



## UK REMAINS AN ATTRACTIVE PROPOSITION FOR MALAYSIAN INVESTORS

The UK commercial real estate market remains an attractive proposition for Malaysian investors, whilst the UK also offers a good platform for Malaysian companies looking to attract international investment, according to Gavin Wilkins, Senior Director at JTC.

However, Gavin, who was addressing a sophisticated audience at a seminar in Kuala Lumpur recently (15 January) hosted at the headquarters of the Malaysian Investment Development Authority (MIDA) and organised in conjunction with the British Malaysian Society and the British Malaysian Chamber of Commerce, also highlighted the importance of understanding the evolving regulatory landscape and the available structuring options.

Chaired by Tony Collingridge OBE, Managing Director of Delta Gate Solutions and Country Director for the Commonwealth Enterprise and Investment Council (CWEIC), the seminar also featured speakers from Reed Smith, Crowe, CCA Chooi & Company + Cheang & Ariff, Laytons and the Malaysia External Trade Development Corporate (MATRADE) who explored the planning and structuring considerations impacting investment and financing opportunities between Malaysia and the UK as well as key commercial, legal and financial considerations relevant to Malaysia / UK investment activity.

During his talk, Gavin focused on two sectors of particular relevance to the audience - UK commercial real estate investment from Malaysia and accessing UK Capital Markets for Malaysian businesses, including AIM.

Addressing macro-economic uncertainty, Gavin highlighted the importance of monitoring the ongoing appropriateness and effectiveness of international investment structures:

"At the end of the day, we can't really escape the fact that we live in uncertain times. Whilst none of us can predict the future, we can make a point of regularly reviewing our business plans and capital structures to ensure maximum flexibility and to enable us to be as nimble as possible in the face of change. It is more important than ever to ensure that the business and private wealth structures that we have in place are as robust and future proof as it is possible for them to be."

Pointing in particular to the ongoing appeal of the UK commercial real estate market for Malaysian investors, Gavin underlined the need to understand the evolving landscape:

"It's interesting to step back and look at what has actually happened since BREXIT was borne in the 2016 referendum. Back then over two thirds of investment in UK real estate came from abroad with over £16bn invested in London commercial property. Since then we've seen a few 'BREXIT wobbles' but we've also seen some significant assets change hands - the Cheese-Grater at £1.5bn, Cannon Place at £510m, 7 & 8 St James Square at £246m and 20 Gresham St at £315m to name a few. Whilst the attractiveness of a weak pound may be tempered somewhat by a similar decline in the Ringgit, there are plenty of people out there who feel there are genuine buying opportunities."

"UK commercial real estate has been an enduring asset class for Malaysian institutional investors and there is renewed interest in this space right now. Malaysian investors eyeing up potential UK commercial property opportunities need to be aware that the landscape has changed. Those with existing investments also need to be alert to these changes - now is the time to review how those investments are structured."

"The big change in the fiscal landscape is the extension of Non Resident Capital Gains Tax (NRCGT) to include gains on disposal of UK commercial property from April 2019. That will also encompass gains on sale of indirect interests in UK property such as shares. There is an opportunity to rebase in April when the new rules come into effect. So for those who currently hold UK commercial property investments, that means there is a limited window to prioritise refurbishments, tenant rent reviews or financing arrangements ahead of time to ensure that any resultant uplift is captured in the valuation."

"In respect of Collective Investment Vehicles specifically, the plot thickens and the rules are not immediately digestible! The good news though, is that there are exemptions and elections available for fund structures to ensure that tax transparency within the structure is retained. That's good news for institutional investors, fund managers and, ultimately, sustainable inward investment into the United Kingdom."

Looking at the various structuring options open to investors, Gavin added:

"The most appropriate structure to adopt necessarily depends on the specific circumstances - recent trends include REITs, English Limited Partnerships, Jersey or Guernsey Limited Partnerships and Jersey Property Unit Trusts. Jersey and Guernsey possess extremely flexible and versatile fund regimes which provide an ideal platform for collectives."



“Jersey in particular has a long history of investment into UK property and will remain a conduit for raising capital from international investors and deploying that capital into the UK in a tax neutral manner. There are structures in Jersey that are highly effective for UK property investment.”

Crystallising what all of this boils down to, Gavin highlighted a number of sensible steps investors should now take:

- > seek written advice from tax advisors
- > review existing structures, in case they require restructuring before April
- > resist the temptation to rely on outdated structuring advice, and under no circumstances recycle old advice for new structures

Meanwhile, looking at the opportunities for Malaysian businesses through London’s Capital Markets, Gavin added:

“As part of restructuring prior to an IPO in London, most international companies will consider forming a holding company either in the UK or the Channel Islands. The decision between these jurisdictions is, in part, subjective, but will often turn on the extent to which the business has or intends to establish operations within the UK itself.”

“For Malaysian businesses this isn’t always the case and Jersey has proved to be the most popular choice. Jersey has a proven track record, is politically stable and has a strong “balance sheet”. It also enjoys close and historic ties with the City of London which means that investors in London-listed Jersey companies are comfortable with the general governance standards applicable in Jersey. They are additionally protected by the UK takeover code and their shares are tradeable in the CREST settlement system.”

“It’s probably no surprise therefore that Jersey companies represent the highest market capitalisation of any non-UK country of incorporation on the London Stock Exchange Main Market and AIM.”

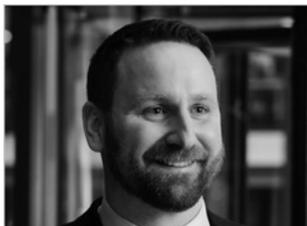
“Asian businesses continue to capture the imagination and interest of international investors, many of whom invest through London. I can’t see that changing significantly any time soon.”

Robin Stevens, a member of the executive committee of the British Malaysian Society who spoke at the seminar, commented “it was a pleasure to be part of the delegation and to participate in the well timed and broadly based seminar. There are strong, long established and extremely successful trade, investment and capital market links between Malaysia and the UK and it is in the best interests of both countries to foster, develop and extend these relationships in an increasingly uncertain World.”

Tony Collingridge, Country Director of the Commonwealth Enterprise and Investment Council who chaired the seminar added: “I’ve worked with Gavin for a number of years now promoting Malaysian investment into the UK. His knowledge of Malaysian investment drivers and the most efficient structures for investing into UK real estate is second to none. In my role as Country Director for the Commonwealth Enterprise and Investment Council in Malaysia I have no hesitation in recommending potential investors from Malaysia to seek advice from Gavin and the JTC team before taking their UK projects forward.”



## KEY CONTACTS



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Founded in 1987, we have c.650 people working across our global office network and are trusted to administer assets of c.US\$100 billion.

The principle of true shared ownership is fundamental to our culture and aligns us completely with the best interests of our clients.

We work to internationally recognised standards and we are committed to maintaining ISAE 3402 standards.

### We value shared ownership

- › We operate around the principle that if our people have a stake in the business, they will do a better job for our clients.

### We value relationships

- › We aim to work with clients who share our belief in the importance of building strong relationships over time.

### We invest in our people

- › Over 70% of our employees hold a relevant professional qualification or are working towards this through our dedicated JTC Academy.

### We embrace technology

- › Our market-leading systems and operating platforms are robust, powerful and flexible.

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