

Residency & Citizenship for Private Clients – Key Trends, Key Alternatives and Key Decisions

The world's leading equities and financial markets might have fallen sharply in 2022, and the outlook for 2023 might still be rather uncertain, but the market for alternative residence and citizenship around the world just keeps steaming ahead. Why? While the worst of the pandemic seems in the past, memories of the business, investment, financial, personal, travel and other turmoil are not so distant. Accordingly, wealthy private investors the world over have made their personal, family and estate planning far more of a priority than ever before, and one key issue many wish to address is having greater optionality and greater diversification for themselves, their family members, their businesses and their investors than ever before. In short, the global business of investment migration has been thriving, seemingly turbo-charged by the array of uncertainties in recent years. The Hubbis Digital Dialogue event of April 27 saw a small group of experts debate the motivations, the programmes, the processes and also some of the possible issues ahead, especially around dealing professionally with tax exposures.

SPEAKERS



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THESE ARE SOME OF THE QUESTIONS THE PANEL ADDRESSED:

- » What are the key global mobility and investment migration trends that have emerged in the past year?
- » Where is the demand emanating from these days, and how does that compare with historical trends?
- » Is Asia a source of outward activity, inward activity, or both? Why?
- » Within Asia Pacific, which countries are the source of the greatest and growing client demand, and why?
- » Within Asia Pacific, which countries are the targets of the greatest and growing client demand from outside the region, and why?
- » Which countries are starting new programmes? Which countries have stopped programmes, and why?
- » How and where does investment migration align with estate and legacy planning?
- » What must you do to make the right decisions and then achieve the desired results around residence migration or citizenship migration by investment?

Setting the scene:

To plot the coordinates of exactly where the global investment migration industry is right now, where it is heading, and what it all means to private clients in Asia and the Middle East looking overseas and to global HNWIs and UHNWIs looking at the Middle East and Asia, Hubbis held a Digital Dialogue event on April 27th that uncovered the key trends and identified the most compelling opportunities, as well as highlighting the right steps to take to avoid common pitfalls.

The overriding narrative is that demand for global residence and citizenship alternatives from private clients in the Middle East and Asia has never been stronger, and demand for alternative residence and citizenship options in Asia from global clients remains remarkably robust, while there is also rising global demand for options in the UAE, especially Dubai. In short, even more of the world's wealthy see the value of these alternatives, and the investment migration industry is on a major expansion trail.

There are nuances in the demand. Interest came historically from many emerging countries with weaker passports, but today demand from the wealthy in the US has been remarkably strong, with clients from the United States sometimes even assembling a mini portfolio of residence and citizenship alternatives. The Middle East market is no longer just an exit launchpad – it has opened significantly for inward migration as liberalisation takes place there and as the economies diversify and expand, and some of the demand is already coming from Asia's private clients, even some from Singapore and Hong Kong.

The Singapore market for inward migration of very wealthy clients, some establishing large single-family offices, is robust, even if the market there has narrowed somewhat to the uber-rich, given the sheer cost of property and everything else in the city-state. Hong Kong is a source of major outward demand, as more wealthy locals seek alternatives away from the umbrella of the vast and inscrutable China, and as people there still reel from the major restrictions on their liberties caused by the pandemic. Demand from the more emerging markets of Asia – the Philippines, Indonesia, India, Vietnam and so forth - continues to be strong, with clients eyeing an expanding world of opportunities in Europe, the Americas and the Caribbean, the Middle East and Australia/New Zealand. And of course, China's wealth just keeps rising apace, and there are more and more wealthy private clients from Mainland China seeking alternatives in Asia and indeed around the world.

The Hubbis Digital Dialogue event saw our handpicked experts analyse these key trends in Asia and the Middle East – both for inward and outward-bound clients – and our experts surveyed the more interesting existing and upcoming opportunities for alternative residence and citizenship by investment around the world, as well as alerting delegates to pressures on some programmes and advising them to get on with this if it is on their agendas.

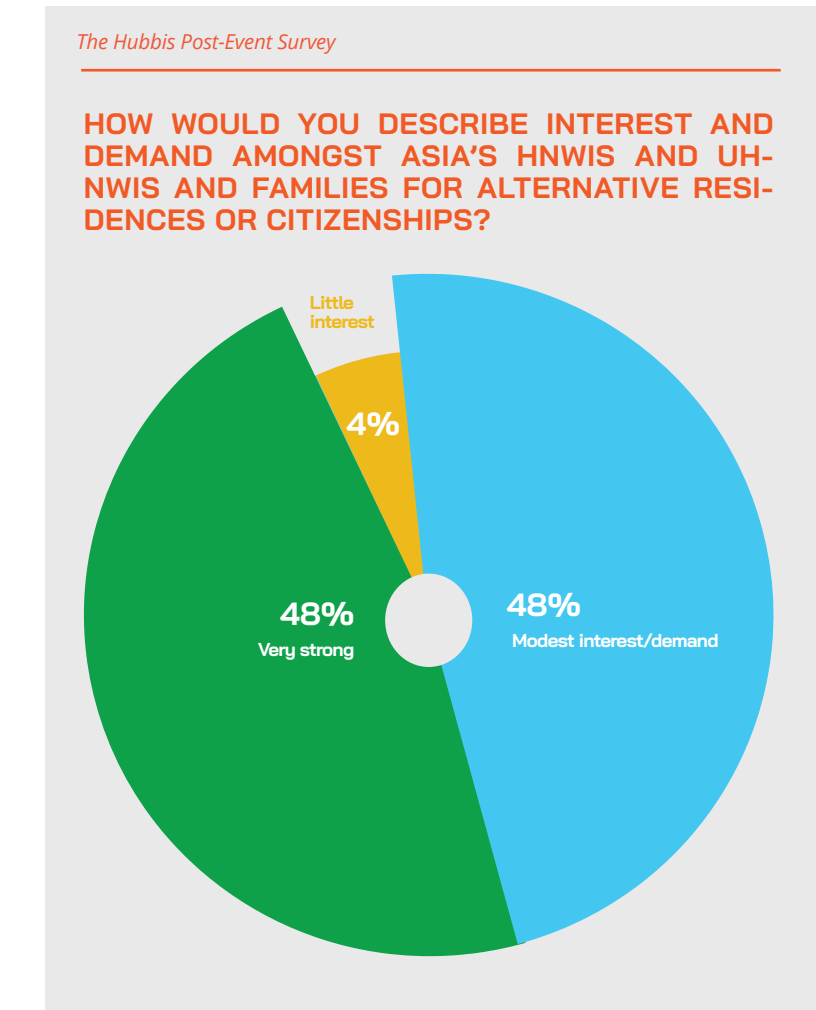
Asia has plentiful programmes to attract investment migration from the region, or from across the globe

There are quite a number of interesting visa and residence programmes in the region, including Singapore, Malaysia, Thailand, Indonesia (focused on Bali) the Philippines, and of course Australia and New Zealand, amongst others. Many of those have appealing tax incentives and rules, and some of them very low or no tax on money brought into the country, and potentially low or no inheritance tax for those who establish full residence.

Singapore has been a huge beneficiary of inward immigration amongst wealthy foreigners, with an estimated 105,000-plus Chinese, more than double the level of a decade-plus ago, with Indian expats doubling up in numbers as well, and so forth. Some come to manage their wealth in Singapore and enjoy a better (albeit much more expensive) lifestyle and appealing tax incentives, especially if they are opening one of the growing numbers of family offices.

Having one or more alternative residences is valuable from a wide variety of regulatory and lifestyle perspectives

The value of alternative residences and possibly citizenships in today's mobile and high-regulation world is fairly clear for all to see. An expert highlighted that he is a resident of Singapore, had signed up to the 'Malaysia My Second Home' option, and is also looking at a potential residence in Portugal to fill his list of alternatives. He noted that



Expert Opinion

PETER TRIGGS, Partner, 1291 Group



"Migration is a hot topic today both amongst the very wealthy, who are generally welcome everywhere and who are seeking a passport or residency that gives them additional advantages, and the very poor who are generally not welcome anywhere, but who often have to move in order to survive extreme hardship, poverty or persecution."

many programmes do not require individuals or families to actually spend much time there.

An expert opined on Portugal, noting that it had been remarkably popular for Asian clients for a good number of years but was closing its

door to the Golden Visa options due to internal political pressures, and some external pressures from the EU and OECD worried about the types of foreigners gaining access to the country and the Schengen visa-free travel and work regime area.

Nevertheless, he pointed to plenty of other affordable alternatives in Europe that offer full EU/Schengen access, such as Spain, Greece, Italy, Cyprus, and even Latvia. Malta, Austria and Switzerland are far more expensive but also high-quality programmes.

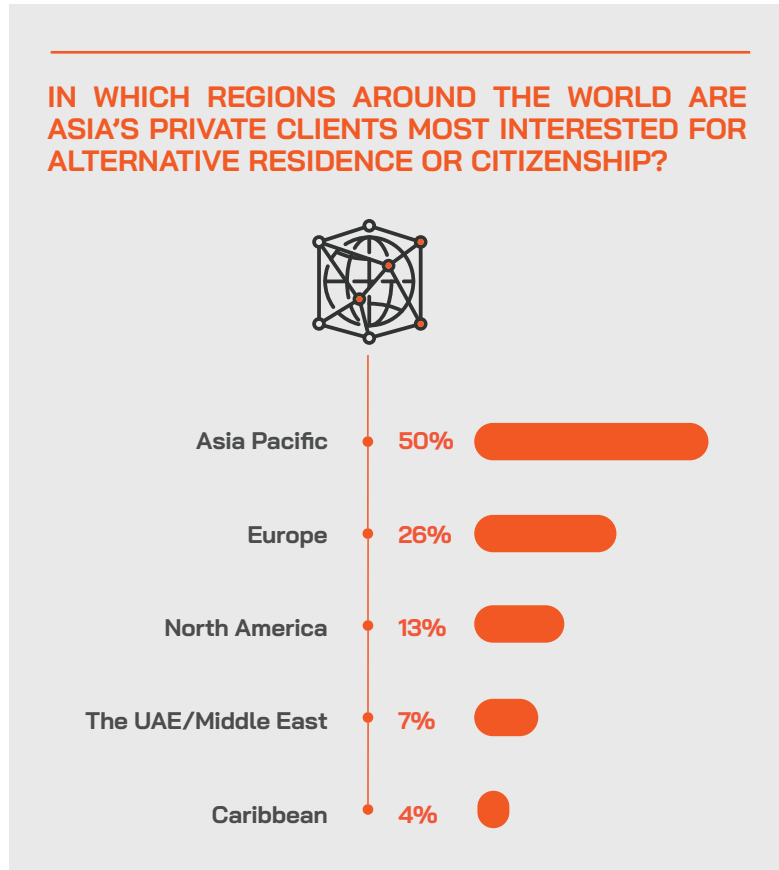
Generally, clients like the residence by investment options more than citizenship by investment as RBI allows for little or no actual presence in a country (until convenient) and is a lower cost of entry. There are quite a number of countries in Asia that do not allow dual passports, including Indonesia, China and India, with those markets as major sources of investment migration clients.

There are other options around the world, with the US and Canada being attractive for the wealthier families for obvious reasons, including often education for the younger generations.

The Caribbean countries have several programmes that while the UAE offers increasingly popular golden visas through Dubai and Ras Al-Khaimah. “Dubai is very much becoming a place in which you need some type of footprint whether it’s real estate or residence or a business,” this expert commented.

There is rising pressure within the EU and OECD and politically within some countries to taper back on some of these programmes so it might be advisable to move ahead sooner not later

A lawyer observed how there is increasing pushback by international bodies like the OECD, and the EU, towards these sorts of programmes, for example, the withdrawal of the Portuguese golden visa programme



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“In the financial industry, it is the first [wealthy] group we tend to come across, and the interest is definitely growing. Some wealthy people just need a passport that gives them more visa-free travel, but they will often have no real intention to migrate to their new country of citizenship. Sometimes, they just want to have a 'plan B' and one can see, looking at what has happened in countries like Syria, Ukraine and Afghanistan (to name just three of many) how useful a 'plan B' would have been.”

is, he said, partly at least due to EU pressures, and Greece and Cyprus are under pressure.

The issue is the extent to which these programmes can be used for tax evasion purposes and also to allow undesirable people to get access to the EU. He explained

that the OECD’s concern is that by making passports available freely, it allows people to disguise their residency, and therefore avoid a lot of the disclosure rules and information exchange rules.

In the case of Portugal, there is pushback politically, as locals fear

they are being priced out of real estate by people coming with money from across the globe, and argue that just selling access to Portugal and the EU is not morally acceptable.

“If you are going for a second passport, I wonder whether it’s going to get tougher and tougher over time,” a guest advised. “And so, I would say if you are interested, do it now, before the gate can close or at least become partially closed.

Investment migration works well alongside robust estate and legacy planning, but careful tax planning is required

In a world of increasing mobility, and in which businesses and family members are increasingly dotted around the globe, and in a world of ever-tighter regulation and oversight, investment migration can significantly enhance tax efficiency, simply travel and lifestyle plans, improve access to education and also offer some degree of protection from potential political or geopolitical volatility. “It is like an insurance policy,” as one expert stated.

Even for immensely stable jurisdictions such as Singapore, things could change and nobody quite knows what the future holds. “Wealthy Singaporeans would do well to consider alternatives as insurance policies, such as the US, Australia, New Zealand and others,” said another panellist. “If I have the financial capacity, it makes no sense that I only have one country of residence or one citizenship if I’m allowed more than one.”

He added that this thinking pervades even that great bastion



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“But where the ‘plan B’ option may result in the actual relocation of family members, then some serious planning is needed, as unfamiliar tax and legal systems will be encountered. I am nowadays seeing many clients who have plans for family members to move to the US, Australia or the UK. These moves are typically for education, lifestyle, business or retirement.”

of global solidity, the US, which is today the source of the largest number of clients for investment migration consultancies such as Henley. Wealthy Americans have

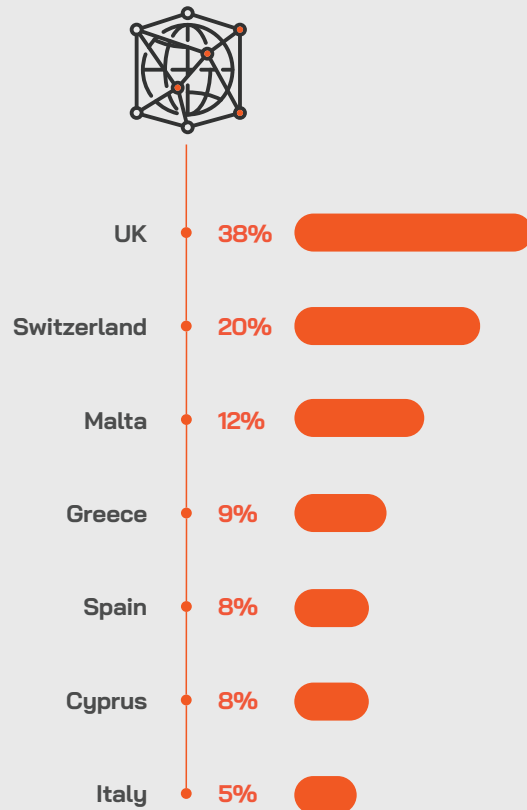
increasingly been assembling alternative residences to hedge against potential instabilities, and also as options on their and their families’ futures.

A guest remarked that tax planning for leaving or going to the US is essential to avert potential US tax scrutiny. He explained that exiting any country must be carefully navigated and for individuals or families with diverse assets and complexities, these issues must be looked at carefully before taking the plunge in either or indeed any direction. An expert noted that the US is the major economy that taxes individuals on their worldwide income, wherever they might be located, and demands tax filings from everyone, even those who are residents overseas.

He also highlighted how other major economies, for example, China, might consider such worldwide citizenship-based taxation to offset the wealth drain of so many of its HNWIs and UHNWIs looking at and taking up overseas alternatives.

Another expert added that many people, for example, clients from North Asia and China, are moving to what are high tax markets such as the UK or Australia, but he said that with smart structures and proper planning (based on solid advice) these exposures can sometimes be mitigated significantly. "Plan ahead, and do not just go without planning properly, or you might end up with enormous taxes or possibly even worse, criminal penalties," he cautioned. "And remember that investment migration takes time; it does not happen overnight and needs to be approached carefully and meticulously. To do so, you need the best firms and the best advice possible. It is worth it." ■

AMONGST WEALTHY PRIVATE CLIENTS IN ASIA, WHICH EUROPEAN COUNTRIES' RESIDENCE OR CITIZENSHIP PROGRAMMES ARE IN THE MOST DEMAND?



Expert Opinion

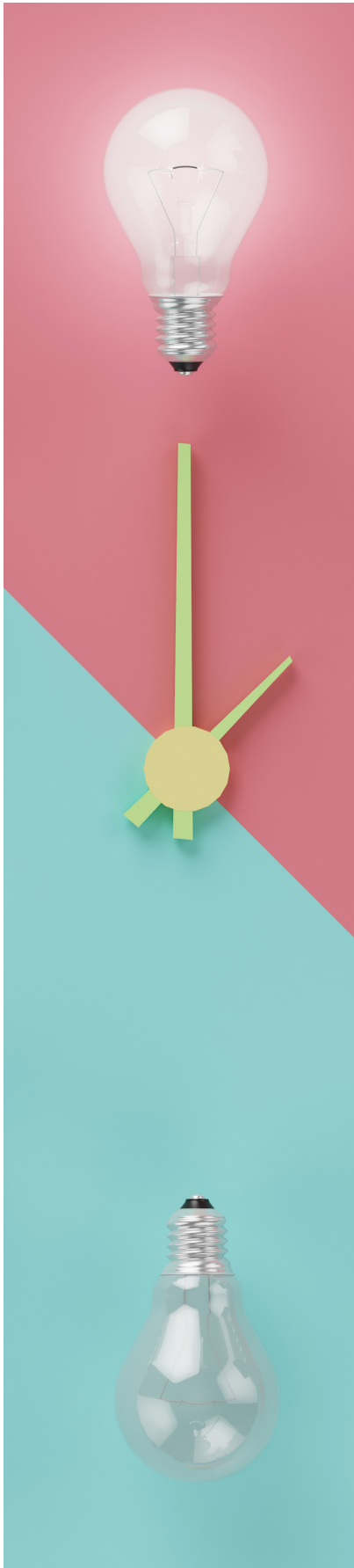
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"These countries are popular, but they also have high taxation of worldwide income and gains and, in the case of the US and UK, high estate taxes. But the good news is that, with planning, much of this tax burden can be legitimately deferred or completely avoided. Advice in this area is what we provide at 1291 Group. Without taking good advice, such emigration plans can become very expensive indeed."

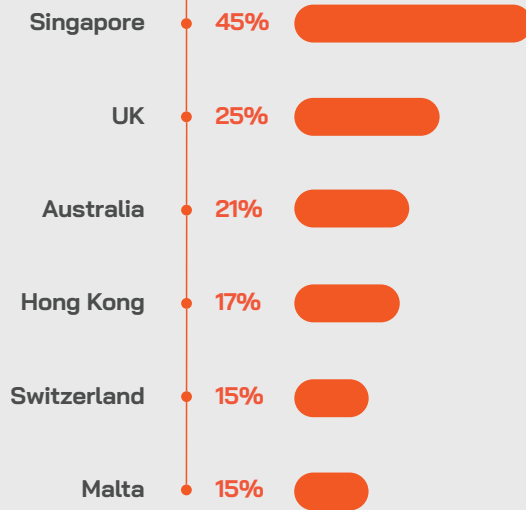


To read more about investment migration and the potential programmes currently available, see this Hubbis report:

<https://pdf.hubbis.com/pdf/article/investment-migration-and-building-optionalty-in-a-complex-and-challenging-world.pdf>



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



WHAT ARE THE TOP 3 COUNTRIES IN APAC THAT YOU WOULD PROMOTE FOR ALTERNATIVE RESIDENCE OR CITIZENSHIP FOR GLOBAL HNW AND UHNW FAMILIES COMING INTO THE REGION?

