

Estate duty and succession planning - what's going on?

T.P. Ostwal, Partner, T.P. Ostwal & Associates, tells Hubbis why India is not ready for a comeback of the estate duty and why offshore financial centres still matter to India's wealthy.

INDIA, WHICH ABOLISHED THE ESTATE DUTY IN 1986, is not ready for it to be implemented again, according to Ostwal.

Ostwal points out that, globally, the trend is for taxation rates going down to spark business and capital growth, and India too should stay the line on this. "We must allow capital formation," he says. "If you don't allow

that to happen, people will become non-resident, and capital will fly out of the country."

Ostwal notes that while there are always rumours and predictions that estate duty is coming, he does not see it happening for another four or five years at the very least.

Ostwal also notes that offshore financial centres continue to be relevant to wealthy Indian families, but they will have to be cognizant of the Base erosion and profit shifting (BEPS) framework.

Under this framework, countries of Organisation for Economic Co-operation and Development (OECD) are looking to clamp down on tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations. "It is essential that you need to create substance in those centres you are doing or creating a business from," he cautions.

But offshore financial centres cannot go away, BEPS or no BEPS, according to Ostwal, because they are vital to businesses and HNWIs not only for tax purposes but also the various protections they offer.

On the topic of succession planning, Ostwal says that it is an essential topic in the Indian economy because it's primarily family businesses that drive it. Family business leaders, he says, must find out within their organisation the next man who will be able to handle the business. "Discovery must take place as quick as possible," he says. "If you have a competent fellow within the family, name him as a successor or else create a professional team that can run the business."

The latter is more likely to happen, because like in the Western world, families in India are shrinking in size. "In such a situation, what do you do? You have to depend on professional management." ■



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