International Savings Plans – a new solution for an old problem?

Launched in Jersey on 1 January 2019, you'll probably have seen some briefings popping up online or via your usual EBT contacts since then. We discussed this new product at a recent focus group meeting and a subsequent industry breakfast meeting and there is much interest in this product's relevance to international sharesave arrangements.

Here's a rundown of the basics:

The ISP is required to meet the following requirements under the legislation:

- It must be a trust structure established in Jersey
- The sole purpose must be to benefit employees resident outside of Jersey
- It must be irrevocable
- The trustees must be regulated by Jersey Fin Services Commission, and
- The benefits provided must fall outside scope of Jersey's pensions tax legislation.

This structure could be attractive to:

- Employers with globally mobile employees,
- Employers in Middle East – UAE legislation obliges employers to provide end-of-service cash gratuities to employees, and
- Employees wishing to acquire shares in their employer and saving to do so e.g. international sharesave.

End-of-service gratuities are relied upon by 59% of UAE resident employees to fund their retirement. The legislation permits the withdrawal of funds from the ISP based on certain triggers including ill health, divorce, children's education, and the purchase of property.

The ISP could be helpful potentially for plan issuers operating SAYE in countries where setting up savings arrangements is an issue. It also rather neatly solves the longstanding issue of currency conversions (and erosion of savings where the FX rate isn't favourable) as the savings may be held in the ISP in the participant's home currency during the life of the savings arrangement, rather than having to be converted every month into whatever currency the options have been granted in and/or the currency in which the resultant shares are denominated. Admittedly this may not help in countries where local law requires savings to be held with a national bank specific to the jurisdiction (for example, in Australia), but could be helpful in other less protectionist jurisdictions.

If this looks like a potentially useful solution for your international sharesave plan then do speak with your current Employee Benefit Trust provider for further details.