Addressing differing needs for relocation and residency

Gaining residency or a passport in another country is about more than just saving tax and safeguarding assets, not least when issues of personal security are at stake, says Henley & Partners' Peter Krummenacher.

In today's complex and sometimes perilous world, moving to another country is becoming more than a question of finding a place for HNW and UHNW individuals to keep their assets, according to the Zurich-based partner.

Henley & Partners, the global leaders in residence and citizenship planning for just such individuals, sees these varying requirements at first hand. Operating out of 20 countries and focusing on those it believes have the best citizenship programmes, it advises clients on how to obtain residence permits or additional passports.

According to Krummenacher, it was the first firm of its kind in the world.

As well as serving residency needs, Henley & Partners has also used its longevity and expertise to advise governments on how they can create or re-establish citizenship programmes. The firm's website says it has raised over US$4 billion in foreign direct investment for the jurisdictions that it has advised.

Most of its clients come to it either through its network such as private banks or international law firms or one of the many seminars the firm holds worldwide on immigration and citizenship programmes.

Although its Swiss office is the firm's largest, Krummenacher says the services it offers there are not primarily used by domestic clients.

"Our typical client is a non-EU individual. We advise them not only on how to move to places like Switzerland but also on all available residence and citizenship programmes," he says.

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LIFESTYLE & SECURITY

Henley & Partners' clients are happy to accept this advice because moving to another location, including Switzerland, is more often about lifestyle and security than it is about money. "A lot of clients who move here can send their children to school without needing a

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bodyguard as they might have to at home," explains Krummenacher. "It has values that they are looking for."

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Indeed, Krummenacher says the UK's residence scheme, which is Switzerland's main rival in Europe, is more tax advantageous as it allows foreigners to choose to be 'non-domiciled' residents. For those born outside the UK and who intend to return to their home country and use proper pre-immigration tax planning, this means they are exempt from tax for seven years.

Conversely, residency under Switzerland's scheme is directly linked to tax contributions, determined either on the basis of a person's worldwide assets or a negotiated lump sum.

"Our clients always choose the second option. Switzerland, however, is not the only residence programme we advise them to consider," Krummenacher says. "As well as residence schemes such as the UK's, our typical clients are also interested in passport programmes offered by other European and Caribbean jurisdictions."

"Sometimes we have people who tell us they want to move to Switzerland," he adds. "We will ask why and they will say they want a Schengen Area residency so they can travel freely."

MULTIPLE OPTIONS

If this is the main reason for coming to the firm, he notes, Henley & Partners recommends clients apply for Portugal's residence permit programme.

This allows foreigners to obtain a permit so long as they invest at least US$500,000 in Portuguese real estate. After this they are only required to spend seven days a year in the country to maintain a residency permit.

For clients who want both visa-free travel and another passport, Henley suggests Antigua and Barbuda. This 'citizenship-by-investment' programme was established in 2013 and allows visa-free access to the Schengen Area countries and many others. Applicants must invest at least US$400,000 in an approved real estate project and cannot divest this for at least five years or before the proposed development has been "substantially completed".

Alternatively, they can make a US$200,000, non-refundable contribution to Antigua and Barbuda's National Development Fund, invest at least US$1.5 million in an eligible business there, or make a joint investment with other people of US$5 million or more.

"We think this is the best Caribbean passport program there is available right now," says Krummenacher. "It used to be St Kitts & Nevis but there has been a recent change of government and things [there] are in flux."

For those who want to obtain an EU passport, Henley & Partners advises them to consider Malta's citizenship-by-investment programme.

This requires a contribution of at least EUR650,000 (US$708,631) to the National Development and Social Fund and a EUR150,000 investment in Maltese Government Bonds for at least five years, as well as establishing residence status for a minimum of one year prior to being granted citizenship.

After citizenship is obtained, residential property for personal use only must be held in Malta for at least five years.

Krummenacher believes such requirements are negligible for many people compared with the benefits of living in a more secure part of the world. "If you come from a banking perspective you can always talk to clients about asset protection and how to spread their assets worldwide," he says.

"A client would not want to move somewhere with a high tax rate, but if you are thinking of strategically relocating, taxation is just one question that has to be addressed."

Personal security is also an issue.

"If you are living in an inhospitable region and doing business there you might come into conflict with the government and reach a situation where it is better for you to leave," Krummenacher adds.

"If you are wealthy what is US$1 million invested in your security?" ■