or interest free loans, share options and share ownership.
- To operate as a warehouse for shares. EBTs can hold shares in order to prevent later dilution

HOW TO SET UP AN EBT FOR YOUR ORGANISATION?

An EBT is easy to establish. The steps are as follows:

- Draw up a trust deed which sets out how trustees are appointed, who the beneficiaries are and what the trustees can do with the shares they own on behalf of those beneficiaries;
- Decide who the trustees will be;
- Decide on the type of share plans;
- Appointment of share plan administrators;
- Initial settled funds

HOW CAN WE HELP?

Intercontinental Trust Limited, through its subsidiary, ITL Trustees Ltd, specializes in the establishment and administration of offshore trusts. ITL Trustees Ltd is licensed as a Corporate Trustee by the Mauritius Financial Services Commission

Our services relating to the setting up of an Employee Benefit Trust are, inter-alia:

- Advice on the formation of the Trust
- Design of plan that best suits your needs and which is tax efficient
- Assistance in drafting trust deed and rules
- Design of investment program and strategy based on the retirement plan objectives
- Maintain a register of employees on whose behalf shares are held
- Payments of benefits to employees as planned
- Work closely with Share Plan Administrator
- Exercise voting rights is so required
- Filing of Tax returns and Declaration of non residency where applicable with the Mauritius Revenue Authority
- Ensuring Trust accounts/ accounting records are in place
- Attending to investments/ redemptions of trust funds
- Opening of bank accounts in and outside Mauritius, if needed

For any additional information please contact us.

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Intercontinental Trust Ltd is regulated by the Financial Services Commission in Mauritius.

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