

Wealth Solutions Insights - Tax challenges today

Executive summary

Increased regulatory controls governing the global financial services industry mean that the sector as a whole is gearing towards becoming an increasingly transparent place in which to do business. Peter Milnes, Managing Director at Rawlinson & Hunter Singapore, an international group of professional firms specialising in financial and taxation advice, talks to Hubbis CEO Michael Stanhope about what this new transparency means to individuals and companies, and the ways in which they can manage their wealth structures and tax exposure. Milnes says clients who place a premium on the public perception of their structures often prefer to be in a taxable jurisdiction such as Singapore, rather than in zero-tax jurisdictions.



PETER MILNES
Managing Director at Rawlinson & Hunter

IN AN INCREASINGLY SOCIALLY-CONSCIOUS WORLD, AN INDIVIDUAL'S OBLIGATION TO PAY TAXES HAS TO BE SEEN AS A NECESSARY THING, ESPECIALLY IN THE JURISDICTION IN WHICH THEY LIVE AND CONDUCT BUSINESS," SAYS MILNES. "Given the transparency here in Asia, our clients recognise that they have to comply with tax requirements, and that there are various government mechanisms in place to help them get their affairs in order."

Milnes cites a landmark tax amnesty initiative by the Indonesian government between 2016 and 2017 as an example, which offered tax rates ranging from two percent to 10 percent on declared and repatriated assets. The amnesty successfully recovered billions of dollars in revenue for the country.

A choice of jurisdictions

From a tax planning point of view, he says, there are

still opportunities for clients to choose the jurisdictions in which they wish to structure their assets and operate through, in accordance with their own preferences - their particular type of business, where their family assets are located, where they live, as well as their personal view of the world.

“We do have many clients who believe that the public perception of their structures are such that they would prefer to be in a jurisdiction such as Singapore, which does charge taxes, rather than a zero-tax jurisdiction.”

Milnes adds that he sees many clients choose Singapore for various reasons. One of these is the fact that Singapore is a taxable jurisdiction and, while relevant taxes are applied, there are still various attractive tax incentives for families and businesses to enjoy, which give them an advantage over other jurisdictions in the world.

“Rightly or wrongly - and I am not saying whether I agree or disagree with this - there is a public perception that some zero-tax jurisdictions may not be in the public interest,” notes Milnes. “We do have many clients who believe that the public perception of their structures are such that they would prefer to be in a jurisdiction such as Singapore, which does charge taxes, rather than a zero-tax jurisdiction.”

Latest developments in regulations

Many of the 36 OECD member countries - with the notable exception of the U.S. - are now in their first or second years of implementing the organisation’s Automatic Exchange of Information (AEOI) initiative, which requires cross-border exchanges of tax and financial information using a Common Reporting Standard (CRS). This initiative was based on the U.S. Foreign Account Tax Compliance Act (FATCA).

Milnes notes that in these early days of the CRS implementation in Singapore, a lot of information is being transferred between governments on bank accounts and financial structures, and this information is being subsequently shared with relevant tax authorities.

How long it will actually take for the tax authorities to review the information they receive, he says, is still open to interpretation. “It is going to be very interesting to see what kind of outcome comes from all this information that is being passed around the world.”

What clients have to be aware of is that their financial information is being transferred across borders, and shared. “There is nothing wrong with information being shared between the necessary government organisations, as long as those organisations make sure that the information is kept confidential,” he notes.

“However, it remains to be seen that the governments around the world can ensure that this, in fact, happens.”

Being tax-compliant

With the implementation of such new regulations, it has become imperative for clients to plan on being tax compliant in all jurisdictions. How do they do this?

“I think it is important to approach professional services firms to ensure that you are getting the necessary advice in all jurisdictions,” Milnes says.

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“Get it all down in writing, so you have the necessary backup in place in the event of any challenge, whether through CRS or any other tax return,” he adds. “With that evidence, you can show that you have sought the necessary advice and you have acted upon it, which gives you the relevant justification behind your actions and any structure that you might have.”