

Where Next? Tax Implications of Residence Planning for Asia's HNW families

Pierre Vanrenterghem, Manager for South East Asia at Rosemont International is an expert in advising high-net-worth individuals (HNWIs) and their families on the tax implications of their residence and possibly citizenship outside their countries of origin. Whether it is income tax, an assets tax, or inheritance tax, there are challenges and there are solutions, he told the audience at the Hubbis Asian Wealth Solutions Forum.

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VANRENTERGHEM BEGAN by explaining that the presentation will not be about helping clients obtain citizenship or residence overseas but on advising the HNWIs and their families on how to structure their assets if they are indeed embarking on such a transition.

“Rosemont,” he explained, “focuses on helping clients around the world understand the nature of the assets that they own so that they can plan accordingly. The firm’s special focus within Asia is on clients that have assets outside their home country, whatever those assets might be, from financial investments to property to precious metals, to yachts, collectable items and so forth. We have offices in



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Hong Kong, Singapore and Vietnam in the Asia region, as well as offices in Mauritius, Monaco, Andorra and the British Virgin Islands.”

The (nearly) best things come in 3s

Vanrenterghem began with the example of one Asian family client that wants to relocate to Europe. “The first focus, as usual, is Switzerland within Europe, as it has such a reputation for quality of life and being tax friendly,” he remarked. “But as usual it is not as simple as it might appear as there are many layers of tax in the country, so it is much more complicated than this client had thought.”

As to genuinely tax-friendly countries, he referred to places such as Monaco. “There is no individual income tax, no wealth tax, there are very simple residence requirements, you can essentially live in Monaco as long as you can afford to stay there,” he explained. “However, let us be careful here, as Monaco is not a tax-free state, the corporate income tax is one of the highest in the world at 33% at the moment and there is some VAT as well as inheritance tax, to some extent.”

The second country he referred to is Malta, where the income tax ranges from 0% to 35%. “The key

factor for Malta is the remittance basis tax regime, which means that you will be taxed on your foreign income in Malta, if you are Malta resident as long as that money is remitted into a Maltese bank account,” he elucidated, “which means that if you do not remit any of your income into a Maltese bank account you will pay no tax in Malta except a small flat fee.”

The third jurisdiction he highlighted is Andorra, which he described as a very tax friendly country. The personal tax regime in Andorra is quite new,” he reported, “as the first tax declaration took place only this year, and the maximum rate will be 10%. Moreover, it has other welcome tax advantages such as welcoming holding company regulations and tax.”

Portugal shines

The most appealing country currently, however, is Portugal, which has become favoured by music and movie artists, as there is no tax on any foreign sourced royalties for 10 years. “Madonna,” he noted, “is probably taking advantage of these exemptions, reportedly, we understand.”

The second tier...

He also referred the audience to the

second tier of countries to consider as relatively welcoming from a tax perspective. Surprising, he said, this includes France where there are many tax exemptions, incentives and other advantages currently. “Moreover, while there is a punitive inheritance tax, this can easily be mitigated with proper legal tax advice, and additionally you can sidestep foreign income tax if properly structured.”

Italy, he advised, is another country that might, surprisingly, be on a list of second-tier tax-friendly regimes in Europe. “The politics are rather fluid right now, so we cannot say how long this will persist,” he said, “but there are tax advantages. Look, for example, at Cristiano Ronaldo who has recently moved to Italy. If properly structured, all foreign income will be taxed at a flat rate, including royalties from other companies. Moreover, you can pay also no wealth tax for the first 15 years of residence there.” He also noted that Belgium and Spain also have some advantages.

Vanrenterghem closed his talk by repeating his view that Asian families considering residence or citizenship options must approach this on an entirely professional footing, especially in the new global era of regulation and compliance. ■