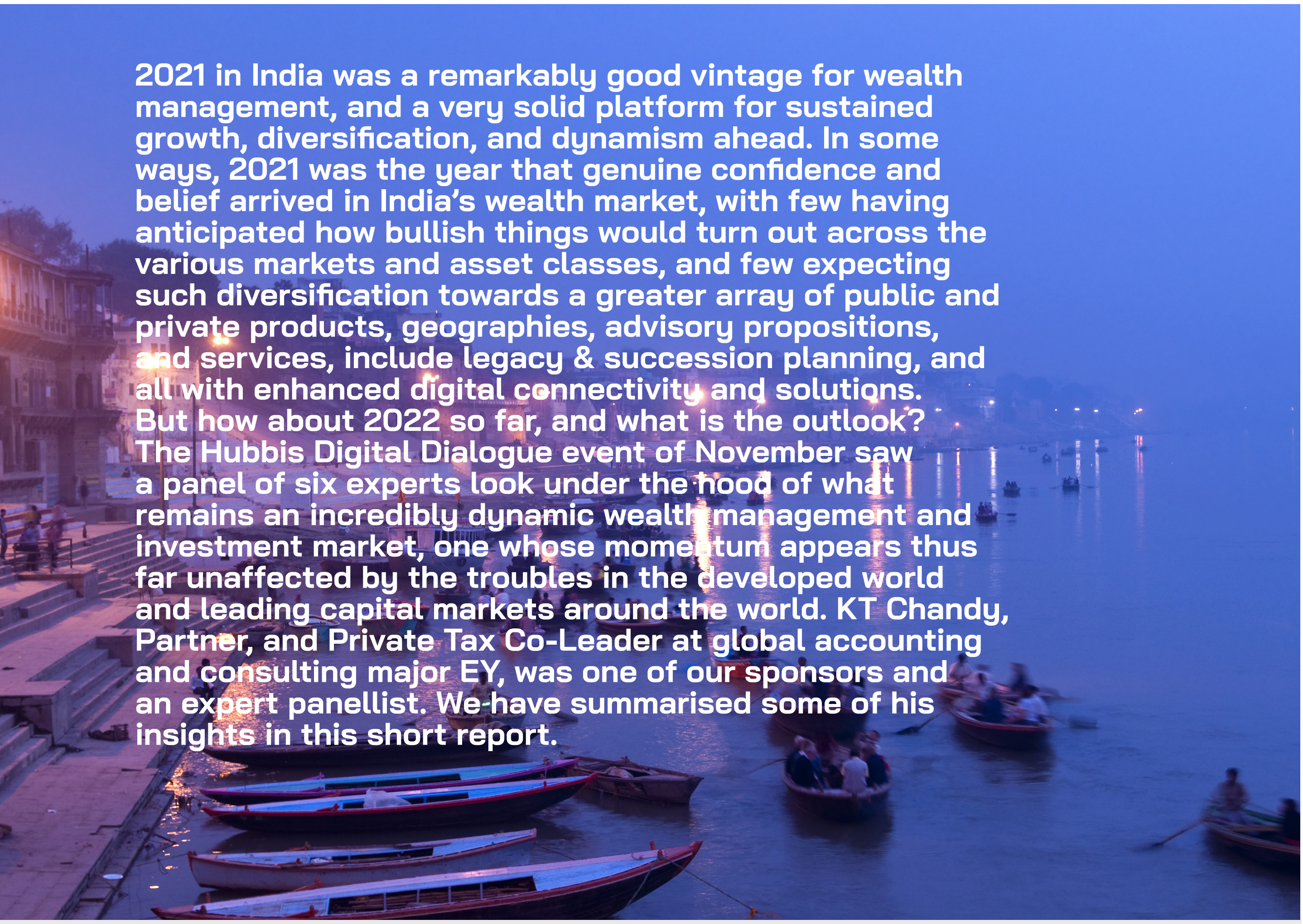
India and Wealth & Legacy Structuring - a Commentary from Leading EY Tax Partner KT Chandy



2021 in India was a remarkably good vintage for wealth management, and a very solid platform for sustained growth, diversification, and dynamism ahead. In some ways, 2021 was the year that genuine confidence and belief arrived in India's wealth market, with few having anticipated how bullish things would turn out across the various markets and asset classes, and few expecting such diversification towards a greater array of public and private products, geographies, advisory propositions, and services, include legacy & succession planning, and all with enhanced digital connectivity and solutions. But how about 2022 so far, and what is the outlook? The Hubbis Digital Dialogue event of November saw a panel of six experts look under the hood of what remains an incredibly dynamic wealth management and investment market, one whose momentum appears thus far unaffected by the troubles in the developed world and leading capital markets around the world. KT Chandy, Partner, and Private Tax Co-Leader at global accounting and consulting major EY, was one of our sponsors and an expert panellist. We have summarised some of his insights in this short report.

GET IN TOUCH

[View this Panel Discussion On Demand](#)
[View KT Chandy's LinkedIn Profile](#)
[Find out more about EY](#)

KT Chandy
EY

A Short note on KT Chandy

Chandy is a partner with EY's Tax practice in Bangalore and has responsibility for corporate tax and regulatory services of the Bangalore office. He leads the tax function in the Private business vertical focusing on family business, private equity and VC sectors and start-ups. He is responsible for the Kerala practice as well and also works out of the EY office in Kochi.

Chandy has advised a vast number of family businesses and clients on succession planning, the use of private trusts for succession of wealth and estate duty planning. He has worked with large Indian family business houses on a range of tax, advisory, reorganisation and regulatory matters. And advised on family succession matters including creating family constitutions, private trusts, and governance structures.

He has also advised MNCs on their India entry strategy, setting up a business presence in India and in tax efficient supply chain structuring, as well as advising on joint ventures in India between domestic and foreign corporations. He has considerable experience in the execution of M&A, business reorganisations, shareholder reorganisation, and other ventures in India. And he has assisted clients in seeking approvals from the Foreign

Investment Promotion Board and the Reserve Bank of India.

Responding first to a question on the evolution of the Indian wealth management market, Chandy said that the remarkable expansion of the private wealth in India continues apace, resulting in rising demand for advice on structures and planning in general.

"We have some key roles," he explained. "The regulatory environment is changing, the expectations of clients are changing, for example many want to move more wealth offshore, then there is the sword of inheritance tax hanging over the market, and all this is helping drive more conversations and activity around estate and legacy planning, with a keen eye on succession planning around how family businesses can transition from generation to generation, not so much ownership perhaps as control and management."

There are many issues to address, he reported, such as the regulatory structures for managing wealth in India, the potential for opening a separate family office, whether wealth and assets are held individually, in structures, or in companies, how to move more asserts offshore, and then how to make sure there is no compliance minefield lying ahead and potential regulatory blowback in the years ahead.

"There is a generational shift taking place and we organise or participate in many such discussions and forums to help education on these matters, to improve awareness, and to generally improve the connectivity between the generations and also between the advisory and wealth management community and these clients."

"The trust structure is being used more often," he told delegates, but of course that all raises issues around the structure and then what assets will go into the trusts, who the trustees should be, the right mechanisms, how do you define the beneficiaries, what happens to surpluses in the trusts, so on and so forth," he explained. "These are all fascinating and important challenges we address all the time with clients."

Chandy also remarked that India is an outstanding market for generating the wealth, but HNW and UHNW clients want to diversify their assets and often their families live across the world. Moreover, more Indian businesses are using the successful platforms at home to expand overseas for new wealth creation and also diversification of activities and markets.

Chandy also highlighted some of the mistakes these clients can make when addressing and then attempting to execute solutions around these areas. "The main problem area is a lack of understanding of the regulations, or a misinterpretation of those rules, which is why these clients need to go to seek professional advice from licensed firms and experts," he said, warning that if not, there is a significant danger of failing to organise their affairs properly, or failing to report correctly, and so forth.

"Regulations are blurred, especially when it comes to overseas activity, and new rules have emerged," he said. "Lots of UHNWs have put in place structures for overseas investments that need to be relooked at. And the complexity of structures and activity lead to tax issues, especially between multiple structures and also between different countries. We work on addressing these."

He explained another key area with many pitfalls is where trust or succession plans have not really been put in place or implemented. And therefore, on the passing away of the patriarch or matriarch, there are challenges on wealth getting locked up, because there isn't clear guidance on who will the family business CEO will be, leading to controversy and conflict. "We are called into many such situations, but it is always better to address these areas well in advance," he noted.

Chandy also observed that a key element of smart and robust planning and structuring is connectivity with the next generations. "The younger generations of wealthy Indians are well educated, worldly, aware of many important issues and ways things are done in the very developed countries," he reported.

He explained that it is very important to connect to these next generations, some of whom will perhaps not want to go into the old family business, some of them will want to create new businesses and invest in new ventures, soe of whom will want to divest older family assets, to invest overseas and so forth.

He said they are having many valuable discussions along these lines, to help them articulate their preferences and also connect between the older and younger generations. "There is a generational shift taking place and we organise or participate in many such discussions and forums to help education on these matters, to improve awareness, and to generally improve the connectivity between the generations and also between the advisory and wealth management community and these clients." ■