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The UK's Adoption of the EU's 5th Anti Money Laundering Directive

Prior to us leaving the EU, the UK Government played a significant role in negotiating the terms of the 5th Anti Money Laundering Directive (5MLD). Therefore, whilst we have now left the EU, the UK has agreed to implement the Directive during the transition period expected to end on 31 December 2020.

The Government sees the Directive as a way to reduce tax evasion, money laundering and terrorist financing due to the increased transparency it requires. It also sends a message to other countries that the UK is strengthening our integrity to make it more attractive to trade with UK businesses.

The most significant area of change for the accountancy sector is the expansion of the Trust Registration Service (TRS). Until now the TRS, maintained by HM Revenue & Customs, has affected formal trust structures with the potential to trigger tax liabilities. However the 5th Directive will have a significantly broader remit, which could have implications for the most mundane arrangements, and will require the following to be registered:

- All UK express trusts
- Non-EU resident trusts which own UK land/property
- Non-EU resident trusts which have a 'business relationship' with an entity in the UK (this includes with solicitors, accountants and banks)

An 'express trust' arises when a declaration is made by the owner of an asset which they, or a third party, will hold 'on trust' for specified beneficiaries or for a designated purpose.

Current guidance from the Government is very sparse. However, there is the potential for arrangements including the following needing to be registered:

- Bank accounts held on behalf of a minor
- Bank accounts held in joint names for administrative purposes, eg adult children named on their parent's account to help manage the account
- Partnership assets held by one partner on behalf of the partnership, such as land/property in one name on the Land Registry



Whilst there is nothing to be done until guidance is issued, please consider whether this may apply to you. We will issue further information on what action may need to be taken as soon as more information is available.

Does this topic raise any questions in your mind? Would you like more information on a particular item? Please speak to one of our experts:

Faversham Tel: 01795 594495
Cambridge Tel: 01223 874693

enquiries@chavereys.co.uk www.chavereys.co.uk



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