Link to Article on website

The Need for Consistent Advice Amidst Constantly Evolving Global Tax and Residence Rules

Howard Bilton knows rather a lot about the ‘folly’ of wealthy private clients not making the right decisions and taking the right steps around wealth and estate planning and structuring. Wearing his professional hat, he is Chairman and Founder of wealth and structuring advisory The Sovereign Group. And wearing his sun hat, he presides over the grapes of his own vineyard in the Alentejo in Portugal, which produces his ‘Howard’s Folly’ wines. His mantra is preparedness for constant change in both his professional and his winemaker roles. In the wealth and estate structuring space, he advocates that his HNW private clients dotted around the globe – many of them British by origin – risk punitive taxation or even the dissipation of their own estates by not properly organising their affairs today and failing to look ahead and planning smartly for business and estate succession as well. We met with him again just recently to hear his latest thoughts and the advice his firm offers in a world of constant flux in which some changes are positive, some negative, and where decisions must be made based on understanding and careful consideration.

GET IN TOUCH
View Howard Bilton’s LinkedIn Profile
Find out more about The Sovereign Group

HOWARD BILTON
The Sovereign Group

Howard opens the

conversation by pointing to the increasing predilection for wealthy individuals and families to temporarily or permanently relocate and the increased jurisdictional opportunities available to them, such as to avail themselves of the rapid liberation and expansion of the UAE or the many 'golden visa' or citizenship- and residence-by-investment schemes around the globe.

Mobility and agility

"The pandemic was somewhat of a catalyst for this rising global agility amongst the HNW and UHNW community, which of course is expanding around the world," he observes. "There is both a greater interest and willingness to relocate themselves and their families and there are more and more viable alternatives with many countries actively seeking to attract this mobile workforce, entrepreneurs and wealth generators."

He says that when choosing where to live, these individuals consider several factors. Tax incentives are a significant draw, especially as many countries offer similarly high-quality lifestyle attractions, including excellent travel infrastructure, excellent private healthcare, pleasant climates, good educational establishments and enjoyable sociable amenities.

New avenues await

Howard adds: "Working remotely part or all of the time and being further away from customers some of the time became more acceptable during the pandemic, and that period proved that it is feasible to run a business remotely. These individuals can end up with a nicer lifestyle, lower taxation and great opportunities and facilities for their families, so it is a win-win."

He highlights jurisdictions such as Dubai as increasingly offering a compelling combination of lifestyle and appealing tax incentives for relocation. "Decisions to move from higher-tax to lower-tax countries might also be driven by instabilities in some places, or perhaps by upcoming events, such as retiring, selling or listing businesses, inheriting fortunes, or other life-changing events," he notes.

But some pathways are closing…

Nevertheless, Howard also notes that there is rising political and social pressure in some markets, driving the dilution or termination of some advantages of certain residency and citizenship opportunities. Specifically, he mentions recent developments in Portugal, which bowed to political and social pressure and ended its golden visa programme. Furthermore, Portugal has recently announced the imminent end to its non-habitual residency tax regime which, with care, gave a 10-year tax holiday to new tax residents.

So, too, the (very likely) forthcoming Labour government in the UK has vowed to end the non-dom tax regime, which has for many years allowed non-domiciled individuals resident in the UK only to pay limited tax on foreign receipts and foreign income and gains. "Actually, these non-doms pay far more than the average well-paid individuals anyway, and could easily just move if they lose their non-dom status, but this is very politically motivated," Howard observes. "HMRCs own figures suggest that every time the tax on non-doms goes up the tax

« "There is both a greater interest and willingness to relocate themselves and their families and there are more and more viable alternatives with many countries actively seeking to attract this mobile workforce, entrepreneurs and wealth generators." »

take goes down. It is wishful thinking to suggest that by abolishing this special tax break more tax will be raised. The reverse will happen"

He also notes increasing pressure from certain quarters, the EU in particular, which is gradually seeing the availability of such incentives as unfair tax competition, as higher-tax countries are essentially ratcheting up pressure on lower-tax jurisdictions.

However, Howard explains that although Portugal is bowing to social and political expedience, other countries have plenty of viable schemes, even if they are major countries in the EU.

Significant choice still on offer

He explains that Italy has a 7% tax rate if you go and live in poorer and lower populated areas. Greece will offer tax holidays for relocation. Gibraltar, Monaco, Andorra, Malta, Cyprus and others are tax-free or offer very low rates of income or other taxes.

"They are all competing to attract wealthy residents because those people circulate a lot of money around the system, and then employ a lot of people who also pay tax and spend," he remarks. "And the irony of the pressure coming from political and social-equality champions trying to close tax incentives in their nations is that hard-working people there will likely end up paying more tax as the mobile HNW and UHNW wealth moves to other more competitive jurisdictions that await them with open arms."

Advisors must be agile and watchful

Howard then comments on the challenges he and colleagues face in tracking and advising on these constantly shifting tides. "When working in the tax and residency space, so often we become familiar with the existing regulations and set up advisories for clients, only to see the rules then change," he reports. "Agility, focus and flexibility are all essential."

He also points out that in many countries, the rules are not clear until they are applied in practice, making it difficult to obtain accurate information and to proffer valuable advice.

"This ambiguity might be intentional, allowing authorities leeway in their interpretation of the rules," he comments. "For example, the so-called 'Beckham rule' in Spain famously saw five different law firms consulted on the rule, yielding five different interpretations, implying that at least some, if not all, of these interpretations could be incorrect."

Watch, wait, understand, react

He elaborated on these complexities, citing Portugal's Non-Habitual Resident (NHR) regime as an example. "Most professional advisors have struggled to understand the NHR rules," he says. "It has taken many of them a long time to grasp and accurately interpret those regulations, which are now, as I mentioned, coming to an end anyway. But I should add that it is not always necessary to change country to maintain favourable taxation and conditions. Sometimes, perhaps often, minor adjustments to one's financial structures can be made to comply with new legislation."

Moreover, he adds that sometimes, a wait-and-see approach is viable as new rules settle in and the actual interpretation of those laws becomes clearer. "Advisors and clients need to make detailed assessments before jumping to conclusions or jumping ships," he says.

Consistency and quality

Howard draws the conversation to a close by commenting on

« "The irony of the pressure coming from political and social-equality champions trying to close tax incentives in their nations is that hard-working people there will likely end up paying more tax as the mobile HNW and UHNW wealth moves to other more competitive jurisdictions that await them with open arms." »

his firm's presence and his own commitment. The Sovereign Group is one of the world's largest privately owned consultancies specialising in the provision of offshore trusts and companies and associated international tax advice. He notes that the firm is today still privately held, which is fitting for their business, clients and revenue flows.

"We have a very loyal client base, as we are deeply involved in clients' affairs and structures, and it is hard work transferring administration of trusts and other entities from us and then undergoing new due diligence and working with different people," he explains. "Losing customers to competitors is rare, and price is not usually a significant factor in clients' decisions to move since the cost of running these structures is not typically high enough to motivate a switch for financial reasons."

His final word is that as a private firm, they do not have pressure to cut costs and change models. "We are personal in approach, we are consistent, and we are reliable, and our types of wealthy and HNW clients like all those characteristics," he says. "We plan to stay that way and offer real value and genuine quality." ■