



NEWSLETTER | OCTOBER 2023

TAXATION, COMPLIANCE, MIGRATION AND CONFIDENTIALITY IN A RAPIDLY CHANGING WORLD

It has often been said that the only constant in life is change. Yet, in our modern era, the pace of this change feels not just constant, but exponential. In this edition, we're diving into some of the latest trends and changes in taxation, compliance, migration and confidentiality.

TAXATION

Reasons for increased taxation: International pressure on nil-tax havens (i.e. the number of new BVI companies has decreased from 80'000 in 2007 to 28'000 in 2022), decreasing the poor-rich gap and diversification of the economy.

Bahamas: The country will introduce a corporate tax (0.25%) on Bahamas domiciled international business companies (IBCs) on their overseas revenue as of 2024.

Bermuda: Deliberations are ongoing regarding the potential introduction of a corporate tax (of between 9% and 15%) for large multinational companies (with annual revenue > USD 750 million). The tax rate would be expected to be introduced in 2025.

Brazil: Discussions hint at the possible introduction of taxation of Controlled Foreign Companies (CFC).

Chile: The country is trying with difficulty to pass an ambitious tax reform package. Current CFC rules might also be adapted and result in corporate restructurings.

UAE: The corporate tax of 9% has been implemented on the 1st of June 2023 (on corporate income above 375.000 AED - equivalent to about USD 100.000).

Oman: Discussions about a possible introduction of a personal income tax and a possible increase in VAT rate, currently at 5%.

Despite this taxation trend, the main concerns for families are often asset protection and inheritance planning. This is the case of about 85% of the countries around the world and in particular in large countries such as China, which has 3'381 CNY billionaires.

COMPLIANCE HIGHLIGHTS

EU: The EU has added this year on the list of non-cooperative jurisdictions for tax purposes the BVI, Costa Rica, Marshall Islands and Russia.

Luxembourg: Luxembourg's AML/CTF regime has received a favourable review from the Financial Action Task Force ("FATF"), showcasing a high degree of compliance.

USA: The Federal Corporate Transaction Act is set to become effective in 2024. This will register the shareholders of LLCs. New York aims to expose company owners in a publicly searchable database as from 2025.

Switzerland: Swiss Federal Council published in August 2023 a new draft legislation to strengthen the fight against anti-money laundering that amongst other intends to introduce registers of beneficial owners. The new register would not be accessible to the public and is not expected to enter into force before 2026. The register will not be applicable to trusts which are administered by licensed Trustees.

The FINMA has reported recently that out of 171 Swiss Trustee license applications, 44 companies have secured the license. Notably, most of these firms are small, with fewer than 3 employees. Reliance Trust Company is proud to have been the first larger trust company, receiving the Trustee license already in November 2022.

The Swiss Federal Council decided to abandon the idea of the creation of a Swiss trust law. This will trigger a renewed discussion about the creation of an effective Swiss family foundation.

MIGRATION MOVEMENTS

Outflows: Significant emigration observed from China, Russia, and India. The increase of the Norwegian wealth tax to 1.1% has also motivated a record number of wealthy Norwegians to emigrate.

United Kingdom ("UK"): The future of the UK's non-domiciled resident system remains uncertain. With potential changes looming in 2024, there might be significant emigrations.

Portugal: The Portuguese Prime Minister announced on 2 October 2023 the end of the NHR regime as from 2024.

Preferred Destinations: Families are predominantly choosing Australia, Dubai, and Singapore. Switzerland is also a notable destination for HNW families. Italy with its lump-sum taxation regime also benefits from this trend.

CONFIDENTIALITY CONCERNS

Cybersecurity: The significance of robust IT systems for families and service providers has increased rapidly. Mail frauds and hacks are persistent.

Outsourcing trends: Globally, there is a rise in outsourcing administrative duties (intra group or to third parties). Many service providers are transferring part of their compliance/administration/accounting functions to cost-effective countries, often unbeknownst to clients.

FINMA reported that many newly licensed Swiss companies are outsourcing compliance functions to external parties. This shift raises concerns about client confidentiality. Reliance stance: We prioritise confidentiality and efficiency. Reliance does not partake in any outsourcing, neither in Switzerland nor in Luxembourg.

A DECADE WITH RELIANCE

Looking forward, Reliance is excited to celebrate its 10th anniversary in 2024. We are grateful for your trust and partnership.

Best Regards,

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Reliance