Alternative Residency and Citizenship – Planning Properly for the Best Outcomes

According to a report from investment migration experts Henley & Partners, there was a roughly 25% increase in the number of HNWIs enquiring about citizenship-by-investment in 2020 as opposed to residence-by-investment programs since the coronavirus pandemic first surfaced, indicating that many wealthy international investors are considering a more permanent change of location for themselves and their families. Henley & Partners also reported an unprecedented surge in enquiries from citizens of highly developed countries such as Canada, the UK, and the US compared to historical levels, along with noticeable shifts in client priorities. For Asia's wealth management industry, which works closely with investment migration experts such as Henley & Partners, amongst others, it is vital to keep on top of these trends and to track the arrival of new potential clients to the region, as well as to monitor the potential partial or complete relocation of key clients to other locations around the globe. Hubbis hosted a highly informative discussion amongst wealth management leaders, lawyers, consultants and investment migration experts on June 24, aiming to track the key developments taking place since the pandemic hit and what it has meant for an investment migration industry that has for many years been expanding apace, and also what it means for the wealth management industry and their clients in the Asia Pacific region. There is no doubt that the volume of residence-by-investment and citizenship-by-investment keep increasing and that this is, therefore, a standard consideration for any international HNWIs and UHNWIs and their families who are looking to hedge volatility, create short term value as well as long term yield through enhanced global mobility. However, while demand for such schemes continues to rise, governments and authorities around the world have been seriously hampered in terms of their administration of such programmes. In the meantime, private clients should take this opportunity to really plan ahead properly.

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An expert opened the proceedings by observing that the pandemic had clearly changed some of the motivating factors for alternative residence or citizenship. In particular, visa-free travel, historically a key driver for many of the residents of countries with weaker passports, is less of a consideration, as even some of the world's most flexible passports, for example, Singapore, as holders are in practice effectively immobilised due to the pandemic.

The pandemic has shifted some of the goalposts

A guest remarked that the rationale for seeking alternative residence and citizenships had changed significantly. "Whereas in the past, clients said it doesn't really matter if the business is in India while they live perhaps in Singapore, and their children are in the US, as it was so easy for everyone to travel. But now, a lot more people think more actually about reversing that diversification and focus on one jurisdiction where they have access to family and to the businesses. You cannot leave India currently, and for somebody to leave Singapore and come back is incredibly difficult."

In short, the game has changed significantly, and new thought processes are emerging in the face of the numerous impediments to our normal lives. "Security and health security rank rather high right now," a panellist reported, "but in reality, if you don't already have an alternative residence or citizenship in place, then, quite frankly, it's a bit late. However, more and more people from the developing and developed world still want alternatives for their own and their family's future and future security."

The demand, he added, includes many wealthy people from the US market, which has been growing in relative importance in the last two or so years. He said this interest coming from the US is driven by their rules on global taxation and filing. This, he said, has been leading to the rising renunciation of American citizenships and therefore rising demand from what had not been a traditional investment migration source market until more recent years. Meanwhile, in Asia, traditional markets of demand such as the Philippines, Indonesia or India continue to show robust interest in such alternatives.

Anticipating the unexpected

Another trend he identified involves the search for diversification amongst wealthy individuals worldwide. "Many now expect the unexpected, and they would want to plan ahead to have different

Expert Opinion

SCOTT MOORE, IMCM, Director - Private Clients, Head of Philippines Office, Henley & Partners

"As the global economy continues to struggle, governments will be forced to consider new ways of taxation to continue servicing rising fiscal debts. The conversation of taxation based on citizenship is being renewed in several countries. Planning far ahead, this is becoming a more common reason for clients to approach us and is opening new, non-traditional source markets."

MICHAEL OLESNICKY, Senior Consultant, Tax & Wealth Management, Baker McKenzie

"Tax compliance is key nowadays. Hiding assets and not disclosing income doesn't work anymore because counties routinely exchange information about bank accounts, securities accounts and certain insurance policies that people hold offshore. That disclosure regime will be extended to cover real estate holdings and perhaps other asset classes in due course. Immigration records are more frequently being matched to tax return filing records. The lesson is to assume that the tax authorities know everything because the chances are that they do. Getting into a dispute with the tax authorities in the US, Canada, UK, Australia, in Europe is never a pleasant experience and should be avoided."

JOHN SHOEMAKER, Registered Foreign Lawyer, Butler Snow (Singapore):

"I suggest that clients be very careful in choosing a residency, as in the age of information disclosure, home jurisdictions will be under increasing pressure to use such data to increase tax revenues or otherwise monetise its use."

domiciles for themselves, for various reasons including tax, lifestyles and so forth, including of course nowadays health security. When the hospitals are full, and there are lines down the street waiting to get into them, it is very daunting, and these wealthy and successful individuals are used to getting what they want."

Investment migration does not need to mean relocation

Another expert explained that while investment migration opens up the possibility of relocating, oftentimes people do not move. In fact, in some cases, the clients can naturalise through spending effectively as little as seven days per year for five years, as with Portugal.

"Most clients want to stay in their own countries actually; they prefer to be where their businesses are, where they have made their wealth, where their broader families are located," he explained. "With citizenship by investment, you can invest to bypass naturalisation or with residence by investment; you can invest in obtaining another residence. But much of this is for future planning; you actually do not need to leave your businesses and your family to get the benefits of having an alternative residence or citizenship."

If you can afford to, then why not expand your options?

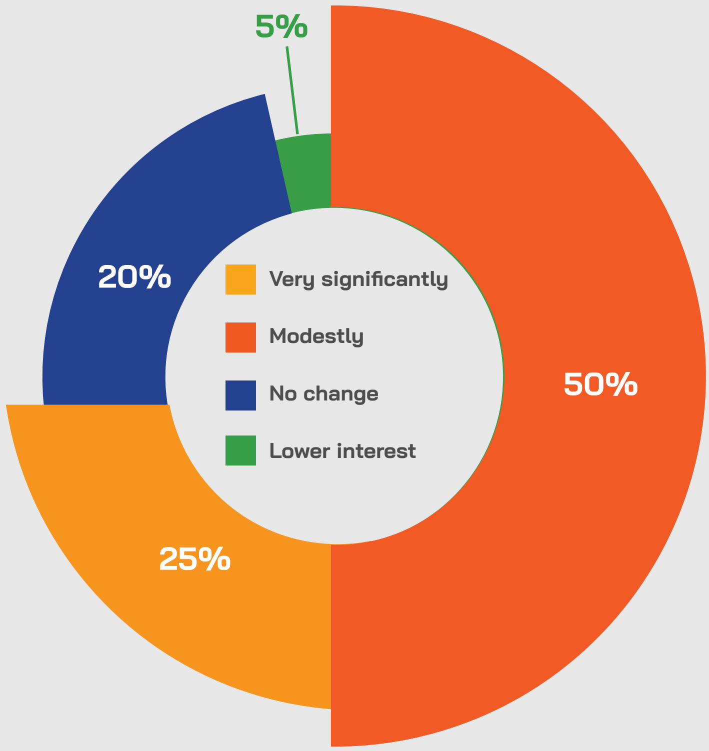
"These schemes are often not that expensive," he commented, "so for those who can afford to do so, why wouldn't they invest to perhaps have more mobility when the world opens up?", he pondered. "Many are thinking of their children, so for example, a young child from the Philippines would have many decades ahead potentially with their own restrictive passport. So, if the family can invest in a migration programme, the rewards can be immense, even good financially if they invest in the right assets in the programmes. It seems a no brainer. It's really about opening doors for your family in the future and just having more options."

Whatever you do, research and plan effectively

Another panellist commented on how many people miss some key issues when considering investment migration, such as the lifecycle considerations, meaning how to deal with assets and property overseas should the individual pass away, lose capacity, perhaps divorce or enter a serious relationship outside the family circle. These, he said, are some of the lifecycle issues that sometimes are missed as people focus so intently on the surface migration elements.

"They look very carefully at getting the passports or getting the rights of access, but often leave out all the other elements, which are actually critical, particularly where couples and families move across from, let's say, a civil law jurisdic-

TO WHAT EXTENT HAS THIS PANDEMIC ACCELERATED THE INTEREST AND DEMAND AMONGST ASIA'S HNWIS AND UHNWIS AND FAMILIES TO SEEK ONE OR MORE ALTERNATIVE RESIDENCES OR CITIZENSHIPS?



tion into a common law jurisdiction and vice versa," he cautioned. "They often don't realise that in civil law jurisdictions, perhaps they're going to apply forced heirship rules to land. And they have no idea because they're coming from a common law jurisdiction where this is all rather easy, you just make a Will."

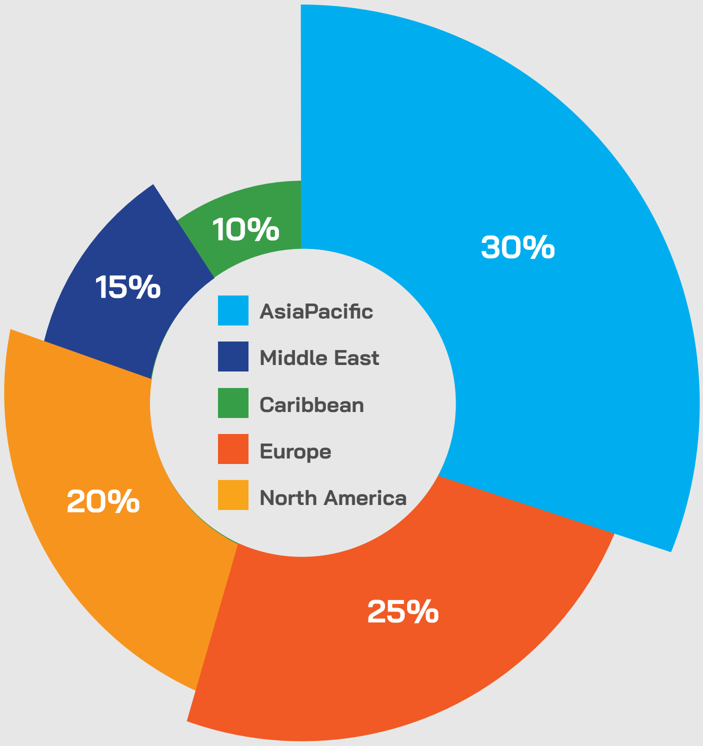
Accordingly, he said that advisors in the migration industry and associated experts helping out need to communicate these issues more effectively and encourage a deeper understanding of the need to address a wide range of regulatory and other issues well ahead of time.

The regulatory side of migration is increasingly complex

He added that the regulatory side of investment migration is also evolving, for example some problems emerged relating to Cyprus, and Malta is potentially on the way to becoming a grey-listed jurisdiction for FATF purposes.

"Some of these jurisdictions are having to reform the way in which they deal with the governance of their migration schemes," an expert observed. "And those involved in the investment migration industry need to bolster their self-regulatory side and up their game, and actually I think the investment migration agents should be on enveloped within the FATF, like lawyers, accountants and others already are. The [migration] industry itself needs to modernise. And those of us on the advisory side, we also need to up our game, as investment migration is nowadays much bigger in the overall scheme for clients. And from a regulatory viewpoint, that is also in need of modernising. So, on the advisory side, whether you are a trustee, whether you are a lawyer, legal counsel or tax advisor, there are broader concerns and broader family issues in all of this."

WHAT ARE THE TOP REGIONS YOU ARE SEEING MOST DEMAND FOR RESIDENCE OR CITIZENSHIP OPTIONS AMONGST ASIA'S PRIVATE CLIENTS?



In the face of complexity, get the best advice

A panellist stressed that private clients should not only obtain a comprehensive picture of the issues to overcome and try to seek advice on multiple facets but also think about engaging an overall coordinator, a trusted advisor type individual, who can put all the different pieces in order and help the client address those issues one by one.

"Very often, people go for very specific relocation advice for their business or for their personal taxes, but the overall assets in different countries are not fully taken care of," he observed. "And very often, they might be focused on obtaining a new residence or passport, but do not consider the tax situation fully, even though a passport has not got so much to do with taxation, except for the US."

The need to keep an eye on the expanding universe of regulations

A guest highlighted how private clients must be fully cognisant of the implication for all the new regulations and requirements around the FATCA regime, the CRS, AEOI,

economic substance, BEPS and so forth. He said it really helps with proper planning around residency and citizenship alternatives to have experts at the table to ensure that the optimal outcomes are achieved for the individuals and families.
He warned that the implications of Joe Biden's drive for a minimum global corporate tax rate could have massive implications for alternative residence and citizenship planning, as well.

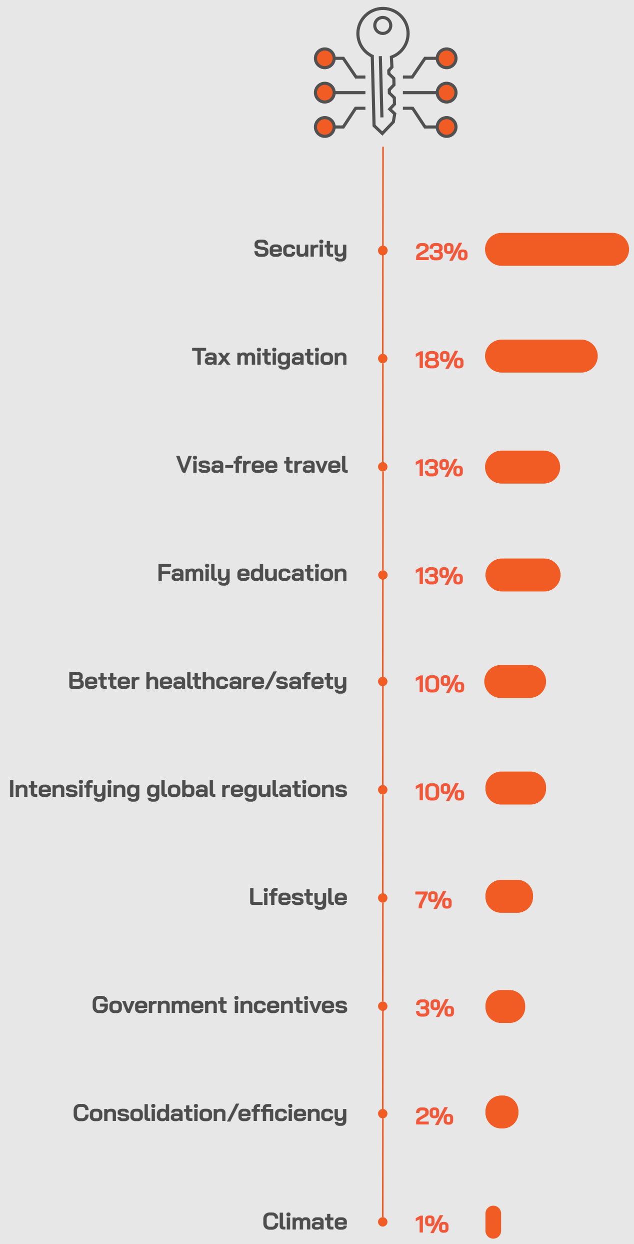
"Don't think that these are completely separate topics from what we're talking about today in terms of alternative jurisdictions," he warned. "These are issues of concern regarding holding companies, and there are oftentimes unintended or unforeseen consequences. I do agree with a fellow panellist who has observed that with such pressure on national finances, there will be more and more pressure to extract tax. Clients need to be aware and achieve efficient planning and then movement, with good stability to follow."

Global pressure to raise more revenues

Another expert highlighted how governments never cease to seek new ways to raise revenues. He commented on low or no tax jurisdictions, for example, Dubai, where he noted that although there is no tax, they have introduced VAT in order for ease of proving tax residency there, and potentially as a precursor to income tax of some kind in the future.

"Moreover," he added, "I am sure that Dubai will have further pressure to increase source taxes either on income, on company profits, and so forth looking ahead. Dubai and particularly the DIFC are very much on the move to apply more international standards. There are regulatory advances taking place in terms of data protection standards, AML, due diligence rules and so forth, and I would think the next pressure is on taxation; there seems little way out of that trend."

WHAT ARE THE KEY DRIVERS FOR ASIA'S HNW AND UHNW PRIVATE CLIENTS IN TAKING UP RESIDENCE OR CITIZENSHIP OVERSEAS?



Think about the 'obvious' and less obvious mistakes

An expert observed that, at the risk of generalising, because each country's tax rules are so different, it is sometimes best to think about what types of mistakes clients can make when compiling their estate planning and organising themselves and their families for a possible change of residence, or even seeking alternative citizenship overseas.

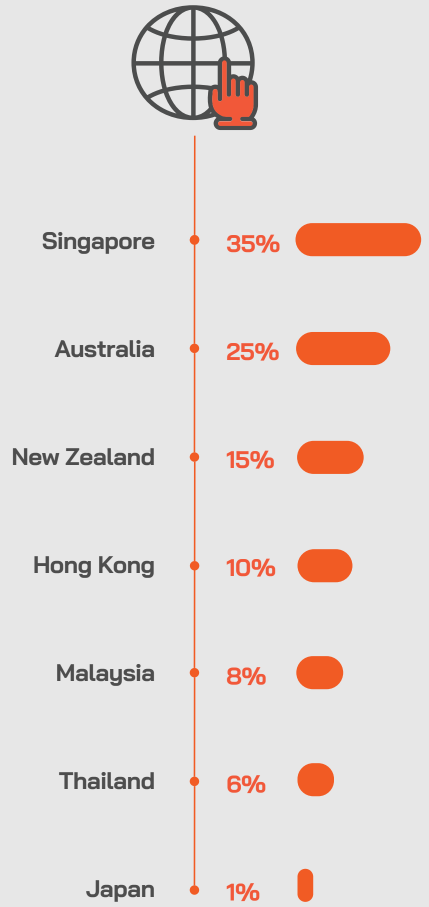
The obvious error, he reported, was not fully appreciating that the days of non-disclosure are over. "There is too much information being transferred around the world, the authorities can so much more easily know what assets in terms of bank accounts, securities accounts, insurance policies and other assets people have in other countries, and CRS will soon be expanded in due course to cover real estate holdings, of that I am pretty sure. On top of that, more countries are doing immigration matching, where the information about your days in days out is automatically made available to the tax authorities."

Don't get caught up in the ever-widening nets

He cautioned that in such an environment, people do not want to get embroiled in a tax audit with the tax authorities in the country they are moving to, whether that is the US, Australia, the UK, Spain, or other countries.

Another issue that people need to be fully aware of is that the days are over of the individual who is a resident nowhere. "The nomad, the person who spends two months here, three months there, but doesn't seem to spend enough time in any one country to be tax resident, those days are over or severely numbered as well, and it just becomes so much more difficult for them to comply with most institutions' KYC requirements, to open or maintain bank accounts, securities accounts, and so forth," he reported.

WITHIN ASIA PACIFIC, WHICH COUNTRIES' RESIDENCE OR CITIZENSHIP PROGRAMMES ARE IN MOST DEMAND?



The importance of keeping good records

He also warned that individuals and families, especially the very wealthy with family members and wealth spread across the globe, do not often enough keep good records, even of basic things like travel.

"If family members travel a lot," he commented, "whether for business, vacations, to stay in other of their homes, for education, healthcare treatment, to visit relatives, they are very often unaware of the tax rules, so when trying to sort out their tax affairs at the end of the year, they often do not have the required information to help work out tax liabilities and so forth."

Plan ahead and act early

And even for those people who do plan and are organised, they often leave things too late. He cited the example of somebody moving to the US or to the UK, they take up residence overseas, and then perhaps sell their house in Hong Kong.

"Suddenly, they had exposed themselves to capital gains tax based on all the gains they've made in all the years they've owned that property, whereas they could and should have sold up well before they took up that other residence. In short, people must consider these matters and plan well in advance, especially for countries such as the US or Australia, where you can become a resident before you actually arrive, as you arrive within a certain tax year in which you might have unwittingly triggered a tax liability from actions taken back home."

Don't put too much trust in trusts today

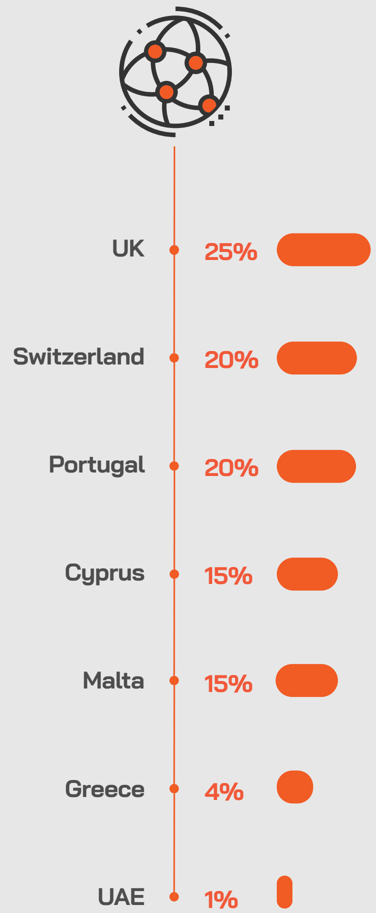
Another area of concern is trusts, which an expert noted were well-liked in Hong Kong but increasingly mistrusted in many countries. "Most countries nowadays don't like trusts, and they have very strict tax rules to hammer people who have established trusts abroad," he reported. "If you move to Australia, for example, you will be taxed on all of the income of any trust that you've ever set up. The UK has complicated rules. America has rules that attack trusts. So, if you do have a trust, you really have to think carefully about how to plan for that. There are strategies to address those issues, but this is not the forum to delve into those details."

Is your hand still on the company tiller?

Another key issue is with overseas companies and issues surrounding control, rules for which vary from jurisdiction to jurisdiction.

"We all too often see that when people move to a new jurisdiction of residence, they keep control of those offshore companies from within those jurisdictions," he warned. "Well, if you do that, you simply make those companies resident in the jurisdiction where

WITHIN EUROPE, WHICH COUNTRIES' RESIDENCE OR CITIZENSHIP PROGRAMMES ARE IN MOST DEMAND?



Expert Opinion

MICHAEL OLESNICKY, Senior Consultant, Tax & Wealth Management, Baker McKenzie

"Some people still try to be resident nowhere, but this increasingly makes life hard for such people by hampering their ability to open bank accounts and investment accounts. Passport and residence schemes (offered in exchange for investments) are therefore popular because they enable people to assert that they are tax-resident in a particular jurisdiction. As a result of this, financial institutions are already required to investigate the residence claims of such investors by asking probing questions, and the OECD and EU have foreshadowed that new reporting requirements for such investors will be implemented."

you're located. It is a huge concern for many wealthy Mainland Chinese, for example, who control their offshore companies from within China, but move to Australia, or the UK, or other countries."

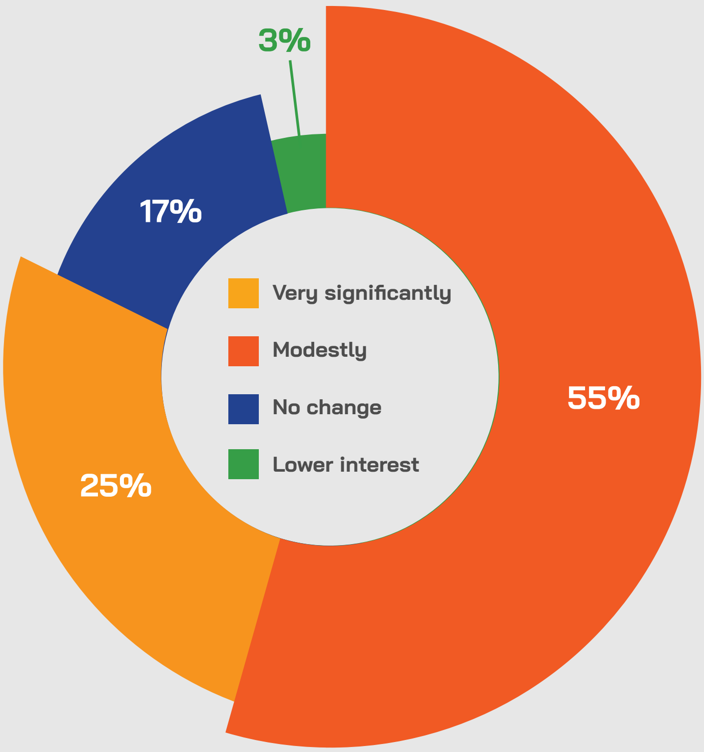
Get your timing right, don't be hasty

He added that another basic piece of planning involves remembering that in most countries, income is assessed on a cash basis. "When you receive income is important, so before you take up residence in a new jurisdiction, think about the income streams you're going to receive and determine whether you can accelerate those receipts prior to taking up another residence," he explained. "That might include late salary payments, termination payments, gains from investments, and so forth. Again, seek support from a trusted advisor."

He therefore again advised these individuals and families to work with a trusted advisor, whether that person is the trustee, the tax advisor, the private banker, or whoever has the capabilities. "Somebody needs to keep the big picture in mind, and that person should understand the assets and their locations, and they should know the circumstances of the individuals and families," he said. "All too often, people suddenly tell us they are off, they have the movers coming in, they've planned everything already, but not always with the right degrees of planning and thought."

A panellist strongly advised against haste, even though all too often, it soon becomes clear that clients are not approaching these issues with the right degree of thought and planning. "It is vital to ask the right questions," he said, "and I do think there is a very valuable role to be played by the trusted advisor in

TO WHAT EXTENT HAS THIS PANDEMIC ACCELERATED THE INTEREST AND DEMAND AMONGST UHNWIS AND FAMILIES TO ESTABLISH FAMILY OFFICES AND THE RELATED RESIDENCE OR CITIZENSHIP IN OVERSEAS JURISDICTIONS?



Expert Opinion

SCOTT MOORE, IMCM, Director - Private Clients, Head of Philippines Office, Henley & Partners

"Health security is pushing demand for alternative residence and citizenships across the developing world. As sweeping lockdowns have severely restricted previously routine health tourism trips, the need for a proactive, rather than reactive, approach is solidified towards these alternatives."

JOHN SHOEMAKER, Registered Foreign Lawyer, Butler Snow (Singapore)

"We always counsel people to be careful before marrying an American, as the residence issues and effect on financial obligations and restrictions can overwhelm the family's financial health and wealth."

helping ask these questions and focus the clients' minds."

Onshoring trends and high-end jurisdictions

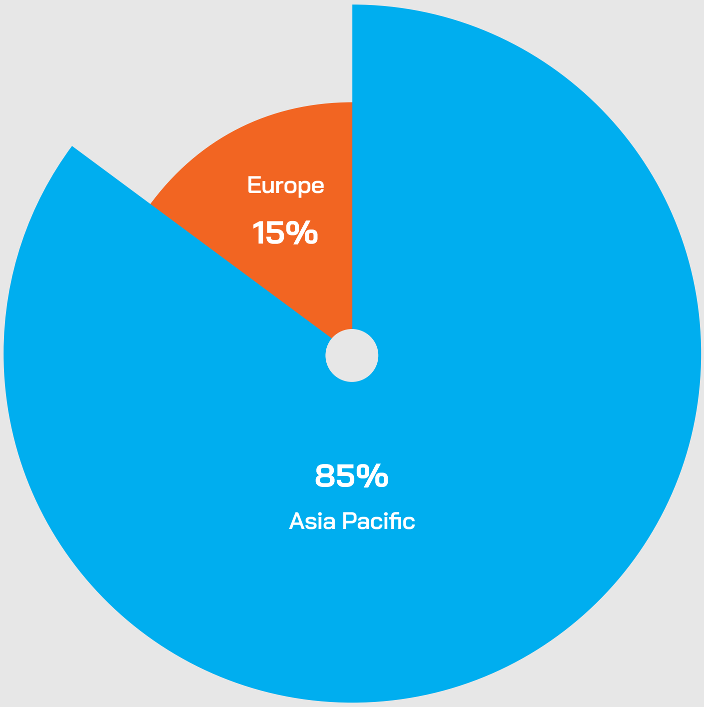
Another guest offered his view on the best options, with mid-shore jurisdictions such as Singapore high up his list of preferences. "People can get into a jurisdiction where they can recalibrate all of their private wealth, a market that's not highly taxed, that doesn't have any inheritance tax. Obviously, the economy is open in terms of financing and the service sector. But the most important thing is you can actually establish substance in the region, for Asian clients, they don't have to look at Caribbean countries or high tax European countries. Singapore is excellent for all these reasons."

He offered more insight into what he called the onshoring trend, where the offshore companies will still be there, but where we will see a trend into the high-end onshore markets, and that is, of course, where Singapore shines particularly strongly and will benefit under more normal circumstances, as clients can easily and transparently centralise everything in Singapore - their businesses, the family office, their main home, their financial affairs and investments, their family and education and so forth. "And yes," he added, "Dubai is certainly an option in that regard as well; they are trying to get to the level that Singapore offers, and in the future, it might be a very similar type of offering."

Singapore's many attractions

A guest highlighted that within Asia, for Asian and for global

FOR ASIA'S UHNWIS AND FAMILIES, WHERE DO YOU SEE MOST DEMAND FOR FAMILY OFFICES CURRENTLY AND IN THE FORESEEABLE FUTURE?



Expert Opinion

JOHN SHOEMAKER, Registered Foreign Lawyer, Butler Snow (Singapore)

"The days of banking secrecy and zero tax are over... clients are well-advised to choose a home base location which provides financial certainty, which almost necessarily includes a strong but fair and broad tax base."

SCOTT MOORE, IMCM, Director - Private Clients, Head of Philippines Office, Henley & Partners

"Our Industry is Investment Migration; however our clients rarely migrate. As busy entrepreneurs or senior professionals, they don't have the luxury to relocate themselves and their entire families to serve time in a country to get a result. Instead, through investment, they can bypass naturalisation while remaining with their families and businesses."

clients, Singapore has been positioning itself very adroitly to be a beneficiary of many of the key global trends relating to the world's very wealthy, especially in relation to family offices and a host of incentives to encourage the families of UHNWIs to relocate to the city-state. Additionally, Singapore has rolled out the relatively new VCC, the Variable Capital Company, attracting fund managers into Singapore to establish tax and regulatory efficient onshore Singapore structures, rather than the offshore structures that had dominated for many years.

"Singapore really does tick so many boxes for the very wealthy," he told delegates. "And, of course, there is an excellent lifestyle, security, healthcare, education, a transparent regulatory and low tax environment, and so forth."

But the pandemic has understandably slowed things down

He did, however, indicate that Singapore is at the same time highly focused on the pandemic and not issuing employment passes currently, preferring to ensure there is employment for Singaporeans first and not necessarily being swayed by the need amongst companies for skills from overseas. "Their focus is on getting the virus under control and not on opening the doors to outsiders for now, so that has naturally had a detrimental effect," he reported.

He explained that the flow from India and China had therefore shifted to different locations, as it is simply not possible to move to Singapore right now from

NAME THE TOP 4 COUNTRIES FROM ANYWHERE ACROSS THE GLOBE THAT YOU WOULD PROMOTE FOR ALTERNATIVE RESIDENCE OR CITIZENSHIP FOR ASIA'S HNW AND UHNW FAMILIES?

1. Singapore
2. Australia
3. Hong Kong
4. New Zealand / Switzerland

Expert Opinion

MICHAEL OLESNICKY, Senior Consultant, Tax & Wealth Management, Baker McKenzie

"Proper tax planning is crucial, but the methods depend on the rules in the relevant jurisdiction because tax laws vary so much. The most common mistake is when people don't plan in advance and only think about tax after they have taken up residence in their new country. If they have already become resident, any necessary restructuring at that stage often exposes them to tax costs. This is exacerbated by the fact that some countries will deem you to have become resident before you actually arrive (e.g., Australia, and the US), so asset shuffling before you arrive might not be effective if you leave it too late. Many countries penalise people who have set up trusts before emigrating, and that deserves special attention. Most countries tax their residents on a cash basis, so it makes sense to gather in all your income (like salaries, termination payments, investment gains) before you emigrate. So the lessons are - do your tax planning, and do it early."

another jurisdiction. "While Singapore is on hold, other countries are quite active," he explained. "We certainly see quite a lot of questions and interest in the European jurisdictions, for example, for golden visas, tax residence, and citizenships, and London and the UK remain very high on the list, and so too is the US which has seen a lot more interest."

Another guest added that with respect to some of the more exotic investment migration destinations, clients should be aware of the way in which the whole regulatory environment around investment migration is developing. "Think about how they are perceived in the US or the EU, and whether some of those countries with good visa-free passports will actually offer that going forward. Do your due diligence, be careful, and then really look at the country that you're attaching to, and see whether or not their schemes will have any level of longevity."

Moving to or from the US? Be careful...

An expert zoomed in on the US, remarking that it is essential in all situations when speaking about anyone who might fall into the US tax net to encourage them to really plan ahead properly.

"It is actually really tough to get clients' attention on these matters at an early stage," he reported. "We all know about the EB5 Immigrant Investor Visa Program in the US, and I find it truly concerning, abhorrent actually, that there are so many people out there selling these EB5 visas without having had conversations with the clients about the tax consequences."

The Hubbis Post-Event Survey

IN YOUR VIEW, WHAT ARE THE KEY DRIVERS FOR PRIVATE CLIENTS SEEKING NEW RESIDENCE AND CITIZENSHIPS OVERSEAS?

- A 'Plan B' if the pandemic gets worse in the years to come and to obtain access to higher standards of health treatment.
- Easy for travel, tax consideration, future development on business, quality of life, education of children.
- Tax.
- Political and economic risks [in home countries].
- Quality of life.
- Diversification and mitigation of various risks and better living environments.
- Better opportunities elsewhere.
- Freedom, travel, safety, education.
- Tax and politics.
- Tax, business, and education.
- Safety, lower tax rates that are 'assured' and easier ability to travel without visas (new citizenship/passports).
- New environments and moves to places that they feel being treated fairly and well, as well as tax planning.
- Uncertainties about the impact of Covid-19.
- Ease of travel. More accessible healthcare. Better quality of life. Tax efficiency.
- Safety and security.
- Unpredictability of tax regimes and politics in so many countries.
- Fed up with rising taxes and bureaucracy back home.
- The search for political stability and tax efficiency.
- Residence/citizenship as a status symbol, as well as safety and ease of travel.
- Protection of wealth.
- Travel restrictions, global economic uncertainty, domestic tax law changes.

Take the surprises out of the equation

An expert explained that, if they are lucky, he or colleagues can start the advisory process with the clients early on, they usually quickly realise that they would then be subject to worldwide taxation. "But if we arrive later in the process, these people can end up truly exposed to some very negative tax consequences that all too often come as a complete surprise to folks that are on the pathway to entering the US and getting their Green Card," he cautions.

And he explained that for the US, there is a potential exit tax exposure due to retention of an individual's residence status beyond the time when they physically leave. "I am actually a great example, as I left the US, but it did not change a thing," he said.

For that reason, he entirely agreed with other panellists who had called for robust planning ahead of any such moves to any jurisdiction. "But I want to also emphasise the opposite side of the equation, which is somewhat unique to America, and that is the potential exit situation," he reported. "Don't get entirely focused just on where you're going and lose track of how to in an efficient manner and in a timely manner; you might later need to exit."

Green Cards and 'green' clients

The same expert warned that the US rules are incredibly tricky. "I'm working on an academic paper right now about the Green Card rules," he reported. "There are situations where you can apply for a Green Card, be overseas, get it issued to you, and then

- Better global connectivity.
- Politics at home.
- China's new law, tax savings for EU residents.
- Geopolitical reasons are key to this.
- Politics and following the children overseas.
- Additional 'mobility' and a better living environment.
- Better healthcare/safety, security, tax mitigation and family education are some key drivers motivating these clients to seek new residence and citizenship overseas.
- Wealth protection.

The Post-Event Survey

DO YOU THINK THAT DEMAND FOR THESE ALTERNATIVES WILL INCREASE OR FALL AWAY IF THE PANDEMIC IS BROUGHT UNDER CONTROL GLOBALLY?

Delegates surveyed were emphatic. Demand will rise, they said. The reasons they gave were all quite similar and can be summarised as follows:

- This pandemic has been a stark lesson - we all know that other crises will emerge sooner or later.
- There is a lot of pent-up demand anyway, as the pandemic has slowed things down.
- Too many unpredictable tax policies are being introduced all over, prompting people to increasingly seek more stable and lower tax jurisdictions.
- Wealth increases, demand rises.
- The better quality of life and healthcare and less crowding in many more developed countries, including some within Asia, will further propel demand.
- The trend for alternative options for residency and citizenship will continue to grow even if the pandemic is brought under control globally, as there are other key drivers also motivating such moves.
- The long-term effects of the pandemic will drive more and more people to take up investment migration alternatives as insurance against some major upheavals.

you work with your family to get all your affairs ready, and you move to the US, and you find out you have been considered a US resident well before you arrived, that you then find out there may have been gains that on which you owe tax in the US that might not have been even treated as taxable in the country in which you were resident at that point. In short, people need to pay really close attention to the Green Card protocol, talk to advisors early, and truly understand what it is to become a US resident."

Expert Opinion

MICHAEL OLESNICKY, Senior Consultant, Tax & Wealth Management, Baker McKenzie

"Tax rules change. Australia for example recently announced that it would be tightening up its residency rules in a quite extreme fashion, and this will have the effect of catching many people - both Australian expatriates and non-Australians - and bring them into the Australian global taxation net. It can be very easy to get caught by residency rules around the world without knowing about them. The problem is exacerbated in so-called global families whose members travel frequently and have links with many countries, e.g., owning vacation homes, business interests, going to school there, visiting relatives, and so forth."

But the US remains in great demand

Nevertheless, he told delegates that these issues are not deterring people from their applications; there are still plenty of people in Asia who still wish to relocate to the US.

"There are clearly great advantages and attractions in the US from a business perspective, as well as for lifestyle," he commented. "If you go into the US with your eyes wide open and you put into place the proper and highly efficient planning, you will be fine. We know the old days of no tax are gone, and we see that the second and third generations are really quite comfortable with a reasonable taxation rate, which can be achieved in the US depending upon which state you choose and having done the right planning before applying."

The global US tax net

He added that more and more countries are going to become tempted by the US approach. "If you look at the history of human development, there's never been a governing system that once they identify a stream of revenue, can resist the temptation to tax it," he observed. "And if they see people leaving them, they're going to change the rules and make it harder to leave them, or they're going to expand the rules to have a bite of what those people are taking with them when they go. In the PRC, for example, their recent changes to the individual income tax regime may before long lead to tax based on citizenship; they might say that was what they were driving towards from the start."

Do you really think you can leave? Think again…

The discussion drew to a close with a guest commenting further on the likelihood of an emerging trend among jurisdictions to make it more complex for individuals and families to leave from an income tax residence perspective.

"Accordingly," he said, "the key message for any clients that are looking at a change, whether it's for tax reasons, financial reasons, family reasons, business reasons, is to take proper advice, not just on where you're going, but where you're leaving from to make sure you're aware of recent developments and recent interpretations, and you do not fall into any traps, that you also don't miss a trick. For example, if you were to sell an asset before moving to the US, do it well in advance so that you do not unwittingly trip over into a huge, potentially unexpected tax bill from the US."

Another guest pointed to ever-tougher rules across many countries in what triggers residence and therefore tax, and what is actual confirmation to the domestic tax authorities of anyone actually leaving. He pointed to Australia, for example, where rules are getting ever tighter and where there are specific criteria that must be met in order to prove that someone staying part of the year in Australia is not a tax resident.

And he also pointed to more pressures on tax from beyond the grave, noting that the OECD has been focusing on inheritance taxes and death duties and remarked that this is typically part of the way the OECD operates, aiming to gain traction on certain key issues before pushing them further along the road. "Ultimately, we're going to see the OECD very probably doing more work on inheritance taxes and trying to induce more countries to impose this tax," he observed. "And most certainly, if you do move to another country, death duties are something you need to think about as well as income and other taxation issues."

Be wise, don't try to be too smart, and be prepared

The final word went to an expert who reiterated the vital importance of people being transparent with their affairs and hiring the right advisors and consultants as early as possible to help them whenever possible, professionals who will be able to help them avoid some of the many pitfalls out there, as they plan their alternative residence or citizenship adventures across the globe. ■